TECH REIMAGINED
AN ENDAVA PODCAST

Sustainability in Fintech

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Speaker 1: Tech Reimagined. Redefining the relationship between people and technology. Brought to you by Endava. This is Tech Reimagined.

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Bradley Howard: Hello and welcome back to Tech Reimagined. I'm Bradley Howard, and I'm very pleased to welcome you to the latest episode of our show. In season three, we look at how technology is influencing the fabric of our society. The way we work, the way we live, and the way we do business. Please join us every Thursday and listen to the stories that our subject matter experts share this season. And speaking of the way that technology influences society, today we want to take a closer look at how technology and financial ecosystems can influence social equality for the better. And we'll do so with a really good colleague of mine, Scott Harkey. He's EVP of financial services and payments, and our global head of marketing at Endava. He's also a speaker, an advisor, a record label owner, and a break dancer. We'll cover that in another episode. So welcome Scott, how are you today?

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Scott Harkey: Hey Bradley, thanks for having me. I'm doing great.

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Bradley Howard: What have you been up to lately?

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Scott Harkey: Quite a bit, actually. There's been a lot going on both with some of the client work that we're doing and things there, but also probably most relevant to this conversation, some of the work that we're doing locally with some of the organizations here in Charlotte, North Carolina where I'm based. There's a whole workforce enablement program that's done through an organization called the Carolina FinTech Hub here in Charlotte that myself and a number of our colleagues have been working on for a few years. And just continuing to look at things like that and figuring out ways to get engaged in the community and really help contribute beyond what we do as an organization by also getting involved a little more directly.

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Bradley Howard: That's really good to hear. We were at a recent offsite where we talked a lot about caring for the local community in all of our local environments and locations, helping to enrich the local areas. Really interesting. We had a really good discussion about it, I remember. So do you think that the technology behind finance helps free up access to different social economic lines for those that often fall outside the normal financial services customer base?

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Scott Harkey: I do, I do. I think it's a bit of a tricky conversation because sometimes there's an initial blocker that access to technology can act, provide, that from an upward mobility and just ensuring that people have fair access to financial systems and financial tools, we found that sometimes the first hurdle is having quality internet or the right technology to allow them to access these services. I think once you get past that hurdle, then you get to where, yeah, there's actually quite a bit of democratizing access that can

happen through the usage of technology. I think one great example we have with a client is around a lending platform. So this particular client is building out a platform from scratch, really looking to better enable lending, the pairing if you will, of a borrower, a small business customer borrower with banks that have money that they're trying to lend. I don't know if this is common knowledge, but banks are always actively looking, lenders are always actively looking to lend money. It's not like they are waiting to be asked. They're actively out there trying to figure out where they can lend money, where they can put capital to use. So there's a whole market for organizations that are trying to lend. And then of course there's a population of people that are looking for money, whether it's an individual or a small business. And in this particular case it's geared at small businesses and small businesses that maybe have traditionally had a hard time getting loans. And what's interesting about this particular company and the problem they're solving is that the reason these organizations, some of them, are having a hard time getting loans, is actually because of demographic reasons. It's got nothing to do with their lending profile. It's got nothing to do with their on paper ability to repay the loan.
It is frankly bias that exists culturally when these individuals walk into a bank and ask for a loan. And I won't go super deep into it, but at a high level there, there's a whole set of stories around customers of this particular company that have gone into a bank trying to get a loan, had all the paperwork, had all the things they needed to show that they were a qualified borrower, and really just denied the ability to get the loan because of some racial profiling and other things that were happening as they engaged. And it's stories like that where you can clearly see that through the use of technology, the platform basically removes that bias altogether. Because you're submitting all the needed paperwork, all the needed background, all the needed account data, and almost a blind matching to a lender that's trying to lend qualified candidates and finding that a lot more of that matching happens whenever you remove that bias out of it.
So it's things like that where you can clearly see the usages of technology driving a more equitable environment, really enabling fairness, if you will, in a number of these financial products. And that that's just one area around lending. There's all kinds of other use cases. Access to banking services more generally, the uses of cash, and how people that are from socioeconomic situations or backgrounds where that's a big part of how they interact, that's a big part of how they manage their finances, just the disadvantages they have in access to traditional financial services and some of the things that are being done to try to help with that.

