FINTECH GLOBAL

Discrimination, stereotyping and boys club mentality – the state of gender equality in FinTech

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(https://member.fintech.global/wp-content/uploads/sites/3/2021/08/gender-1674893_1280.png)

The gender gap is showing little sign of narrowing in the world of finance. Debate around gender inequality and a lack of women in finance has raged on for years but more action is needed to empower female professionals and founders.

When Muinmos founder and CEO Remonda Z. Kirketerp-Møller set out to launch her financial services-focused firm after leaving Saxo Bank, she realised how ubiquitous gender discrimination was in the VC world. She said, "The [VCs] have often been surprised that I am a female, single founder and I have frequently been asked whether I have other co-founders, with the assumption that I probably founded the company with a man." The assumption is rooted in the fact that most VCs and angel investors are men, making it harder for female entrepreneurs in the financial industry to prove their firm and the product's worth. "This is a viewpoint that is certainly not acceptable and definitely still needs to evolve," she added.

The statistics surrounding women in finance paints a bleak picture. Women hold only 19% of senior positions (https://ec.europa.eu/eurostat/documents/2995521/10474926/3-06032020-AP-EN.pdf/763901be-81b7-ecd6-534e-8a2b83e82934) in the financial services sector, making up just 6% of board members at Europe's largest banks. In addition, only about 12% of decision makers (https://www.axios.com/women-venture-capital-gender-equality-3811e58d-6d89-48ea-bd13-6dc3e03a8911.html) at VC firms are women, and most firms still don't have a single female partner, according to an analysis (https://medium.com/allraise/more-women-became-vc-partners-than-ever-before-in-2019-39cc6cb86955) by All Raise. Consequently, just 2.3% of all venture capital funding goes to female-founded FinTech firms, per Crunchbase figures (https://news.crunchbase.com/news/global-vc-funding-to-female-founders/) where women receive €6m per year on average (https://www.eib.org/attachments/thematic/why_are_women_entrepreneurs_missi while men receive €12m.

Kirketerp-Møller is hardly alone in witnessing a tough time as a female in FinTech. AXA XL chief of staff APAC and Europe Parul Kaul-Green too shared similar challenges experienced by many others from under-represented and intersectional groups. "I can corroborate the truism that one needs to work twice as hard to get half the recognition," Kaul-Green said. "To an outsider it appears to be an industry founded for men, run by men, making products for men. Fair and equitable access to financial services is a prerequisite for economic security and FinTech industry which aims to democratize access to finance through technology has lot left to do." Given that female venture capitalists are twice as likely (https://www.kauffmanfellows.org/journal_posts/women-vcs-invest-in-up-to-2x-more-female-founders) to invest in female founding teams, it's the need of the hour now more than ever.

Where is the glitch?

A key reason for the rampant inequality lies in the archetypal perception of a financial company founder which hardly works towards the favour of women. Illuminate Financial investor Katherine Wilson detailed, "If you asked most people to picture a founder more often than not they would end up with a fairly stereotypical image in their head – one that isn't female. Finance has always been portrayed as male-dominated and macho so that, combined with the social conditioning, make it a mentally harder option."

It's no secret that the financial services sector has typically thought of as being something of a 'boys' club'. Many conscious and unconscious biases prevalent in the industry continue to limit access to opportunities. According to an IMF study (https://www.imf.org/en/Publications/Staff-Discussion-Notes/Issues/2018/09/17/women-in-finance-a-case-for-closing-gaps-45136), there are fewer women at all levels in the global financial system – from depositors and borrowers to board members and regulators with women making up only 7% of the global founder pool in FinTech companies. From the lack of solutions geared to women's needs to fewer leadership roles within banks and credit unions as well as the lack of sponsors, mentors and role models, women are forced to crawl instead of leaping ahead in the financial services ecosystem. Napier chief data scientist Janet Bastiman rightly pointed out, "There are so few women in tech already, it's hard for aspiring females to get access to the trailblazing mentor. Although there is value from having male mentorship, it's not quite the right example as he won't have had the same battles that women experience."

