To Unlock the True Potential of Fintech we Need More Social Scientist Engagement

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Financial technology, commonly known as fintech, has shaken up the finance sector over the past decade. A range of entrepreneurial challenger ventures have deployed advances in artificial intelligence, blockchain, cryptography and data analytics to offer a range of new and improved products and service offerings. Incumbent banks, insurers and investment firms have scrambled to adapt to the disruption, with many embedding new financial technologies into their own services. Consumers have readily adopted these new innovations, with fintech ventures such as Monzo, Moneybox and eToro generating substantial revenues - despite only forming a few years back. In the UK alone, fintechs generate £11bn of revenue per year, distinguishing financial technology as one of the leading growth sectors in the economy.

Universities have been key to the success of fintech. From working on the underpinning enabling technologies through to developing the pipeline of graduate talent that has fuelled the growth and expansion of high profile fintech ventures. Yet, there is one disciplinary area whose potential has been somewhat overlooked in the fintech revolution: the social sciences. Motivated to discover how social scientists can contribute more actively to the development of the fintech sector, the University of Bristol and University of Glasgow undertook a project, funded by ASPECT, to investigate further. As part of our study, we interviewed a range of fintech entrepreneurs and support organisations from Scotland and the Southwest of England. Our findings reveal a mixed picture highlighting promising early-stage fintech-social science engagement, tempered by a recognition of the challenges small organisations face working with the university social science base.

So, first, what can be achieved through better fintech-social science collaboration? A common theme emerging from our interviews was that fintechs can gain a better understanding of customers/users by employing advanced social science theories and methods. This is significant, as a core differentiating feature of fintech is its apparent focus on customer experience. As Suhail Ahmad, founder and CEO of Altdaq noted, there is a tendency for product teams to focus on technical aspects of new services, and therefore the human focus of the social sciences could be an important counterweight to rapidly evolving, often overwhelming, technological advances. The need to understand customers and markets at a granular level is echoed by Loral Quinn, founder of Sustainably, who argues that it is important to integrate insights from behavioural sciences to better understand human interaction. James Varga of DirectID argues that adding social scientists to the mash-up of conversations between technologists and entrepreneurs is vital for developing breakthrough innovations, as the social sciences offer a distinct perspective in this context.

So, if there is such great potential to improve commercial value propositions through social science-fintech collaboration, what has stopped more taking place? Well, primarily, fintech entrepreneurs find universities difficult to deal with. The central issue appears to be the different timescales and incentive structures both organisations operate within. Fintechs are agile and adaptable while universities are perceived as being rigid and hierarchical. Many of our interviewees, including Glenn Smith, Founder of Roqqett, and Kerra Pringle, Brand Manager of Tumelo, found the opportunity costs associated with applying for government-funded university support problematic. For example, being required to answer detailed questions about future financial projections does not appear to recognise the volatile and often unpredictable nature of high growth start-ups, particularly when they are at a nascent stage of growth. Similarly, time spent filling in forms is organisational capacity that could be deployed elsewhere, securing revenue, or raising funds. Our fintech entrepreneurs further suggested that universities need to do better at marketing their capabilities and expertise. It can be difficult finding the right expert in a large college or research institute. A common request from interviewees was to have single points of contact at the university who could serve as a guide to entrepreneurial ventures. The situation is summed up succinctly by Dan Scholey, COO of Money Hub, who says universities should be asking "how can we make relationship building with businesses really easy for the business?'

As a research team, we also reflected together on where social scientists could do more to support the fintech sector. If social scientists are good for anything, it is offering a critical perspective. We suggest the fintech community is occasionally guilty of hubris and unevidenced claims about impact. We have, for example, lost track of the number of times firms have claimed to solve financial inequality or otherwise claim to democratise finance. These are all admirable goals, which we hope are achieved, but we think a more critical perspective could help ask questions that properly evaluate these high-level aspirations. We also propose that fintechs should engage social scientists on ethical and regulatory issues more frequently. Given the rapid deployment of artificial intelligence, and other forms of algorithmic decision making, which are shaping the way vulnerable groups access financial services products, there is an acute need to engage scholars who have ready access to frameworks and methods that will facilitate more thoughtful outcomes for the sector. In each case, we believe the critical rigour of social scientists can improve outcomes for users of fintech services and will ultimately make fintech ventures more sustainable.

In sum, fintech is one of the most dynamic areas of innovation in the economy. It sits at the confluence of rapid technological change, deregulation and dramatic demographic and cultural shifts. If, as some suggest, fintech might play a part in addressing intractable structural inequalities through banking the unbanked or creating new opportunities for businesses, then it has never been more important to involve sociologists, legal scholars, behavioural economists, and the myriad experts who spend their research careers analysing these very issues. As our project shows, however, there is work to be done on the university side to enable these collaborations in the first place – as social science academics we need to get better at telling people what we do!