

Top 5 Asia Pacific banking trends 2021

Insights from the experts

A large circular image on the left side of the page. It shows a person in a white, flowing garment, possibly a dress or a costume, captured in a dynamic, blurred motion against a dark background. The person's arms are extended, and their body is curved, suggesting a dance or a performance. The lighting is dramatic, highlighting the contours of the white fabric.

Executive summary

We envision the financial services sector to become an integrated marketplace, embedding itself in the life journey of a customer to offer an omnipresent, hyper personalized experience. Although pandemic has taken a toll on the economic growth of every country, it is slowly catalysing the digitalisation of the banking sector and changing consumer behaviour. As the economic fallout expands, banks are coming up with new solutions and strategies to better serve their customers and adapt to the new normal through digital innovation and fintech partnerships.

The industry will shape with the advent of big data, behavioural analytics, artificial intelligence, and digital transformation to serve the needs of its customers as the dominant driving forces in the market. With the rise in the number of smartphones and other technologies, there has been a paradigm shift in the volume and the quality of banking services available to the customers.

The invention of Artificial intelligence, the volume of customer data available for analysis and prognoses has also increased manifold. The banking landscape is likely to become far more competitive, efficient, and innovative in delivering to consumers 'autonomous experiences' that are not possible today.

Experts



Suman Gandham

CEO and Founder,
Finin



Huw Davies

Co-founder and Chief
Operating Officer,
Ozone API



Michael Berns

Director, PWC and Co-Author,
The AI Book



Kunal Patel

Senior business leader
and fintech speaker



Shelly Arora

Vice-President,
MyShubhLife

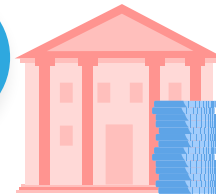
Top five banking trends of 2021



Millennial
banking



Platformification



The advent of
neo banking



Competition
from non-bank
players



Opportunities
in financial
inclusion



Millennial banking



Millennials account to 29.4% of the Asia Pacific population



46% of the millennials browse using social media



75% of the millennials in APAC have a bank account

The millennials and GenZ, comprising of more than 60% of the workforce by 2025 will become the dominant customer segment for the financial services industry.

Michael Berns: If there is a service that will save me money in a transparent way when I make my transactions abroad, or give me a slightly better interest, it draws me to the bank. What keeps me is that I can switch things on and off and I'm in control of how much data I want to show, and then I get a good idea of what are the benefits.

Huw Davies: The acceleration in banking and financial services is happening because of the changing expectations of millennials. It is far more online, instant, intelligent, and gamified. Millennials are certainly changing the way financial services are consumed. I think it is a great opportunity and a risk for anyone in the industry now. [it is] A great opportunity for customers because I don't think there have ever been more participants, trying to do things better for them. It puts a lot of power in the customer's hands to use the services that solve the problems that work best for them.



Platformification



80% smartphone penetration in Asia-Pacific



72% of Internet connections with above 2G speed



6 out of 10 consumers are willing to share their bank data with other organizations for API integration



64% Global fintech adoption rate*

*Source: Fintech adoption rate 2019, EY

Customers will encounter an omnichannel experience and embedded finance due to the hyperpersonalization, accessibility, and integration of banking solutions.

Open banking

Huw Davies: The concept of open everything society is not there, where multiple data sources can be accessible to APIs with a common consent mode and with the concept of digital identity.

Bank channels [products offered by banks] are not necessarily the right for every single customer, so banks have a great API, that allows their products and services to get embedded in far more places and become accessible to more customers

There are a number of markets which are being driven first from a regulatory perspective, one example is the UK while in markets like China, arguably the biggest open banking market in the world, open banking has not been driven by regulation it has been driven by innovation and consumer demand.

Instilling trust in customers

Michael Berns: There needs to be some benefit. If I get that benefit, I'm very happy to share some more personal data but that benefit needs to be clear to me upfront

To get to this place of trust in transparency, it should be clear to the clients what the data is used for and then they need to do their best to protect it and use it in in a wise way



The advent of neo banking



Over 826 million customers using neobanks in APAC



24% increase in the number neobanks in APAC from 2015 to 2020



63% of APAC customers willing to switch to neobanks**

**Source: IDC and Backbase

Neobanks provide the ease and convenience of digital platforms with reduced cost to serve. This gives them tremendous competitive advantage to serve the underserved segments such as unbanked customers and SMEs.

Suman Gandham: How neobanks manage vital impediments in terms of regulation and compliance, data and cybersecurity, seamless API integration and expansion of products and services will be the fundamental determinants of their success.

