



PWC'S DESIGN OF A CENTRAL LENDING PLATFORM CONCEPT FOR SINGAPORE: ACCELERATION AND DIGITIZATION FOR STRUGGLING SMES

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► A PANDEMIC-INDUCED NATIONAL PROBLEM WITH A PWC-DESIGNED SOLUTION

In response to the COVID-19 pandemic and subsequent economic fallout, Singapore's government sought to bolster the SME market, which employs 70% of the city-state's workforce and generates 50% of its gross domestic product (GDP), in part through a risk-sharing program for loans to eligible SMEs. Early efforts attracted only 2% of the SMEs to apply for loans, which PwC attributed in part to lengthy loan application and approval processes exacerbated by the COVID-19 lockdown. The gap due to surge in demand and reduced supply provided an opportunity for PwC to design a Central Lending Platform to simplify the loan process, quickly connect SMEs to multiple banks in one single platform, facilitate faster access to capital, and provide Singapore's government with analytics and data surrounding the SME sector and associated market share, including delivering insight into industry competitiveness to guide quicker and more meaningful policy decisions.

► A PLATFORM TO BENEFIT SINGAPORE'S BANKS AND SMES

PwC's design of a Central Lending Platform provides a number of essential benefits for SMEs, Singapore banks and Singapore's government, including the minimization of human efforts and errors in loan applications and processing; always-on, always available services; and the collection and assembly of previously uncollected data in a single, digital place. According to PwC, banks prepared to loan to SMEs will rely on the platform for an "immediate eligibility assessment" of whether an SME meets the criteria developed by Singapore's government. The digital platform will eliminate the need for banks' loan relationship managers to check the completeness of documents, a process that PwC

OVERVIEW

In late August, PwC announced an initiative that can complement the Singapore government's efforts to facilitate bank loans to small and midsize enterprises (SMEs). Given the confluence of technology, consulting and PwC's continually evolving business model, TBR requested a discussion with the firm's leaders working on this initiative. On Sept. 2, TBR spoke with Irene Liu, PwC's Government and Public Services Co-Lead; Charles Loh, PwC Singapore Consulting Leader; Shierly Mondianti, PwC Southeast Asia Risk & Regulatory Consulting Manager; Andy Goldin, Southeast Asia Head of Advanced Analytics; and Lincoln Yin, CEO of Singapore-based financial technology (fintech) company RootAnt. The following reflects the discussion and TBR's ongoing analysis of PwC and its management consulting peers.



noted contributed to a 6- to 10-week waiting time from application submission to access to capital. Within three days of an SME's application, banks will submit loan terms and conditions, although banks can submit loan terms and conditions ahead of the three-day window, and the applying SME can compare and evaluate. In addition, the platform should help banks more efficiently penetrate the SME market as well as accelerate the digitalization of Singapore's banking sector.

For Singapore's government, PwC's platform will provide real-time tracking of the loan program's progress. Liu and Loh noted that the platform reduces banks' costs in marketing to SMEs and speculated that banks could have an over-inflated sense of those costs around attracting and onboarding these clients. For the government, the platform becomes part of a tool for measuring the effectiveness of the entire ecosystem in the SME space and efforts to help the overall economy. The government will also benefit from the platform-generated statistics, including the percentage of applicants approved and industry cuts showing where additional efforts may be needed to accelerate lending. In PwC's view, the review of the data on applications retracted and denied will help the government in developing policies that will reduce those outcomes and the Central Lending Platform will assist the government in understanding what is and is not working, with a near-term priority around reducing denials. Longer-term, the government will examine data and analysis around repayment and defaults as early warning signs in a particular industry or type of SME. In Goldin's words, the new platform "enables two-way communication between government and the market." In TBR's view, this may be one of the more critical benefits: If the government can more rapidly make policy changes based on near-real-time economic data, the government in concert with the market will be more likely to smooth out disruptions and uncertainty.

