



## E05: Fintech Response to Climate Change: How does It Matter?

O: At the end of the day, we are all part of the same ecosystem. So the idea that any action you take or any decision you make leaves a certain impact on other habitants or the ecosystem as a whole, can be a bit terrifying.

The decision you made this morning about whether you walk to work, commute or use your car. The decision on what clothes you're gonna buy and where, the decision about what you're going to eat today, it's all leaving a certain mark on a bigger picture.

To me, becoming aware of this is actually empowering. You can start thinking about transforming your lifestyle and even transforming the way you do business in order to do some good work for everyone.

And who better to talk about the ecosystem and the impact of all members, then the king himself, or the lion. Since you'll remember our first guest in the season, you will now notice that we have quite a few lions in our alumni herd. In this fifth episode of our Fusing Futures podcast, I'm delighted to welcome Lav Odorović, a fellow member of the BOS alumni network and founder of Penta, a platform for online business banking.

**L: During my studies at the University of Belgrade, Faculty of Economics, I also had the small startup and we were creating e-commerce solutions and we export them to Netherlands. So which required to deal with the banks and both to make international payment and receive money. And me, as I think, most of the entrepreneurs all around the world experienced how bank were not really great partner for small business. So this is in part where frustration with bank started, and it was very interesting to see later on when we started building Penta, that it's actually a global problem and pretty much the same everywhere in the world.**

O: The industry you come from is popularly called fintech - which is short for financial technology. Thinking about in what way your industry effects climate change, maybe a bit mind boggling for starters. But let's take a step back, look at the bigger picture and try to see where fintech fits when it comes to climate change. Does fintech in any way affected?

**L: So before you asked me to talk about this, I was not even aware what is the real impact of fintech on the climate change. So, yes, it does. Of course it's not the same if we talk about buildings that create forty or forty five percent of world emissions or transport, it's not that kind of the sector. However, there definitely some positive effects, or at least I would hope so.**

O: Ok, let's now move on from if to how. What are the direct effects?

**L: There really different ways how it affects, and its also very different across the world. So if we talk about Africa, many people don't know, but people there don't really have banks and banks on their mobile phones. So this started twenty - thirty years ago, even far, before we in Europe, even knew what fintech is. It started there and it created a huge**

**difference, so it's also not only fintech, but insure-tech as well, but hopefully it's okay to merge them at this moment. So farmers, for example, when they buy crops, they could just send an SMS with a code, they bought on the back of crops, and this would mean that they ensure the crops. So they would know their address. In a case, there would be a drought or floods, then they would soon get some money. So and of course, nowadays with MPESA and many other innovative offering in Africa its really allowing and helping poor farmers to get funds to produce, which would mean that there is local food and doesn't have to be transported, and local communities are growing.**

O: Can we already see that both customers and banks are becoming focused on creating some added value, not just profit, through their cooperation?

**L: Of course, when we talk about the more developed countries or Europe, differences are a bit different. The people, some of them have developed a better feeling that they should somehow help slow down the global warming and affect climate change. So because there is this value in them, there now products appearing which are suited to that kind of customers, so for them example with investments there many green funds, so people want to place their investments into the funds which are really caring about the environment. There is even a bank in Germany, called Tomorrow and their whole value proposition is that you have a bank account with a bank that cares about the environment and also bank, which will tomorrow plant trees with every purchase you make or many different things that they do. So, you can affect change.**

O: We all still have an elephant in the room or an elephant in our ecosystem, which is you guessed it – COVID-19 crisis. How has this affected the fintech industry?

**L: COVID-19 brought changes across the industries and across the world, in fintech as well. So, first of all, the very clear benefit was that those businesses that are more digital could really do well. So we see now that, even though most of the stocks are still down, the stocks which will really digital, where scalable without human interaction are actually above the levels before the crisis. So in fintech, it has one positive effect. So, for example, if you need to open an account, you can do it without going to branch which we mentioned already, but this is still possible in COVID-19 times, and it is not possible to do the same with the traditional bank. On the other side, many fintechs facing lower evaluations. It is mostly because still people are using less payments, there less things moving in economy, people are going to less to restaurants or buying staff and they are more at home and so on. So there is also a bit about uncertainty for investors. However, I think in general, that fintech and generally new technologies are benefiting in mid term from COVID-19.**