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Bradley Howard: Do you think that us for sure intelligence and machine learning can sometimes create the bias the other way, though? I mean there was the story about Goldman Sachs, I think it was, when they issued the credit cards and I can't remember who the celebrity couple were, but basically the husband had a different spending limit to his wife even though they were married, et cetera. So you think that that can create another problem for certainly the previously unbanked?

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Scott Harkey: Yeah, I think the layman's way of that I look at it is one, the machines are only as good as you train them. And two, they probably amplify the biases that already exist because the models of AI are built off of learning from itself over and over and over and over again. So you can take a really nuanced bias and by just running it over and over and over again as the basis that you build off of, it can amplify that bias in unpredictable ways. And I think that's what we see happening. I'm nowhere near smart enough to have the answer to how you solve that, but I've been encouraged to see... I know in particular Kathy Basant with Bank of America, she stood up in very public about

the need to make sure as we build AI, that we're aware of that and we put controls in place to ensure that we don't put that bias into AI.

And there's a number of other leaders that have as well. But she took a really strong position really early on, very publicly about calling that out as a need of something that we need to do and we need to ensure that gets built into these models. So I absolutely think it's an issue. I think it's a complicated one. And I think one of the things I've seen some organizations do is force a little bit of transparency into the AI. So a lot of financial organizations and a lot of it's driven from a regulatory perspective, at least in the US, won't allow a vendor to use black box AI. So you can't just put something into the machine and get an output. They require traceability of how were the decisions made and what was the decision tree, if you will.

To an AI purist, that's blasphemous, that counteracts the whole point of the AI. But I think it's representing the problem or it's a good representation of the challenge in that we want to allow for the advantages of AI, but we're not quite comfortable yet of just unleashing the machines, if you will, and not making sure we've got the right controls around things like bias.

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Bradley Howard: And even that traceability would be different on different timestamps depending on how many other customers had gone through the learning process as well. So you can have the traceability, but it's going to naturally morph after more machine learning by definition is going to go through. So in the US, how has the FinTech sector influenced socioeconomic change in the past, let's say, 20 years, or certainly since the internet?

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Scott Harkey: I think it's really the FinTechs in particular that have, I think, pushed on a lot of this. You look at companies that are... Again, they're going after these very specific pain points or these very specific inequities that they see and they're saying, " How do we build financial products or services that solve for that?" So I think some of the interesting things that have been done or been around cash and the uses of cash. So to a lot of people, cash is probably just a payment mechanism of, " Well, if you have cash, you use cash. If you don't, you use a card. It depends on where you're at." But there's a lot of people that cash is used very specifically as a budgeting mechanism. People use cash because that's how they can manage their cash flow and they can ensure that they can be in control of having money to pay for the bills they need to pay.

So I think an example would be historically banks having minimum deposit thresholds in their account, and if you don't have more money in the account than that threshold, then getting charged a $ 10 a month fee, it clearly penalizes people that don't have the financial set up, if you will, to be able to put money into the bank in a regular way and keep that threshold, and then may not match the way that they actually manage their money. So I think it's... A lot of the FinTechs in particular have really challenged some of those models by saying, " How do we do things like get people paid faster? On the surface it's a product feature. Okay great, everybody likes to get paid faster. But when you start to look at the people it impacts most, it's the people that are living paycheck to paycheck, it's people in... There's a lot of people in a lot of pay ranges that are living paycheck to paycheck.

But I think in particular looking at how do people, low income people, how do people that are managing money differently, how do people that are just trying to pay their rent or pay their bills, how do you build products around them and supporting them? That is probably the biggest trend or the biggest thing. And I think as these FinTechs or new entrants in the market have started to drive some of that, we see more of that being adopted by the larger banks. So we see things like... There was a wave that went through the US probably six months a year ago, of all the major banks basically doing away with overdraft fees. And again, because when they look at it, it's often penalizing the low income banking customer way more so than the average bank customer, higher earning bank customer. And it's things like that of trying to push a little bit on how do you build revenue models as a financial institution around things that aren't penalizing a specific class or a specific socioeconomic class of people. And that feels like the part of it that's gotten the most traction.