As an added benefit to Singapore's banks, PwC noted that credit decisioning around SMEs is changing in Singapore and speculated that the new Central Lending Platform, after serving its pandemic-based role of facilitating government-backed loans, will help the banks move beyond traditional views of SMEs. The platform will provide different data, leading to better decisions, and may allow the banks to see unique opportunities to loan to nontraditional SMEs. Further, by creating new openings in the SME market, the platform will allow banks to offer other financial services and advice and build financial products more finely tuned to SMEs' needs.

TBR did query PwC on the commercial aspects of the Central Lending Platform as the initiative, while beneficial to PwC's brand as a good corporate citizen, comes at a cost. Liu explained that SMEs will pay a small fee per application, "moderate and less than the normal (loan application) process." Banks will pay a fee to be on the platform, and Liu cautioned that the charge to banks must be "attractive" to ensure as many banks as possible participate. In TBR's view, a modest participation charge is another tremendous benefit for the banks. Over time, if most of Singapore's banks are on the platform and loans to SMEs accelerate — and the data and analysis coming off the platform continue to benefit banks — TBR believes PwC will be in position to increase the participation charge and more fully monetize the firm's investment.

SUCCESS DEPENDS ON ADOPTION AND SCALE AS WELL AS REMOVING MORAL HAZARD

For TBR, the banks stand to gain the most from the Central Lending Platform once the immediate macroeconomic, pandemic-induced need for a massive influx of new loans to SMEs finally subsides. The banks gain access to new markets, new data sets, and analytics purpose-built for their business models. And in the current market, the Central Lending Platform potentially extends the moral hazard around government-backed loans. Under the operational terms of the pandemic-relief program, the government will repay a bank 90% of a defaulted loan to an SME. As a result, banks greatly prefer loan packages to lines of credit, in effect moving all the risk from the banks to the government. Over time, the platform should help banks develop new financial products for SMEs and shift the risks back to the banks, presenting an opportunity for PwC. To assist the government in both the near-term push to get



loans to SMEs and the longer-term goal of fostering a healthy banking sector-SME ecosystem, PwC can work with some of the 270,000-plus Singapore SMEs on customer loyalty, financial management and productivity, plus digitalization of customer experience, operations and reporting obligations. When asked if Singapore's SMEs would choose to work with PwC and pay the firm's typical fees, Loh noted that the broad SME segment includes many midsize companies already working with PwC as a trusted adviser. He added that PwC has developed a deep understanding of SME issues and perspectives, but that PwC will not be going after every SME that uses the platform. Playing to the firm's strengths, PwC will work through the banks, at least in terms of opportunities tied to this platform.

In all, the success of PwC's design of a Central Lending Platform comes down to government leadership, credible data provided consistently and in a sustained manner, and cooperative banks that are prepared to take advantage of all the benefits the platform brings them. In TBR's estimation, Singapore has these components in place and PwC should be able to take advantage and build an important and useful platform. As noted at the end of the discussion, the Central Lending Platform is live and now onboarding its first bank. Like any platform, success requires adoption and scale to be useful, so TBR will be watching to see how PwC will drive adoption.

TBR also notes that this Central Lending Platform, which may be replicable with other Asian governments and SME ecosystems, exemplifies the transition of PwC from a traditional consulting firm to the business-experience-technology consultancy, described in detail in previous TBR special reports. Much like the [Japan energy market solution](#), PwC's ability to pull together industry expertise, long-standing relationships with public and private sector players, and technology partners makes a compelling business case. As always, TBR will monitor the outcomes and revisit with PwC Singapore to assess the results.

TBR's coverage of PwC includes a detailed semiannual profile in the *Management Consulting Benchmark*. PwC has also been featured recently in multiple special reports, particularly during the COVID-19 pandemic. All of these reports and historical data on PwC can be found on TBR's [website](#).

Note: TBR's analysis of COVID-19 has included [multiple special reports](#) on the Big Four firms, leading IT services vendors and other technology players. In addition, TBR's ongoing coverage of these consultancies and IT services vendors includes quarterly reports on publicly traded companies, such as Accenture (NYSE: ACN) and IBM (NYSE: IBM), as well as semiannual reports on EY, Deloitte, PwC, KPMG, McKinsey & Co., Bain & Co. and Boston Consulting Group, [available here](#).

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