

**Speeches**

Published Date: 25 November 2020

# "Digital Finance as a Means to Advance Inclusion and Sustainability" - Transcript of Webinar with Mr Ravi Menon, Managing Director, Monetary Authority of Singapore, and Ms Jo Ann Barefoot, CEO, Alliance for Innovative Regulation, FinTech Abu Dhabi Festival 2020 on 25 November 2020

**Jo Ann Barefoot:** Great to see you. So, probably most of the people who are watching our session today knows that MAS has been, really, the global leader in so many ways in advancing FinTech and RegTech. For so long, you've been first, you've been best in so many ways, so imaginative and creative. And we're going to concentrate our conversation tonight on the goals of financial inclusion and sustainability through FinTech. I want to start by talking about the pandemic. We know that this pandemic has been particularly hard-hitting for vulnerable populations, people who are maybe elderly, people who may lack language skills, who are economically vulnerable in one way or another. What are your thoughts on how FinTech companies and the financial sector should be trying to respond to the needs of that group of people?

**Ravi Menon:** Well, first, let me thank the Central Bank of the UAE for the kind invitation to participate in this prestigious event, the FinTech Abu Dhabi Festival.

Very pertinent question, Jo Ann. You know, as I look back on the last 10 months, we can only be grateful that the financial industry had invested heavily in digitalisation over the last five years or so. In Singapore, yes, that's been the case, and I think in many other places too. And I think that has helped us tremendously in terms of resilience during the pandemic. People can carry on with their lives, because they can make payments, they can buy goods, they can have food delivered and so on. And continue with their financial lives in large measure. I think we owe it a lot to the digitalisation investments that were taking place during this time. If we had not done this, or if this pandemic had hit us 10 years before, it would have been a very different outcome. I think that's the starting point: even before the pandemic, digitalisation has gained good traction in financial services.

Well, the pandemic as you know, has accelerated digitalisation and has also substantially enhanced digital financial inclusion. More people have been brought into the digital world, and groups that had hitherto not been too enthusiastic about going digital have also now come onboard, and consumers and merchants across all sectors have been able to rely on e-commerce and e-payment solutions amid the strict safe distancing rules in many of our countries.

We've seen a surge in the adoption of e-payments. Four out of five Singaporeans, three out of four active businesses in Singapore are now on PayNow, which allows users to pay anyone using just their mobile number or corporate Unique Entity Number - often in just three clicks on a mobile phone.

Banks were able to leverage on digital solutions to continue serving their customers during this period. Again, this has really expanded the inclusion agenda. Banks can do customer fact-find now without face-to-face interaction. They can do financial needs analysis through electronic means, instead of completing hardcopy forms. Bank representatives are now providing advisory services via non-face-to-face channels. Video conferencing platforms have substantially improved.

People are now more comfortable using digital financial services. We did a brief survey recently of retail customers: 80% of Singaporeans agreed that they will continue to bank online after COVID-19. What about the rest - the 20%? I think that's the crux of the issue that Jo Ann you're raising.

Certain segments of the population still find it difficult to adopt digital solutions. I won't generalise that it's all elderly people - many have adopted digital solutions out of necessity during the pandemic. But some elderly people do face challenges going digital. We need to play an active role here to help them go digital, we can't leave it to the market.

MAS has been working with other government agencies in Singapore to help bring people onboard the digital journey. I will just highlight two key initiatives: one we call Seniors Go Digital, and the other we call Hawkers Go Digital.

Seniors Go Digital is a specially designed programme to assist elderly people in their digital learning journey. Senior citizens can go to these dedicated one-on-one learning sessions at so-called SG Digital Offices, which are spread around the country. There, you have younger people who act as so-called Digital Ambassadors, who will provide guided tutorials for the senior citizens to take them through the various steps: how to make a payment, how to verify your credentials, and use various digital applications.

The second is what we call Hawkers Go Digital. This is to convert small food businesses, which traditionally use cash heavily, and to get them to shift to adopt digital payments. This, we do through small financial incentives, which we find can go a long way. If the hawkers sign up for electronic payment solutions, then they will get a small financial incentive over a period of four to five months. We also need to have our Digital Ambassadors to make their rounds in the hawkker centres, the food markets, the vegetables stalls, coffee shops, and to educate the hawkers and stallholders, on the benefits of digital payments.

Finally, when we talk about digital inclusion, it's not just the ability to carry out digital financial services. The larger digital inclusion agenda is to make sure that people are not left behind digitally when it comes to their jobs.

The nature of jobs, especially in financial services is changing rapidly, as technology becomes more pervasive. This has been further accelerated by the pandemic. MAS is working closely with the financial industry to support workers to reskill and take on new jobs that are emerging as a result of digitalisation. We identify job roles that are likely to be transformed by digitalisation, what kinds of tasks are likely to change, and then we put the incumbents through training so that they can take on the new roles that will emerge in two years or three years or five years' time. In some sense, this has helped to minimise retrenchments during this difficult period.

We're also working with the industry to upskill the workforce, acquire new and deepen existing digital skills. We subsidise up to 90% of the fees for certified courses, and also give a training allowance grant to financial institutions and their employees so that they can use the downtime to acquire new skills for the digital world that's ahead of us.