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Bradley Howard: I remember that once Uber had entrenched itself, there were apps that started helping gig economy workers get their payments come through much more quickly. So instead of Uber, however quickly it paid its drivers, I can't remember if it's weekly, fortnightly or whatever, they managed to do it on a daily basis. So it's really interesting seeing this whole new ecosystem start arising because someone who's spending a lot of money on fuel and other consumables during the week needs to have that money come through much more quickly.

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Scott Harkey: Payroll and disbursements in general is a huge area for that through technology like real time payments, in the US we're just now getting real time payments. So we haven't seen the impact of that in the payroll systems the way that it has in other countries, but especially in low wage roles, the ability to get paid same day is huge. And it used to be that even just a couple of years ago, really the only way companies like McDonald's, the way they were doing that was they were basically pushing pay to prepaid cards. So the employee would get a prepaid card and the employer would push out their earnings or their wages weekly to that card so that it was instantly usable and they didn't have to go deposit a check or pay, here in the US again, to cash a check.
They would have to go spend 7, $ 8 at Walmart to cash the check. So they'd have to pay to get the money. So advancements like that, first being able to push to cards, now with real time payments, we could real time push to account, that requires getting people banked. So taking that population of people that weren't previously using banks and getting them into the banking system, into products that aren't overcharging them or penalizing them or charging them monthly fees they can't afford. Those are all the evolutions I think we're still working through.

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Bradley Howard: Yeah. You mentioned real time payments starting to come out in the US, which might surprise some of our European and certainly UK listeners, but what else do you think is likely to happen in the FinTech world in the medium to long term future around social equality?

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Scott Harkey: I think there'll be a continued push for accountability for organizations to show that they're conscious of it, for one. How are they thinking about society more holistically and the impact of their products or services on society? And for some, that's environmental. It's looking at environmental impact. But I think for others, especially in financial services, a lot of it is socially, a lot of it is... How are we empowering people to manage their money better? How are we actually helping people with their finances, not just storing their money and charging them fees when they slip up or when they have a blip and things? I think it's that sort of stuff where it will go from being something that

some forward looking organizations do because they see it to an expectation and to a society holding these organizations accountable.

Without getting political about it, I think there is a feeling of large organizations continuing to get larger, continuing to get bigger and bigger, and a sense of there needs to be a balance, a little bit of that's fine if you're in a capitalistic environment, but there also needs to be... Those organizations needs to contribute to society as well in a positive way. And I think that's what we see across a number of these areas. And I think in financial services it's a lot about how do we help the unbanked, how do we provide access to financial service products for people that traditionally didn't have access? How do we make it easy for them to transact? I think part of the appeal around things like distributed finance was around the fact that you didn't need these central entities to necessarily dictate who could and couldn't be part of the system. It was less about there being a clear alternative, being better, and more about just the fact that you democratize it a little bit.

And I think that's what people are hungry for is how do we more fairly distribute access to these systems and tools so that you don't have to be of a certain privilege to have access to them? So that is where I think we're headed. I wish I had all the answers into how to do it. I think it's a bunch of little things that a lot of different parts of the ecosystem need to do, but I think clearly technology plays a huge role in that as we can use the scale of technology and the experiences that it can create to enable access. Because at the end of the day, the reason large organizations or large banks haven't paid more attention to those customers, outside of social awareness and a general social responsibility, is because they're not profitable and they'll never say it that way, but that's the reality of it.

So we've got to find a way to serve these people outside of that fact, either because we've built the systems in a way that there's flex in the system or scale in the system, such that it's cheap enough to serve those clients from an infrastructure perspective, that it's not a question about them being profitable anymore, or because we see greater value in the social good being done in order to serve them. But that's the hard reality of the challenge, I think, is ultimately organizations operate to be profitable and to make money and have to make decisions along those lines sometimes. So we got to make it easier for them to make decisions that align to a social agenda as well as a capitalist one.

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Bradley Howard: Yeah. We can either wait for those companies to change culturally, that there's some inertia within the organization where somebody says, " Look, we really need to support different areas of the socioeconomic growth," or it needs to come from government where it needs to be regulated. Or maybe there's some leverage on the ESG credentials where it becomes a requirement for them for their investors. So it's needs to be one of those three, I think.

