fintech & banktech.

digital takes over traditional banking activities

Malaysia is taking large strides in the wave of disruption and digitalisation as it gears itself up for 4IR (Fourth Industrial Revolution). In addition to rolling out a 5G network to deliver high quality connectivity for all Malaysians, the government is increasing investments in several key areas, which include cloud, Internet of Things (IoT), cybersecurity, on-demand marketplace platforms as well as artificial intelligence.

This forward-looking strategy towards building a digital-first nation is attracting the attention of many investors from around the world. As a growing economy, Malaysia also has a relatively large underbank population (19% as of Q3 of 2019) that is attractive to banks, entrepreneurs and investors.

Because of its central location in the hyper-growth ASEAN region, Malaysia has become a hotbed for many investors. The country also boasts a digitally-adept consumer market which is open to using new technologies that have the potential to improve their lives.

fintech – a boost to the local economy

Financial Technology – or more commonly known as fintech – provides a variety of services such as e-wallet, payments, loans and even SME corporate banking.

Bank Negara Malaysia mandates that all fintechs have to be subjected to similar regulations as FIs (financial institutions), which meant they would experience similar red tapes and operational hurdles as traditional financial firms.

However, the landscape changed when the central bank launched the Regulatory Sandbox in October 2016, as a space for fintechs to conduct experiments, pilot their technology and assess risks. This initiative greatly helped fintech firms to earn consumer trust, increasing their share of wallet and customers. Since then, the number of fintechs has increased exponentially as they found ways to shorten the processes it would take to transact, thereby meeting customers' expectations of a quicker, more efficient and fuss-free banking system.

The fintech space is further supported by the MDEC (Malaysian Digital Economy Corporation), which prepares entrepreneurs and start-ups for the Malaysian business landscape. MDEC conducts regulatory bootcamps for start-ups to get them up to speed, and collaborates with several industry bodies such as Orbit, Fintech Academy and the Digital Finance Innovation Hub to accelerate innovation.

As of July 2019, there were 329 fintech start-ups in Malaysia, and we expect this number to continue to rise in 2020. Local talent demand is also expected to increase, which is in-line with the expansion of the fintech sector.

Even though as many as 82% of FIs see fintechs as a threat to their business, many have started their own transformation journey to embrace the change that is powered by technology.

FIs adapting to the new normal

Accenture warns that banks in SEA could be missing out as much as US$5 billion in payments revenue and interests, as a result of the exponential growth of digital payments and competition from fintechs.

While retail banks are facing the brunt of disruption now, we expect fintechs to further expand into other banking services, competing with firms in wealth management as well as corporate and investment banking in the near future.

FIs will need to innovate quickly to maintain their appeal to customers, especially those from the younger generation who want easier and faster access to information and services. As the Malaysian population becomes more well-travelled as a result of a higher quality of life, many people will also start to compare their local banking systems with those of other countries such as Australia and the U.S., which tend to offer highly-digitised banking solutions.

Therefore, it is paramount that local FIs are up-to-speed on global market innovations and have the ambition to drive impactful digital transformation projects.

shortage of skilled talent in fintech and banktech stalling growth

As more global companies face cost-cutting measures, many firms from the U.S., China and even Singapore are choosing to offshore their shared services to Malaysia. Some of these include development centres, data and network centres as well as engineering services for migration.

Fintechs and banktechs are racing neck-to-neck to build tech teams and enhance their workforce capabilities to meet business demands. Companies which do not have the right skilled talent could run the risk of losing out on new business opportunities that could propel their growth.

Fintechs typically boast an expansive portfolio of new and innovative products and solutions, offering talent the opportunity to pioneer innovations that could change the future of finance. Banktechs are also keeping up with the changes, offering new online services and AI-powered chatbots that can help consumers resolve simple issues within minutes.

Due to the growth in this space, we observe that middle-level professionals are more likely to make the leap to join fintechs, especially if they are not promised a promotion or a substantial salary hike in the next 12 months. A career in fintech is perceived to be more exciting, as employees are often presented with opportunities to be creative and innovative in the way they work. Fintechs, especially young start-ups and firms with large VC investments, are also more likely to reward high performers with fast-tracked promotions in an effort to retain them.

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doubling down on cybersecurity

One area with an exceptionally high talent demand is cybersecurity. Frost and Sullivan reports that the potential economic loss from cyberthreats can be estimated at a hefty USD12.2 million, which is more than 4% of the total GDP (USD296 billion).

Companies are actively scouting for effective cybersecurity solutions in an effort to create a safe digital platform for users to transact and trade on. As an industry that is dealing with the finances of individuals and companies, it has become extremely critical for fintechs and FIs to have a robust and infallible cybersecurity network.

Professionals who have prior experience in cybersecurity, either from agencies or with portfolios in banks and FIs, will be highly in demand in 2020.

innovations to improve efficiencies

Fintech firms and banktech teams are also highly focussed on building their capabilities in ML/AI (machine learning/artificial intelligence) and RPA (robotics process automation).