A more recent study by HR firm CandidateX (https://www.candidatex.co/research/) identified only two female CEOs across 37 UK-based FinTechs and challenger banks. The report also found that only 22.8% or positions were held by women and six of the companies analysed had an all-male senior leadership team. The companies that were included in the study included Revolut, Monzo, Funding Circle, LendInvest, and Starling Bank. This lack of diversity could discourage women to look at the FinTech industry as a potential career path. Recalling an instance, SmartStream RDU executive vice president Linda Coffman said she was taken aback when she was one of the few women amidst a room full of men. She said, "I recently attended seven meetings across two days, and it was not until the seventh meeting that I met another woman in the room. Given the lack of diversity that still exists, it may be hard for women trying to get into this sector or who are already here to find support."

Just like Coffman, Moxtra head of strategic business development Nikhita Iyar had to become used to being one of the only women in the room during her journey in FinTech and financial services. "More often than not, I have been one of the only female in a particular panel, conference, or meeting – and this took some getting used to," she said.

Among other factors contributing to the escalating inequality, a significant driver is that from an early age, women are not exposed to finance and technology through education, training or even clubs and activities, to the same degree as young men. Iyar highlighted the importance of financial education and said, "I believe further honing in on creating ways for women to get an understanding of the industry earlier on is critical, whether that be through female-driven investment platforms or more financial education."

Echoing a similar sentiment as Iyar, Kirketerp-Møller detailed that, "According to some feminist thinkers, women were 'tracked', as in 'put on a track to', towards caretaking professions like nursing or teaching, which is why, it is said, traditionally, the wages in those professions are lower than in other, more male-dominated professions." Alongside incorporating a male-dominated work culture, the financial services is a highly competitive industry and a risk-rich environment. She added that, "two things – competition and risk – women have been traditionally brought-up to avoid. Girls need to be brought up to compete and take risks, and women shouldn't be judged for their choice to balance work and family life any differently than men." She said that a frequent reason for the low number of senior women in financial services can be attributed to the industry being less friendly towards those who wish to work more flexible hours, or from home, due to childcare requirements.

Behind most successful companies is a woman

While the industry continues to grapple with inequality, it's important to note that women-led financial companies or those with a high diversity ratio have proven to be more successful. They ultimately deliver higher revenue — more than twice as much per dollar invested, a Boston Consulting Group analysis found (https://www.bcg.com/publications/2018/why-women-owned-startups-are-better-bet). There is irrevocable evidence that companies with more diverse boards have greater returns and lower risk profiles, a McKinsey study (https://blogs.wsj.com/atwork/2015/01/20/new-report-finds-a-diversity-dividend-at-work/) showed. Increased participation of women at all levels in the workplace also leads to better business performance for companies and higher growth for the communities in which these companies operate.

Inequitable funding and lack of representation could be missed opportunities for investors. A recent study showed that the first quintile of companies on gender equality scores in the Russell 1000 index outperformed significantly (https://research.ftserussell.com/Analytics/FactSheets/temp/a6088ab5-fb27-4b36-8c8e-78a4e1ebe4ee.pdf) companies in the last quintile when looking at both risk and return. As Coffman said, "I have grown to appreciate the magic that happens when you have all genders at the table, it brings a new dynamic to the discussion. I am not the only one that now appreciates this, and I believe the industry will continue to push for diversity since it's the right thing to do, not just in the name of diversity but also for the success of businesses."

Apart from having women on board, stakeholders in the FinTech industry need to ensure women don't hesitate when launching their businesses by extending as much support in terms of capital and mentorship. This would benefit not just the sector, but economies at large. The Alison Rose Review into Female Entrepreneurship (https://assets.publishing.service.gov.uk/government/uploads/system/uploads/atta demonstrated that up to £250bn of new value – equivalent to one million businesses – could be added to the UK economy if women started and scaled new businesses at the same rate as UK men.

