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Financial Services

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.Innovation in the financial services sector

The financial services sector is an important sector for the NSW economy. The Innovation Unit is working to ensure that innovative activity is encouraged in this sector. Increased rates of innovation in the sector will improve competitiveness, increase growth and create more employment opportunities.

Innovation within the financial services sector will continue to present challenges and opportunities for NSW. Government and industry will need to ensure that they remain at the forefront of developments, to ensure that the sector is competitive in the global marketplace.

A recent Australian Bureau of Statistics survey of business innovation in Australia in 2005-06 has shown that finance and insurance Services businesses have the second highest percentage of innovation-active businesses, at 50 per cent, when compared across sectors¹. Business expenditure on research and development by Australia's finance and insurance sector is concentrated in NSW, with 69 per cent of this expenditure being spent in this State².

Innovation in the financial services sector is created around new or improved:

- **Capabilities and processes:** such as increasing the speed of transactions; improving security and fraud prevention; and developing systems to use, store and analyse increasingly large data sets. This also includes the ongoing skill development of specialists within the sector.
- **Products and services:** the development and effective commercialisation of new products and services.
- **Business models:** such as outsourcing or investing in shared services models to attract high-value, high-skilled roles to NSW and achieve business efficiencies.
- **Business linkages:** creating effective linkages between major players and smaller businesses with specialised products and services.

.The Innovation Unit's current projects and publications

Currently underway are a number of studies into the financial services sector, including an analysis of activities required to enhance Sydney's position as a regional financial services centre and the potential role of an Institute for Advanced Research in Finance.

.Why was financial services chosen as an innovation sector?

Value and importance

- The finance and insurance sector is the third largest sector in NSW, behind property and business services and manufacturing, contributing \$31 billion to the State's economy in 2005-06.
- Sydney is the head office location of the Reserve Bank of Australia, the Australian Securities Exchange and the Australian Financial Markets Association.
- Of the 55 authorised deposit-taking banks in Australia, 53 have operations in Sydney. This includes all of the 10 foreign subsidiary banks in Australia and all of the 31 local branches of foreign banks.
- The financial services sector is both an industry in its own right and also one which enables other industries. Global trade and commerce could not function without a means of funding, payment and protection of transactions.

Employment

- Sydney's financial services workforce is growing strongly, and is now nearly half the size of London's workforce and more than 40 per cent the size of New York City's. In 2006-07 in NSW, 168,000 people were employed in Financial and Insurance Services, 42 percent of the Australian total and 5.1 percent of the State's total workforce.
- Within NSW, the financial services sector comprises 144 companies with more than 200 employees, and almost 20,000 small businesses.
- Average weekly earnings in financial services are 22 per cent higher than the total workforce, with strong productivity growth in the past five years.

Growth

- The financial services sector is NSW's fastest-growing sector, recording an average annual growth rate in total factor income of more than 14 per cent between 1995-96 and 2005-06, with exports increasing by 75 per cent during that period.
- NSW leads the nation in employment growth in financial services. In the period 1996-97 to

2006-07, 43 per cent or 34,000 of the 79,000 jobs created in Australian financial services were in NSW, where gross business income per employee was more than double the total workforce, with strong productivity growth in the past five years.

See the [Financial services growth industry profile](#).

¹ Summary of Findings on IT Use and Innovation by Australian Businesses in 2005-06: 18 November 2007: ABS

² Research and Experimental Development, Businesses, Australia, 2005-06 (Cat. no. 8104.0), ABS

For more information

Innovation Unit | 📞 +61 2 8222 4884 | innovation@business.nsw.gov.au