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Values-based finance solves multiple social challenges

Alastair Lukies | 27/09/2021 1:15 pm



Financial service providers have a responsibility to make faster progress on the sustainability and inclusion agendas, and the values-based finance can help, as shown by the UK.

The current financial system is by no means perfect, but it's hard to argue against its success in overseeing one of the most significant periods of economic growth in human history.

The thinking underpinning this was simple: nations interconnected through trade and finance were less likely to engage in conflict with each other. However, the world has moved on significantly since the second world war, including a global population that has more than tripled to almost eight billion today — a population that is more globally spread and mobile than ever. With rising inequality and worsening climate change, we are at a civilisational inflection point. Financial services need to innovate and evolve to be at the heart of solving these challenges.

Consumers around the world are already voting with their feet about their heightened expectations from producers of goods and services. A recent study by research firm Kantar in Asia, focusing on what sustainability means to consumers across the continent, found that some 77% of consumers in India are prepared to invest time and money in companies that try to do good. One only needs to consider the 'Greta Thunberg effect' to see the public's willingness to take action on climate change.

This was especially the case for young people, which we saw first-hand across the UK and other countries by the numbers participating in the student climate strikes in recent years. Other recent social movements, including Black Lives Matter, have also propelled into consumer consciousness the challenges of minority communities' societal inclusion and belonging. So how should we respond?

Tech-enabled supply and demand

Technology — especially digitisation — is how we know what consumers want more clearly than ever, and it will be the medium through which we meet their evolving demands. This is part of a much wider shift, according to Klaus Schwab, founder of the World Economic Forum, who says that we are in the middle of a fourth industrial revolution, whereby rapid advancements in technology will utterly transform the lives of humanity. He follows this by saying our response to it “must be integrated and comprehensive, involving all stakeholders of the global polity, from the public and private sectors to academia and civil society”.

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We are seeing this multidisciplinary and interconnected approach emerging within UK fintechs, led by companies like Algra — a sustainable and values-focused digital finance provider that will provide ethical finance solutions and promote financial wellbeing for all, with a special focus on minority communities and Islamic finance. Its proposition will cater for a large number of conscious consumers, from those advocating for environmental sustainability to those with faith-based requirements. And it isn't the only one. Algra published research in September on behalf of the Emerging Payments Association and Mastercard, titled 'Values and lifestyles in banking', that shows the emergence of several digital banking platforms that serve the needs of underserved communities, such as faith-based communities and the elderly. Yet despite this progress to make financial services more inclusive and equitable, a large number remain “financially overlooked”, both in the UK and globally.

Building an enabling fintech ecosystem

The emergence of values-focused fintechs, where overlooked consumer needs can be catered for, is largely down to an exceptional ecosystem in the UK which attracts 10% of the global market for fintechs and investors. But as the Kalifa Review of UK Fintech found, more needs to be done to capture this positive momentum. This includes better national connectivity, investment in the retraining and upskilling of adults to support the sector and, crucially, creating a fintech growth fund of enough scale so as to catalyse innovation and maintain the UK's position as the leading financial services centre.

As the UK takes up the presidency of the UN climate change conference COP26 this year, we have an opportunity to show leadership on multiple fronts. Alongside the recommendations set out in the Kalifa Review, we might wish to explore incentivising fintech investment and funding that addresses urgent social issues, including exclusion and climate change; how deposits and investments are managed in a comprehensive way that is compliant with environmental, social and governance standards; and encouraging a new fintech supply chain to embody values that ensure no social harm from the offset. The UK is poised to maintain its global financial leadership through the development of a more balanced global financial system.

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