Senior female bankers are just as ready to take risks

SHARING IDEAS: All-female computer gaming team 'QWER' speak to a member of their management team.

ELIZABETH SHEEDY

Research suggests that increasing female staff is, on its own, unlikely to change the way risk is managed

THERE'S a popular theory called the "Lehman Sisters Hypothesis" that says well known bank failures (like the Lehman Brothers collapse) wouldn't have happened if there were more female staff in management.

Our research suggests that increasing female staff is, on its own, unlikely to change the way risk is managed in banks.

The Lehman Sisters Hypothesis relies on the research-proven fact that women are, on average, more risk averse than men. It implies that bringing more women into banks will lead to better risk management and reduce the possibility of bank failure or scandal.

While female staff may be more risk averse on average, our research shows many of them are just as risk tolerant as their male counterparts. These are the women who tend to make it to the management roles where risk management decisions are made. It's important to note that women already comprise more than half the workforce in the banks we analysed, but they are under-represented at senior levels and in institutional banking. This is the arm of banking that offers complex financial advice and services to large institutions.

From July 2014 to August 2016 we collected survey responses from 36 223 employees from ten banking institutions headquartered in Australia, Canada and the United Kingdom. Our unique data set encompasses a cross-section of staff in all business lines and levels of seniority. Using survey methods, we asked bank employees to self-report their risk management behaviour. For example, we asked about compliance with risk policy, speaking up about practices that may be inappropriate and reporting risk events. People will often not admit non-compliance, even in an anonymous survey so we took great care with the wording to illicit a truthful response. For example, one of our questions read:

Sometimes I need to bend the rules in order to get my work done (Agree/Disagree).

Using similar survey methods we also assessed the extent to which each staff member was risk-loving or risk averse – in other words, their individual risk tolerance. We found people who are more risk loving are generally less likely to display good risk management behaviour.

Once we accounted for differences in risk tolerance, women are no more likely than men to behave well. We found older workers are more likely to exhibit good risk management behaviour, even after accounting for the tendency for older people to be more risk averse. For example they are more likely to question business practices that may create poor outcomes down the track, such as making risky loans or selling products to customers who don't fully understand them.

Perhaps older workers, having lived through many economic cycles, simply "get" risk management more than the young.

We also studied the risk culture in more than 300 different units within the banks. Risk culture is the perception among employees that risk management is genuinely valued and practised. So it's not just a glossy statement on a website to satisfy regulators but the "way we do things around here".

Our results show there isn't any relationship between the gender mix of the units and the risk culture. We also didn't find any association with the gender of the leaders of business units and risk culture. The hypothesis assumes all women are risk averse, yet women themselves are a diverse bunch.

We found risk tolerance varies between men and women when they are at junior levels but these differences disappear as you climb the corporate ladder. At senior levels the women are just like the men in terms of risk tolerance, so the way they manage risk is also similar. More women who behave like men does not change anything.

In order to prosper in a masculine culture, women may need to have masculine attributes, or they may need to adapt to the culture around them. It all comes down to gender stereotypes. Risk-taking is a masculine attribute, not a feminine one, but these days women are increasingly not conforming to this stereotype.
— The Conversation

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Fintech frontier changing the face of banking in Africa

EUGENE YIGA

DIGITAL disruption has brought essential financial services to millions of people in Africa, where the traditional architecture of banks, cards and transfer services has been difficult to develop. We take a look at the start-ups shaking up the space.

Mobile penetration in sub-Saharan Africa is expected to increase from 52 percent in 2012 to 79 percent in 2020, according to a report from research and consulting company Frost & Sullivan. This means that about 800 million Africans will have a cellphone.

Given the increasing availability of cheap smartphones, African mobile broadband connections were expected to quadruple from the 2012 figure to 160 million last year.

All this points to many opportunities for FinTech companies that specialise in payments, lending, financial management, and other services.

Payments Nomanini, which means "Anytime" in Siswati, is a South African-based enterprise payments platform provider that enables transactions in the cash-based informal retail sector.

"With our end-to-end solution designed for informal market environments, enterprise prepaid distributors are able to bolster their distribution channels, add to their portfolio of transaction services, increase their access to informal market consumers, and efficiently monitor micropayments and services via a scalable cloud-based platform," explains chief executive Vahid Monadjem.

The company creates rugged point-of-sale terminals for use in places that have low cellular reception and unreliable electricity. The platform can handle sales of different virtual goods like airtime and electricity. There are also online web management tools that provide real-time business intelligence data.

Another leading company in the payments arena is Snapscan, which is also from South Africa. It has over 20 000 merchants and uses a smartphone app that supports credit cards, most debit cards from local banks, and 3D secure-enabled international bank cards too.

So, instead of standing in a line or waiting for a credit card machine so that you can pay for your coffee, users scan a code with their phones.

The app also lets users pay when shopping on their phones, settling monthly bills, or buying at a market.

A third company that succeeds in this area is M-Pesa. This mobile-based money transfer, financing and micro-financing service was launched in 2007 by Vodafone for Safaricom and Vodacom, the largest mobile network operators in Kenya and Tanzania. Users can deposit and withdraw money; transfer money to other users and non-users; pay bills; buy airtime; and transfer money between the service and a bank account.

In Kenya, M-Pesa had about 17 million registered accounts in 2012. The service has now expanded to Afghanistan, India and Eastern Europe.

A company that offers a mobile money lending service is GetBucks. Founded in South Africa in 2011, it has helped 212 500 people in nine countries with short-term financial needs.

The simple sign-up process takes about 10 minutes, making it a quick and easy way for people to fund their needs. Every time a borrower repays a loan, their "trust score" changes. This gives them access to better deals in the future.

Another company that gives access to money is InVenture, whose offices are in Kenya and the US. It uses an Android platform to collect thousands of data points per customer, build a real-time credit score, determine loan terms, and disburse loans in less than a minute.

InVenture has disbursed millions of dollars in credit in East Africa and is rapidly expanding throughout Africa and Asia.

Lastly, South Africa's 22seven is a free app that helps users manage their money more easily and invest it more smartly.

By using the latest insights in behavioural psychology, the company is able to understand how we think and act when it comes to money. It then combines this with the latest technology to help "nudge" people in the right direction.