

Chapter 3

The Future of FinTech in ASEAN

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ABSTRACT

FinTech and the digital economy offer opportunities for ASEAN to rebuild trust and confidence in a financial system that had lost them. Some technologists imagine this world without intermediaries, while others just want a faster and more efficient way of transacting. Banks, FinTech companies, and regulators need to collaborate to create an ecosystem to drive greater access to financial services in the integrated ASEAN economy. The authors discuss projected trends in technology and its use in the next few crucial years. They also recommend strategies that involve various market participants and stakeholders coming together and working towards shared goals of a unified ASEAN economic community by increasing financial inclusion for the unbanked and the seamless cross-border flow of goods, services, and payments in a safe and secure manner.

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INTRODUCTION

The demand for FinTech solutions in ASEAN is underscored by the rapid adoption of technology, high-levels of mobile usage and rising rates of internet penetration, an increasingly urban, literate and young population, as well as a segment of consumers and micro, small and medium-sized enterprises (MSMEs) underserved by traditional banking solutions. These factors and the economic potential of ASEAN have also attracted large numbers of investors to the region.

To realise the potential benefits FinTech innovation can bring to the region will require commitment and collaboration. Banks, FinTech companies and regulators should continue to collaborate to create an ecosystem to drive greater access to financial services in ASEAN. Building the ASEAN FinTech ecosystem is complicated and it involves various market participants and stakeholders coming together and working towards shared goals of a unified ASEAN Economic Community, increased financial inclusion for the unbanked and the seamless cross-border flow of goods, services and payments.

This dynamic region is ripe for technology transformation across sectors such as e-commerce, travel and hospitality, and, of course, financial services. Technology unicorns Lazada, Go-Jek, SEA (formerly Garena) and Grab are just the beginning of a bigger push of ASEAN tech companies enabling connectivity, consumption and economic growth. Where 2010 saw the rise of Chinese tech giants and 2015 the re-awakening of the Indian subcontinent, the next five years will be marked by the tremendous opportunities in ASEAN. With roughly US\$2.2 trillion in annual trade flows and over 50,000 financial institutions providing banking services to consumers and businesses, financial technology is at the core of the ASEAN growth story.

Furthermore, only 27% of the region's 635 million people have a bank account (as of April 2016) according to KPMG. This implies that 438 million people do not have access to traditional financial services in this region and in poorer countries like Cambodia, only 5% have bank accounts, which is one of the major reasons for sustained poverty in the region. In addition, only 3% are protected by insurance. So, it is not hard to imagine the opportunity for FinTech in ASEAN. According KPMG, reaching the unbanked population in ASEAN could increase the economic contribution of the region from US\$17 billion (2016) to US\$52 billion by 2030. FinTech startups have the potential to usher in serious change (both sense of the word) in the region.

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