FINANCIAL SERVICES

Reaching for greater innovation

Efficient as they are, there is still room for financial institutions to achieve higher levels of productivity, reports **TEH SHI NING**

EVEN as the urban landscape of Singapore's financial district is being transformed by Marina Bay's glitzy skyscrapers, there is much room yet for the numerous financial institutions housed in those towers of glass and steel to transform themselves and reach higher levels of productivity.

That latent potential for Singapore's financial sector to achieve even greater productivity is not immediately apparent – certainly not in the same way sectors such as construction evidently lag peers abroad in deploying manpower and using technology.

After all, the financial sector here is also the sector that notched up the highest level of productivity in the Singapore economy. According to the Monetary Authority of Singapore (MAS), financial services churned out $44,000 in value-added per worker in the first three quarters of 2012. This is almost twice the national average of this common measure of productivity.

By such a measure, however, productivity growth in the financial sector is bound to be volatile. A global cyclical downturn or financial market shocks can dramatically depress the amount of value-added the sector can contribute, thus lowering its productivity. The opposite holds true when global financial markets are roaring.

But there are several angles from which to assess how efficient a financial services sector is. And on multiple counts, Singapore's has evolved into a highly efficient one – one of the world's leading global financial centres with over 600 financial institutions offering a myriad of products and services across various asset classes.

The highly efficient capital market here helps facilitate the flow of funds, connecting investors with issuers, borrowers with lenders, offering investment solutions and financial planning services to Singaporeans too. And there is already a "fairly high level" of automation in financial services today – from the provision of Internet banking services to straight-through-processing for banking transactions, MAS says.

Yet, the financial services sector was one of four business sectors added in January 2012 to the National Productivity and Continuing Education Council's (NPCEC) original list of 12 priority sectors – ones seen as having the potential to boost productivity.

Tasked in 2010 to lead the national drive with bold targets of raising Singapore's productivity growth by 30 per cent over the next 10 years and growing the real median income to $3,800, the high-level council has been endorsing productivity road maps specific to the sectors it has identified.

The addition of the financial sector to this list isn't surprising, given its importance to Singapore's economic growth. It accounts for about 11 per cent of GDP, a significant chunk of the 55 per cent of GDP that the 16 sectors earmarked by the NPCEC contribute in all.

While the productivity road map for financial services has not been unveiled yet, MAS says that "there is still scope for more productivity innovation in the financial sector, as we are still a fairly labour-intensive sector". The sector hires about 5.5 per cent of Singapore's entire workforce of 3.36 million people, or about 184,800 workers.

Use of IT

A prime driver of innovation in financial services, as in many other sectors, is the use of information technology. The Singaporean user of financial services here already benefits from the use of IT throughout the sector, MAS says.

Banks have been able to shorten the waiting time at ATMs by using analytics to understand customers' withdrawal patterns and customising menus and transitions accordingly. More products and services are offered at the ATMs too, such as the application for shares when an IPO (initial public offering) is launched. Application for credit cards can now be done more swiftly, while mobile banking services mean that customers can get more done on the go, instead of visiting a bank branch and waiting in line.

Last June, the Association of Banks of Singapore (ABS) announced that the banking industry was developing a new payment system to be implemented in the next 12 to 18 months.

The system will allow consumers and businesses to transfer funds electronically between banks in real time, any day of the week and round the clock. This compares to the two to three business days inter-bank transfers now take.

New Giro arrangements can also be set up electronically within five business days, instead of 12 to 15 days. In addition, the new system will also allow for more information on transfers to be included in bank statements, to make payments more transparent and clearer to both consumers and firms.

Summing up the next-generation national e-payment infrastructure as bringing "speed, convenience and efficiency", ABS director Ong-Ang Ai Boon says these are benefits that Singapore "can expect soon". "The adoption of this new and innovative payment technology in Singapore is a good project to drive national productivity," she adds.

But the financial sector goes beyond the banks and MAS works with other industry associations on initiatives to streamline back-end processes for greater efficiency as well.

Life Insurance Association Singapore (LIA) president Tan Hak Leh says: "Insurance underwriting and claims processing are examples of specialised areas where productivity gains will translate into better customer experience and service." The association is thus assessing the feasibility of greater automation for some of these functions and operations, he adds.