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Scott Harkey: Yeah. We live in different countries and that that's always a tricky topic. My personal opinion is I think you're likely to see both society holding businesses accountable and government intervention way more so in other countries than you will in the US. I think the dynamics and frankly just the diversity in thought and opinion here is so great that that's a hard thing to build collective consensus around sometimes. So I try to focus on what I can contribute directly, personally, and through companies like Endava that we work for and the things that we can do.

I love stories like the one with the client we're working on where we can see the real impact of things that we're doing. But I think it's just trying to look for ways to progress that forward. Because I think if any of us as individuals try to think about it, the big problem, it's almost overwhelming. So how can we as individuals, or as a company, how can we make an impact? How can we make incremental change? How can we get our own stance and position right so that we're valuing the right things and we're putting emphasis in relevant things, and try to bring others along with us. But that's certainly the way I look at it.

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Bradley Howard: Yeah. Do you think that caring for the local community needs to be a top down or a bottom up type approach? Do you think it's groups of people getting together and saying, " Right, come on, let's help out that local community," or do you think that it should be C- level saying, " Thou shalt now start looking after the local communities?"

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Scott Harkey: Yeah, this is maybe a lazy answer, but I think it's both. Because I think if you just get top down, if it's just the voice of the company, it lacks meat, it lacks impact, it lacks meaning. It's too easy to write that off as like, " Oh, okay, that's a nice thing to say. That's a PR move." On the other hand, if you just have people on the ground that are doing good work as individuals, you lack the impact or the scale of the impact that you can have if you have a whole organization behind it. So I really think it takes both. I do think it takes the company having a really clear stance of what they value and following through with it and following through with actions, with investment, with attention, with focus. But I also think it takes people being willing to step up and say like, " Yeah, I'll do my part. I'll do something. I'll help out. I'll engage."

So I view the company's job as one, having a stance, having values that for me, personally, that I align with or that I think are important if I'm going to work here, which fortunately we do, but then also helping organize, putting the framework in place. We do things like the ESG employees support groups, volunteer activities, all those things I think are meaningful because they help show the company's commitment to actually doing something about it, and they provide organization mechanisms to pull people together. So I think you'll find a lot of employees will do things through different organizations they may be involved in, but there's always, to me, more impact when you can do it through where you work. We spend a large chunk of our time at work and engaging with people at work, so when these things can flow through into those environments well, I think it could be hugely impactful.

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Bradley Howard: Are there ESG initiatives that you see some of our competitors or other companies or maybe even some of our customers doing that you think, " Ah, it'd be really good if Endava did a bit of that?"

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Scott Harkey: That's a great question. The tricky thing for me, just being really candid about it, is the global dynamic. It's way easier for me to think of it from, say, a US-centric point of view, in the same way I'm sure you could from a UK point of view. But when you think about a global company and our global impact, what matters is probably slightly different in different parts of the world. There's overarching themes like equality, there's overarching things like... I think the environment is a huge thing that we have a role to play and our part to play in making sure we're doing things there. But I think then you get into more regional... I know things we do in different parts of the world relative to where we feel like we can make the most impact with people, and that's got a lot of variety into it.

I think certainly here in the US there's a lot of things as a company we do around volunteering with different organizations. There's different programs we do with a lot with children around either giving them access, helping provide access to technology, or let them see what it's like in our area or our field. There are things that we do around some of the environmental things, and again, just awareness and starting to think of how do we make meaningful impact there or drive things there. So little things all over the place.

I actually like that method and that I think it's good to have broad company, these are the types of things we want to make an impact in. So we want to make an impact with regards to the environment. We want to make an impact with regards to social equality or social justice. We want to make an impact around things, dealing with fair access to financial services, whatever those things are for an organization. But then you localize or regionalize the actual things that you rally people around to align to that theme, because those things are where I think they can vary greatly from region to region.

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Bradley Howard: Yeah, definitely. Well, thank you so much, Scott, for coming here with us and sharing your voice on this important subject of sustainability in FinTech. To all of our listeners, thank you so much for joining us today and we look forward to doing so next week. I hope that you enjoyed this episode. Until next time.