Furthermore, the Equileap Global Gender report (https://equileap.com/wp-content/uploads/2021/07/Equileap_Global_Report_2021.pdf) uncovered that companies in countries with strong legislation on gender equality issues tend to perform better than those with little national regulation. A combination of corporate initiative and good legislation has led to strong overall performance in Europe and in Australia. In the UK, Financial Conduct Authority (FCA) put forward its proposals on diversity and inclusion stating that at least 40% of company boards should consist of women, including those who self-identify as a woman. The FCA's proposals followed a push by US exchange operator Nasdaq to increase diversity among the 3,000 companies listed on its stock exchange. The Nasdaq proposed requiring the majority of companies to have at least two diverse board directors: one woman and one person who identifies as either an underrepresented minority or LGBTQ. While regulators taking charge of diversity in firms will compel them to promote women in senior positions, Wilson believes "we do have to be careful that there isn't a backlash against certain promotions being dismissed as 'tick box' exercises." She continued, "There are many outstanding women and people of diverse backgrounds in the financial services and FinTech industry who are getting these positions on merit – not because they are a statistic."

According to Coffman, "We would rather see a more diverse pool of applicants so that all genders have a representation and the person with the right skill set, no matter their gender, is selected. Having to strong-arm companies to give women a seat at the table feels less progressive, although may be necessary at this time."

Diversity is not an option

Despite the aforementioned arguments in favour of supporting women-led businesses, it is seemingly not been enough to turn the tide among investors. Undeniably, the battle for women in finance is underway and it will take time to have more gender diversity in the industry. However, organisations and VCs must ramp up their efforts to improve the status quo. Mastercard group executive of merchants, acceptance & digital partnerships Amnah Ajmal said, "Organisations need to ensure that addressing the gender gap isn't a topic of presentation or discussion but an instilled way of thinking and working every day."

There might not be a silver bullet solution to this problem, but by identifying some basic steps to start levelling out these gender diversity issues, the future of the FinTech industry can be more inclusive. As Kaul-Green said, "As an industry, we need to keep reiterating the importance of gender equity on risk-adjusted financial performance, talent attraction and retention and long term sustainability of the sector as a whole." And, the industry as a whole needs to make a seismic shift in the inherent sexist attitude towards female entrepreneurs and professionals. "Female founders – those from ethnic minorities even more so – and senior women I talk to face countless micro-aggressions on daily basis. They are told that they aren't technical enough, aren't charismatic enough, are too aggressive or not aggressive enough," Kaul-Green continued. "There is a need for our male colleagues to step up as allies and call out and counter such biases and behaviours."

For starters, improving networking access and welcoming women to venture capital firms is crucial to spread necessary funding support to early-stage FinTech entrepreneurs. Kirketerp-Møller advised, "We could try to offset that by eliminating some of the risk entrepreneurship inherently entails, by setting up incubators for female-led companies, female entrepreneurship mentorship programs, ideation workshops for women."

Having greater representation of women and support from the FinTech founder community would likely unleash more successful new ideas, products, and services. The more women take on FinTech roles as diversity becomes more widespread, it will naturally produce more female thought leaders in the industry, and this will ultimately lead to more women entrepreneurs. Ajmal suggested, "We need more women advocates to lead the path for the upcoming entrepreneurs. We have so many examples of some great women entrepreneurs who broke the glass ceiling in recent times. We need to repeatedly share these stories and inspire the VC firms as well as women who have a great idea but are still thinking."

Mentoring and support groups would go a long way in helping those starting out in their career paths. However, the responsibility should not be on women, according to Wilson. She said, "Mentorship and being a champion for other women is definitely another part of it however the burden shouldn't only be on women to promote women. There are other minority groups who are underrepresented so it's not just a gender issue. I think it comes down to anyone in a position of power making more of a conscious effort to build a diverse group around them."