**I believe that now, it is really shown that we can rely on much more technology in general in fintech; but also in other areas like in m-health and many other fields. And that people are more likely to trust the services, you know one when the hard times they were available, while the usual ones were not. I suspect and hope that this will even increase the adoption on the mass scale. In long terms, I dont really see us going back in time and going back to due to the way things were, and this will definitely bring up positive effects to climate change and the world we live in.**

*Nostalgia: My daughter entered a room one day talking about a lecture. As a student of economics, she would often come from the uni either under the impression that we all are doomed or inspired to save the world. On that day, she was in the mood of saving the world by spreading the word efficient, transparent, and automated financial mechanisms. As a little girl I was good at*

*mathematics - I know it is hard for some of you to believe it as I am a librarian now; but I was damn good at all the operations and you could not fool me with a change while buying ice cream. So I was motivated to hear more from her! She claimed that thanks to all the emerging technologies, we were about to enter the cashless society. She kept talking about solutions that were already in place, how we were going to rely heavily on technology for paying all sorts of bills - simply could not stop which made me think about generational gaps - what sounded remarkable for generation Z it frightened baby boomers. Before I could even respond, she pulled up the bed blanket and snuggled down. 'This is going to blend our realities as nothing before,' she said, seriously. 'I am going to be the first to explore it.'*

**L: Penta started within a few people, none of whom ever worked in a bank. We had an idea that banking is to be different. We had no money, but it was a bit of a crazy adventure. In the next three - four years, we managed to be accepted to start a boot camp, Fintech Accelerator in London, which is one of the best programs in world, at least it was at the time. And then from ten, then on the raised close to ten million euros of before Penta was acquired, approximately a year ago. Penta today employing more than hundred people and many of them, if not most of them in Belgrade and it's already providing services in Germany and Italy.**

O: Let's talk now about leading by example, how do you think that you and your team contribute to reducing CO2 emissions in fighting climate change?

**L: I personally hate paper and many banks would require you to receive post. So when you make a transaction, they will send your report by post. So this was the first thing that we were able to kill, but this was a very obvious one. However, afterwards we went on trying to rethink every little bit of banking, how it's done. And probably the highest direct effect would be that we do not have any branches. So our customers don't really need to go somewhere to do something. It's fully online, which is probably obvious in 2020, but maybe three - four years ago we were first company in Germany to properly digitalize bank account opening for businesses. So by that time, companies like M26 and Revolut, they were allowing these for retail customer so, for example, for you and me, but not for the companies, because this process was a bit more complex.**

**How to redesign the on-boarding process? Nobody was really thinking how to lower the CO2, but because we were thinking ok, there is a technology, you don't have to go to branch, we are already using skype, for god knows how many years now, it just became obvious due to find the way which is good for business, so lowers the cost and also over the friction, more importantly, for customers, but also has a positive effect on CO2. So I think it's just naturally moving as there, it is more how we need to deal with this.**

O: To survive both, in ecosystem and in business, we need to improvise adapting overcome, but does the evolution of businesses always have a positive impact on our environment?

**L: I believe that every good innovation will naturally have a positive effect on CO2. So, or at least most of those that I can think of, or that I have been involved in. Innovation where is using new technologies and they by definition need to be better in dealing with the environment.**

O: Finally, what is your key take for all the fellow ecosystem members?

**L: We, as entrepreneurs, have to be aware of the good change we bringing and communicate it, because this will help us in identifying the target groups we are addressing and it will make them easier to become our customers. But also we as a customer should really be demanding and not really doing stuff, just because its friendly to environment, but also because there is a good synergy effect, because, in my personal opinion, this is the only scalable way to go forward and really make a difference in the long run.**

O: Fusing Futures: light them up is Belgrade Open Schools audio podcast. Members of BOS alumni network: Lav Odorović, Gordana Bojanić, Jelena Šapić and myself, Ognjan Pantić, took part in making this fifth episode. Aleksa Račić and Marko Mitrović supported us by designing the sound and audio effects. In order to stay tuned, don't forget to click subscribe at Apple podcast or any other application use for listening to podcasts. For more updates follow us on Instagram and Twitter.