

# Contribution of banking and financing to singapore economy

[Finance](#), [Banks](#)



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## 1. 0 Introduction

Since globalization of the world, banking and financing sector is now become very important for the one's country's economic growth as it is directly relate to national GDP. Banking and Financing refer as an act of provide funds for business activities, making purchases or investing to help its businesses to get their goals. And for Singapore, banking and financing is taking a big part in economy as Singapore economy can be said that they grown up their economy by banking and financing with its reputation as financial hub in Asia and it is true that banking and financial services contribute on its domestic economic growth as well by giving few advantages. So, through following paragraph will mention, what is the contribution of banking and financing to Singapore economy and few challenges that banking and financing might face in present and the future.

## 2. 0 Contribution of banking and financing to Singapore economy

### *2. 1 Contribution in Job market*

First contribution of banking and financing to Singapore economy is job creation which would bring up Singapore's economy status better in the end. As Singapore has its reputation as financial hub, Singapore could get lots of Foreign Direct Investment(FDI) in area of banking and finance from many countries such as USA, Japan etc. Therefore, Singapore could make many place for the domestics to get a job in the banking and finance services which will lead Singapore economy status better and will also help to drop

down the unemployment rate. And truly, figure shows that in more than 500 financial institutions the banking and finance industry of Singapore provides more than 114000 jobs which is 5.5% of the total workforce (Singaporean-German Chamber of industry & commerce, 2013). Therefore, banking and financing would be the factors that contribute to its domestic job market in Singapore.

## *2.2 Foreign Direct Investment (FDI)*

FDI means individual or business owns 10% or more of a foreign company's capital to control and to get into management its company in the end. (Kimberly, 2015). In Singapore, banking and financing take quite a huge role in Foreign Direct Investment (FDI). Although evidence on FDI and economic growth is ambiguous, relations between financial market and economic growth ends up with positive conclusion - namely, well-developed financial market in the country will bring along economic growth (Alfaro, 2004). and this economic growth in Singapore will continue to attract the countries to make more FDI to Singapore by its major countries of FDI and it will lead Singapore's economy to continue as positive for the future.

## *2.3 Contribution in Small and Medium-sized Enterprises (SME)*

In Singapore, Small and Medium-sized Enterprises (SME) normally refer as companies which is employee below 200 or sales turnover is not more than S\$100 million. It might seem that SMEs are not important for the economic growth. However, In Singapore, SMEs are taking a really important role since SMEs take up 99% of all its enterprises and employ 7 out of every 10 workers

in the job market and they contribute over 50% of its national GDP(Koh, 2012). Therefore, banking and financing services contribute a lot on SMEs to boost its economic growth even more higher by giving SMEs collateral-free loan for SMEs' improvement and also to encourage someone who try to open new SME. For example, OCBC bank in Singapore is one of the financial institution who contribute to SMEs by giving financial supports up to \$100,000 to start up. By this kind of contribution from bank and financial institution, Singapore economic growth will be even more higher.

### 3. 0 Challenges of Singapore banking and financing in present and future

Although banking and financing contribute a lot in Singapore's economy growth, there are some challenges that might face in the present and future such as dependency of global economy, government regulations and cyber crime.

#### *3. 1 Dependency of World economy*

First challenge factor that banking and financing in Singapore would face in the present and future is dependency of global economy. Needless to say, Singapore's main contributor of its economic growth is come from FDI in banking and Financial services as Singapore is financial hub in global economy. However, because of its high dependency of global economy, Singapore's banking and financial services could not avoid from world financial crisis as well which makes main FDI countries to reduce their investment to Singapore's financial services. And global financial crisis in 2008 started from USA was the example of showing that Singapore's banking

and financial service is not free from it. and figures that an average growth rate of nearly 8 per cent from 2004 to 2007, Singapore was the first East Asian country to fall into a recession from the global economic crisis after July 2008. This clearly reflects the greater vulnerability of the Singapore economy to global economic shocks(Shandre, 2009).

### 3. 2. *Shortage of skills*

Shortage of skills would be the one of the challenge that Singapore's banking and financial services would face in the present and in the future. Because most of the banking and financing services are now digitalized and specialized, these sectors are seeking workers who are specialized and have great knowledge of technology. But as it need long time to get experience and skills to be specialize in the parts, Singapore's banking and financial services will face the shortage of skills. And that will make the sectors to spend whole lot of money to train and educate the workers to be specialized in their work.

### 3. 3 *Cyber Crime*

Lastly, Cyber crime could be the another problem for banking and financing and to Singapore's economy growth in the present and the future. As technologies improved, use of online banking and financing services rate is increasing which makes most of bank and financial services done by online. However, because of technology improvement banker and financial services are bother from cyber crime. And the reason why cyber crime is become a threatening part for these sector is because they need to spend massive

money to compensate the victims and also to buy or develop the system to prevent the cyber crime such as financial fraud online which will make these sectors to waste their money. And truly, Direct financial losses in Singapore due to cybercrime grew from US\$944 million in 2012 to US\$1 billion in 2013(TSE, 2014). And this figure will also affect to FDI negatively in banking and financial services which will also threaten Singapore's position as a attractive country for FDI.

#### 4. 0 Strategic planning to overcome challenges of banking and financing of Singapore in the present and future

##### 4. 1 security and regulation

According to a 2013 Norton report, Singapore cybercrime victims had the highest average per capita losses worldwide in 2013, of US\$1, 158. This is four times the global average of US\$287 and twice the figure set 12 months earlier in the country(TSE, 2014). Therefore, banking and financial services should put an effort to reinforce security and regulation of its online system in banking and financial services to reduce wasted money. For example, these sector can make it compulsory to the workers to use security software to protect cyber crime. And they also can make a teams of online security to prevent cyber crime such as hacking and online fraud to avoid from losing money.

##### 4. 2 *Education and training*

In today's world of banking and financing need quiet advanced skills in computer to do a job since most of works are done by computers and online.

However, as workforce ages are growing up, lack of skills in banking and financing area become a big problem. Thus, banking and Financial services should re-educate and re-training the workers to get the job done. To do so, banking and financial services sector should create a specialized team in the working place and establish a course to training and educate the workers whom struggle with the skills needed in the work. So that in the end all the workers will be enhanced in their working part which will help to increase productivity.

#### 4. 3Government tax policies

As banking and financial services in Singapore affected a lot from global economy, Government should decrease the tax rate for the companies who makes investment their money to banking and financial services in Singapore. And to do so, Singapore's banking and financing sector will be

#### 5. 0 Conclusion

As Singapore considered as global financial hub, banking and financing sector in Singapore will still continue to take a huge role in economy growth in the future. They will provide more money to the country as main contributor of its GDP growth and will also provide more jobs for the domestics as it provide 5. 5% of total workforce in Singapore in present. However, to do all this happen, Singapore should handle all problems that challenges of banking and financing services would face in the future such as cyber crime, lack of skills and high dependency of global economy. To handle this kind of problem, Singapore's banking and financing sector should make

good scheme to re-train and educate workers in financial area and innovate the service way in banking and finance to avoid cyber crime. Then in the future outlook of Singapore banking and Financing will be very positive as a financial hub in the Asia and in the world.

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