Coffman summarised and said, "When you consistently see your friend, mother, sister, neighbour holding these positions, it becomes reality. When you see it, you can be it."

Recruitment firms too need to ensure they actively support women getting hired. Bastiman said, "there could be plenty more initiatives from recruitment firms to encourage women into the industry and companies themselves to need to be showcasing how women can work in tech. I'd like to see companies actively looking to recruit from other sectors to encourage diversity of thought and skill, and be willing to invest in and mentor people to foster best practice and best-approaches to problem-solving."

As hiring has become more AI-powered with algorithms shortlisting CVs, Kirketerp-Møller suggested is to let technological tools assist in the hiring process, so as to minimise any possible gender biases – like the fear a woman would go on maternity leave. "There are algorithmic hiring solutions that assess potential candidates based solely on motivation rather than the photo on the CV, a name and so on. You can call this 'Diversity and Inclusion 2.0,'" she said.

However, as pointed out earlier, the interest in financial services and tech must start from the get-go in university. Educating women to harbour a higher sense of fearlessness by broadening their options is the foundation to be built from school. One part of the solution is to bring more female students into STEM studies. Currently, only 35% of college-level STEM students in the UK are women (https://www.stemwomen.co.uk/blog/2021/01/women-in-stem-percentages-of-women-in-stem-statistics). Convincing more girls to study and graduate from STEM programs, and guiding them into tech careers is one way to improve the gender balance in FinTech companies. FinTech courses or modules could be combined with business and finance at universities. Kirketerp-Møller said, "A combined degree involving law, data science and economics could make the graduate very employable and open up the prospect of working in this sector to people of all genders."

A stronger education will also translate to more confident and assertive women. Ajmal opined, "I always tell my women mentees to be visible, audible and ask for what role you want next. You may not be 100% ready for it but trust me no one is." She believes that the key is to share your stories to inspire, motivate and encourage other women. "You never know who can be listening to your story and decide to change their life path," she added.

Furthermore, companies have no excuse for lack of diversity – more so in a post-pandemic world. Bastiman believes that the Covid-19 pandemic-induced lockdown and the shift to remote working has been a blessing in disguise for women. She said, "Clearly one of the silver linings from Covid-19 is that it has demonstrated how remote working can be feasible, and this may be a catalyst for families who juggle childcare to see opportunities for women where previously there were none."

TAINA (https://www.taina.tech/?utm_source=FinTech_Global&utm_medium=article&utm_campaign=TAINA_PR&utm Maria Scott rightly said, "I think over time we will see a lot of transformation towards a much more equal society and industry but we all have a role to play in this, it is not going to just happen, we have to work on it."

Minding the gender gap

Despite an upward trek, women now are more motivated to prove their chops in the FinTech sector. From Starling Bank CEO Anne Boden to PensionBee founder Romi Savova, the industry today boasts a number of trailblazing female pioneers, ranging from FinTech founders to angel investors and technology experts.

Organisations such as the European Women in Payments Network, EWPM (https://ewpn.eu/), STEM Women (https://www.stemwomen.co.uk/), and Women in Payments (https://www.womeninpayments.org/cpages/home) are working to increase women's roles in FinTech.

While there is still much work to be done, it's certainly encouraging to see a variety of female-led FinTech companies making waves in this fast-moving industry. Many of these firms are also created not just by women but also for women, taking into consideration the specific wants and needs of their female user base. Ellevest, Tala, Policygenius, CapWay, and Honeybee were all founded to tap into unmet needs.

Looking ahead, there needs to be a strong commitment to making the gender gap narrow once and for all. If the past year has taught the FinTech world anything, it's that dramatic change is needed. Coffman concluded, "I hope that in the future we are no longer discussing women's equality because it is just a matter of fact. I was once frowned upon when I suggested in a woman's group years ago that I did not want to mimic the characteristics of my male co-workers. That I saw equality as having a seat at the table. At the time many felt that if women wanted to succeed, we needed to fall in line with our male counterparts in the way we conducted business."