According to a Forrester report, the global RPA market will increase to US$2.9 billion by 2021, from US$250 million in 2016 – a 1160% jump. Furthermore, ML/AI can make RPA smarter and free the technology from its highly routine activities, further increasing its value and appeal to investors and businesses.

RPAs are programmed to complete labour-intensive administrative tasks, such as helping users activate their credit card for overseas use, or to cancel and replace their lost debit cards. The introduction of RPA is aimed at reducing manual work, so that employees can focus on other more complex work or engage with their customers. Lab Consulting said that RPA can reduce up to 70% of the need for repetitive manual work tasks, such as data reconciliation and transcription.

Companies are increasing their investments in RPA as these technologies tend to reap high returns and drive operational efficiencies almost immediately upon implementation. This would also include building new and more targeted algorithms to improve user experience and expand their customer pool through ML/AI.

Experts equipped with niche skills in new technologies such as ML/AL and RPA will be highly sought-after. In particular, talent experienced in programming languages like Python will see strong demand. While enterprise Java applications and other programming languages like Golang are popular, employers are placing a higher priority on Python as the foundation skill for tech talent.

finding talent with transferable skills

Similar to the talent challenges we see in other mature markets, fintechs in Malaysia faces a shortage of skilled professionals. Instead of relying on past working experience, firms have been assessing talent more on their transferable skills such as learning potential, ability to problem-solve and stakeholder relationship management.

Employers in fintech and banktech would need to keep an open mind when considering candidates from other sectors such as technology or e-commerce as they not only may not have the relevant product knowledge and their customer profiles would also tend to differ largely. Instead, these candidates can bring with them a outside-in perspective and introduce new ideas on driving efficiency and change to both secure and retain customers.

With the extremely limited talent pool, employers will tend to focus less on such technical skills and knowledge during the interview process, and take a longer-term view on upskilling these talent and get them up to speed through product training once they have come on board.

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fintech – meeting candidates' expectations

Unlike many traditional FIs where remuneration packages are typically based on job titles, job grades and fixed salary bands, fintechs tend to be more progressive in the way they remunerate talent. A number of them are willing to pay the market rate plus the perceived value they feel the tech candidate can bring to the company.

Some senior-level professionals may even receive equity as part of their remuneration packages, especially if they are highly pursued by young start-ups. This would also increase their loyalty to the company as business success would often translate to higher pay.

While salary remains a highly attractive factor, employee benefits have also become increasingly important to the local workforce. Fintechs are known for their agility and flexible work culture. In addition to its non-bureaucratic structures, employees will also get to work from home and enjoy flexi-benefits.

Talent in this space particularly value opportunities to upskill themselves either through on-the-job training or exposure to networking events. The younger generation is eager to add value and contribute to business goals, and will look for employers that can help elevate their skills and expand their knowledge. Onboarding and training programmes to help fresh graduates transit from school to the working environment are also highly-valued.

The fintech industry in Malaysia is set to grow significantly over the next few years, which will undoubtedly lead to more hiring. Despite the strong interest, the decision to move into this relatively new industry is still not an easy one for candidates. Unless they come from another fintech firm, their skills and knowledge will never be a perfect match for the role.

To meet acute shortfall in skills and high demand for talent, fintechs must offer a robust onboarding plan as well as adequate training and development programmes to help their new hires better adjust to the new environment. These could include on-the-job training, mentorship programmes and even buddy systems.

Fintechs are just scratching the surface with payments, loans and financing. There are many other different areas within the financial services space that they have yet to disrupt. As such, the industry presents plenty of new and exciting opportunities for those who choose to venture and explore a career in fintech.

salary snapshot.

information technology	experience	low	med	high
software developer	3 - 5 years	6,000	8,000	12,000
technical lead	10 - 15 years	14,000	18,000	22,000
solutions architect	8 - 12 years	12,000	15,000	20,000
cloud engineer	3 - 5 years	8,000	10,000	12,000
cloud architect	5 - 8 years	14,000	18,000	22,000
DevOps engineer	3 - 5 years	7,000	10,000	12,000
product manager	5 - 10 years	12,000	16,000	20,000
UX / UI developer	4 - 8 years	8,000	10,000	12,000
scrum master	8 - 10 years	12,000	14,000	18,000
automation QA	3 - 5 years	6,500	8,000	10,000

fintech	experience	low	med	high
software engineer	3 - 5 years	6,000	8,000	12,000
development lead	10 - 15 years	14,000	18,000	22,000
solutions architect	8 - 12 years	12,000	15,000	20,000
cybersecurity engineer	5 - 8 years	8,000	12,000	15,000
data engineer	4 - 6 years	7,000	10,000	12,000
big data architect	5 - 10 years	14,000	18,000	22,000
blockchain consultant	3 - 5 years	10,000	15,000	20,000
cloud architect	5 - 8 years	14,000	18,000	22,000
technical project manager	8 - 10 years	10,000	12,000	15,000
agile coach	8 - 10 years	12,000	15,000	18,000

Figures are in MYR and based on a basic monthly salary of a permanent role. (not including AWS or fixed/variable bonus)

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