**Jo Ann Barefoot:** Now, that's fascinating. I don't think I've heard anything quite like that Digital Ambassador programme, just seems like a brilliant idea. And one thing we know is when people adopt these digital tools, they don't go back afterwards. They go forward. I think we're seeing that all over the world. You touched on small business, finance and looking even beyond the pandemic. We know the importance of financial services and FinTech options for small and medium-sized businesses. What do you see developing there that is really promising in terms of new technology?

**Ravi Menon:** Financial inclusion is no longer about just banking the unbanked. It's also about ensuring that individuals and small and medium enterprises can make better use of their bank accounts and other financial products. Almost all of them have bank accounts, it's a question of how they use that banking relationship or a FinTech relationship to have better financial services. For SMEs in particular, it's not just about financial inclusion, but digital inclusion, that enables them to have access to say, better financing options. Not just financing, but also access to more trading opportunities, supply management services, and meeting overall business needs through digital platforms. If they can do that, many of these small and medium enterprises can achieve a substantial increase in productivity

We think the most efficient way to enhance the digital inclusion of SMEs and empower them to have better business opportunities is through utility-like digital platforms, into which they can plug and play, rather than build a comprehensive, bespoke digital infrastructure for each SME. To reach out to so many SMEs, to get them to build their own proprietary digital capabilities and infrastructure – it's going to be hugely difficult. The more effective option is to provide simple utility-like digital platforms, for which they just need some basic digital connectivity capabilities and they can plug into. Let me give two examples.

First is the API eXchange (APIX). This was developed by the ASEAN Financial Innovation Network – ASEAN is a grouping of 10 Southeast Asian countries – supported by the MAS and the International Financial Cooperation (IFC). It's basically a global, cloud-based platform that fuels commercial collaboration and investor engagement in Singapore and beyond. What does it do? It allows financial institutions and FinTechs to discover and connect with one another. Especially the small FinTechs need something like this: a globally curated FinTech marketplace. APIX also provides a sandbox environment for financial institutions and FinTechs to experiment and validate solutions using synthetic data. They don't have to invest in expensive infrastructure. Through APIX, small and medium enterprises, financial institutions and FinTech firms, from underserved segments, for instance, can easily extend their reach, form meaningful collaborations, and come up with solutions.

Another example, even more pertinent to small and medium enterprises: the Business sans Borders, or Business without Borders initiative. This is a collaboration between the MAS and Singapore's Infocomm Media Development Authority. Basically, the Business sans Borders or BSB, for short, is a connector of platforms. It's like a "meta-hub". Unlike large firms, SMEs suffer from asymmetry of information, so pricing is not transparent. Supply chains are very complex for them to negotiate and navigate through. They lack access to digital finance solutions that can meet their particular needs. So, you need to expand the marketplace that they can tap on. And that's what BSB does. It connects these platforms across countries, and helps small and medium enterprises intuitively access a much larger ecosystem of buyers, sellers and logistics providers, financing and digital solutions. BSB will use artificial intelligence to enable SMEs to discover prices, diversify sales opportunities, access various supply chains, source for relevant digital and financial solutions, and so on. It'll be an open global platform available to participants, such as trade associations, SMEs and government agencies. Basically, the approach is through digital platforms that small and medium enterprises can connect to and expand their web of opportunities.

**Jo Ann Barefoot:** That's absolutely fascinating. Thank you. Before we run out of time, I want to turn to sustainable finance. And you have there again been the leader at the MAS in sustainable finance in ESG – environment, social and governance – and you have put out a Green Finance Action Plan. Talk to us about how the MAS is advancing these kinds of goals.

**Ravi Menon:** Climate risk, and managing climate change, are the existential challenges before us. I'll just, in the interest of time, quickly enumerate the elements of MAS' Green Finance Action Plan. Basically, we've got four strategies.

One, we want to strengthen the financial sector's resilience to environmental risks. We do this through risk management guidelines and building capabilities.

Second, we want to develop green financial solutions and markets. We've launched a US\$2 billion green investments programme, where MAS places its funds with asset managers who are committed to deepen green finance capabilities. We're also encouraging green bonds and green loans through grant schemes.

Third, harness technology to enable trusted and efficient, sustainable finance flows. One of the big problem statements is this: how do you enhance the integrity, the traceability, transparency and efficiency in sustainable finance decision-making and transactions. This is where you can apply technologies and we are trying to advance this through what we call Green FinTech.

Fourth, to build capabilities, deep expertise in sustainable finance. There is a market gap in Asia-centric green finance research and training programmes. We've set up the Singapore Green Finance Centre, a partnership between Singapore Management University and Imperial College London, to conduct Asia-focused sustainability research and build talent in green finance.

**Jo Ann Barefoot:** I know we're out of time, but it's wonderful to talk with you, Ravi Menon, and thank you so much for the enlightening comments today.

**Ravi Menon:** Thank you Jo Ann, and thanks once again to the organisers for this opportunity. I wish we had more time, but lovely always to catch up with you, Jo Ann.

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