Michael Berns: I see it as a big acceleration towards a digital-only format. You don't start with the legacy process and the legacy system, but you really think the customer journey through a digital, immediate, and fast way. I think that is adding a lot of new thoughts in terms of how to set this up. So, yes, some more bigger changes have yet to come.



Competition from non-bank players



68% Consumers would consider a nonfinancial services company for financial services*



51% of consumers prefer using digital-only bank accounts offered by non-bank players*



25% of SMEs have adopted Fintech globally

*Source: Fintech adoption index 2019, EY

1/4th of the banking industry will be driven by consolidation and partnerships between non-financial service providers, technology companies, and banks. Non-bank players, neobanks, and fintech players will become the primary face of banking, offering frontend services using agile tools and methodologies while incumbents will act as backend service providers and data warehouses.

Huw Davies: Through a combination of the traditional banks, the challenger banks and the fintechs, propositions can be developed that bring that group [unserved population] into the financial mainstream, whether it's microloans or simple financial management tools or prepaid programs that can create a huge benefit-
Huw Davies

We see this already, a lot of the real value of being locked by combinations and collaborations between the guys who have the big balance sheets and operational power, and the fintechs or smaller players who can really focus on solving a particular pain point for a particular customer type, so I think the opportunity is huge for lots of different players and it'll come about most likely through partnerships and collaborations between some of the traditional players and some of the new generation fintechs.



Competition from non-bank players

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Shelly Arora: If I talk about who will be the winner, I see it as a collaborative approach, where every one of them is sitting on enormous data. So, looking at the insights from databases, they say we are looking at SME challenges and the products, while telecom operators can provide the infrastructure for the front runners with awareness and digital adoption. I think all of them must go hand in hand. I don't see a clear winner there. But yes, the banking and NBFC must collaborate to reach for those levels.

Michael Berns: You cannot solve all the problems that you have by yourself, you need to look outside. You want to look at very fast innovative solutions and give them some room to play and maybe approach the problem in one area with technology that was actually built for something else. We've seen a lot of [such] partnerships and we've seen a lot of investment by the banks in smaller players just to get an idea of what their technology is doing and eventually bringing them in as a mentor

Kunal Patel: I think that each of those three [banks, telecoms, and fintech/bigtech] can partner when in fact they're all trying to make some inroads into the SME lending space in particular. I think from an economic point of view, they must have a collaborative approach. Most SMEs wouldn't ordinarily just go to a telecom operator for a loan or any kind of financing. So, I think that there must be some collaboration to tie up with the fintech company that specializes in that domain and for them to grow potentially. And Shelly's point around data is important.





Opportunities for financial inclusion



900 million unbanked people in Asia Pacific***



Asia Pacific is home to 60% of the world's unbanked population



Two-thirds of the unbanked population have access to mobile phones and cellular connectivity



40% of women in Asia-pacific are unbanked

***Source: World Bank

Asia Pacific, home to 60% of the world's unbanked population is a trillion-dollar opportunity for the financial services industry across multiple consumer segment such as, retail, SME, and agricultural finance.

Huw Davies: There's still in the world a huge amount of unbanked and underbanked [population] that haven't been well served by the traditional big banks. I think there's a great opportunity with far more digitally based financial services with the advent of things like open banking.

Shelly Arora: Absolutely. It is a huge opportunity. We always forget about the size of the pie. It's more than a five trillion-dollar opportunity. Multiple players are focusing on specific sectoral needs based on bifurcation of need and ticket size of the loan, especially if you look at the manufacturing and transport industry. However, in my view, no specific player(s) is targeting a particular industry as a whole.

Kunal Patel: I think irrespective of the times that we're in right now, the market opportunity is still there. If you think about the untapped market, around 33% of businesses don't have access to a lot of financial services or inclusion. It's a big issue and I think it's one that's worth pursuing.

Thank you

Twimbit facilitated multiple one-on-one and roundtable conversations with the respective industry experts. We discussed the trends from the concept of understanding the impact these 5 trends will have on the banking and financial services industry. Each expert engages with Twimbit for continuous industry-specific conversations. Each participant's view is expressed in their personal capacity and does not necessarily reflect the views of their respective organizations. We thank our experts for their contribution.





Insights that find you

How we think

Our aim is to produce exponential impact for every business and career through the power of research. We understand the industry to know that the way research is produced, personalized and consumed needs to change. We are the catalysts to bring a fresh and new perspective to you.

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