Singapore's financial district: *While there is already a fairly high level of automation in financial services today, MAS says that there is still scope for more productivity innovation in the financial sector, as it is still a fairly labour intensive industry.* PHOTO: BLOOMBERG

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In recognition of the fact that "the ability to leverage infocomm to innovate and create new products, processes and services has become a prerequisite to being a sustainable premier financial centre", the Infocomm Development Authority of Singapore (IDA) has singled out the financial services sector as one that will benefit from better utilisation of infocomm.

"As a trusted gateway, Singapore will be where global financial services institutions manage key knowledge activities and orchestrate the delivery of financial services to serve their regional customers. As an innovative hub, Singapore will be where companies leverage infocomm to develop and deploy innovative financial services to better engage their customers," says the IDA on its website.

One key initiative in pursuit of this grander vision is IDA's Next Generation e-Payment Programme, which aims to drive innovative electronic payment solutions, such as the proliferation and adoption of mobile payment services using near-field communications technology.

IDA also has an i-Wealth Management initiative in the pipeline, to encourage the financial services sector to use infocomm for online collaboration and data aggregation. The goal is "more efficient execution, disciplined risk management and enhanced delivery of wealth management services", IDA says.

Indeed, technology's role in enabling the financial sector to manage "big data" adroitly is clear. "The financial services industry is becoming a technology business, whether leaders care to admit it or not. As such, the effective and creative utilisation of the massive amounts of data that banks have could become a characteristic of future winners and losers in the industry," said Deloitte's 2013 Banking Industry Outlook report.

But investments in technology ought not to overshadow the importance of building human capital. A crucial strategy to raising financial services productivity is training that will equip more Singaporeans to take on higher value-added roles in middle to back office operations of financial institutions, MAS says. These would include product control, risk management, operations oversight, data analytics, IT programming and financial product design jobs.

Competency standards

To this end, the Institute of Banking and Finance is reviewing competency standards and training curriculums for the financial sector, especially for critical segments such as IT and operations. These are set out in the national Financial Industry Competency Standards (FICS) framework, which IBF launched in 2005 to raise the quality of Singapore's financial sector workforce.

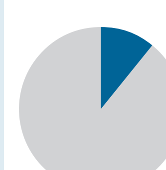
More than 11,000 individuals have been trained under the FICs framework since. "We have seen more financial institutions investing in training and upskilling their staff," says IBF CEO Ong Puay See.

"Having structured training that maps individual competencies into industry standards allows the individual to continuously upgrade himself to move with the fast pace of development in the financial sector and to undertake higher value-adding work. This will ultimately translate into a more productive financial sector workforce," says Ms Ong.

Mr Tan: *Insurance underwriting and claims processing are examples of specialised areas where productivity gains will translate into better customer experience and service.*

Financial services sector: fast facts

CONTRIBUTION TO GDP

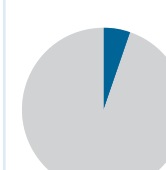


11% of GDP

PRODUCTIVITY (as measured by value-added per worker):

estimated at $44,000 for the first three quarters of 2012, almost twice the national average

EMPLOYMENT



5.5% of national employment

Source: Monetary Authority of Singapore

Where to go

Key schemes

FUNDING · WORK PROCESSES IMPROVEMENT · WORKFORCE DEVELOPMENT

LEGEND	SCHEME	WHAT YOU GET	WHO TO CONTACT
Funding, Work processes improvement, Workforce development	**Productivity & Innovation Credit (PIC)**	Businesses can enjoy 400% tax deduction and/or a cash payout of up to $60,000 for their spending across six types of productivity improvement activities.	1. Companies *1800 356 8622* 2. Self-employed/partnership *(65) 6351 3534* *picredit@iras.gov.sg*
Funding, Workforce development	**Financial Training Scheme (FTS)**	Financial institutes can enjoy 50% grant support on qualifying costs of eligible training programmes for each participant	*fsdf@mas.gov.sg*
Funding, Workforce development	**Financial Industry Competency Standards (FICS)**	Financial institutes and individuals can enjoy 70% grant support on qualifying costs of eligible training programmes for each participant	1. Financial Institutes *fsdf@mas.gov.sg* 2. Individual *(65) 6220 8566*

Source: Monetary Authority of Singapore

This series is a collaboration between The Business Times and the National Productivity & Continuing Education Council

WAY TO GO, SINGAPORE!