

March, 2024

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# Navigating the Future of Fintech in Asia:

The Next Phase of Financial  
Services in Asia Pacific

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**.MONEY  
20/20**

**Kapronasia**  
an Atlas Technologies Group Company





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## Methodology

The *Navigating the Future of Fintech in Asia: The Next Phase of Financial Services in Asia Pacific* Report from Kapronasia, in collaboration with Money20/20, is based on both primary and secondary research. Secondary research included existing and new datasets from Kapronasia's databases, various reports, news articles, commentaries in the media, and case studies. Primary research included discussions with industry experts from financial institutions as well as technology providers.

## Foreword

In the ever-evolving landscape of fintech, Asia stands as an epicenter of innovation and transformation. The fusion of technology with financial services has catalyzed an era of unprecedented change, reshaping the way we interact, transact, and envision the future of money. As we navigate through this dynamic ecosystem, the imperative for insightful analysis and strategic foresight has never been more profound.

It is with great pleasure that I introduce the Money20/20 x Kapronasia Insights Report on Navigating the Future of Fintech in Asia. Money20/20, renowned for its commitment to driving innovation and fostering collaboration within the fintech industry, continues to be at the cutting edge of uncovering transformative trends and pioneering advancements reshaping the fintech landscape in Asia and beyond.

This report represents the culmination of extensive research, industry expertise, and collaborative partnerships, offering a comprehensive exploration of the intricate interplay between technology, finance, and consumer behavior across the diverse markets of Asia. From the bustling streets of Bangkok to the vibrant fintech hubs of Singapore and beyond, this report encapsulates the pulse of innovation driving the region forward.

As we delve into the pages of this report, we embark on a journey through the disruptive forces shaping the future of finance. From the value add of payments in Asia, to the make or break moment for digital banks, and the advent of technologies that will shape the future like blockchain technology, and the emergence of artificial intelligence. The contours of the fintech landscape are continually evolving, presenting both opportunities and challenges for industry stakeholders.

Moreover, this report underscores the pivotal role of collaboration and partnership in unlocking the full potential of fintech innovation. By fostering synergies between incumbents, startups, regulators, and technology providers, we can harness the power of collective ingenuity to drive meaningful change and address the evolving needs of consumers and businesses alike.

As we stand on the precipice of a new era in fintech, the insights contained within this report serve as a compass, guiding industry leaders, policymakers, and innovators towards informed decision-making and actionable strategies for success in an increasingly interconnected world.

I extend my deepest gratitude to Kapronasia and the contributors, partners, and thought leaders who have generously shared their expertise and insights, helping to illuminate the path forward for the fintech ecosystem in Asia and beyond.

Together, let's embrace the possibilities of tomorrow and embark on a journey of innovation, inclusion, and prosperity.

Sincerely,  
Danny Levy



A handwritten signature in black ink, appearing to be 'D Levy', written in a cursive style.

Managing Director, Asia & ANZ  
Money20/20



## Introduction

Although fintech has been a global phenomenon, nowhere has the combination of finance and technology been as impactful as in Asia. From mobile payments in China to the digitization of mom-and-pop ‘kirana’ supply chains in India, few areas of the financial industry have not been impacted by financial technology, more specifically, fintech.<sup>1</sup>

Payments are the underlying infrastructure behind much of fintech’s development in Asia. Nearly every domestic payment market in Asia has real-time settlements, while central banks are diligently fortifying regulatory frameworks to enable seamless cross-border systems. QR codes in countries like China and India often run on local payment networks, providing cheaper payments for consumers and merchants. These domestic real-time payment rails enable innovation on existing and new business models.

Traditional lending and credit scoring are likewise undergoing a fundamental reengineering courtesy of alternative data sources, predictive models, and risk assessment algorithms. This is especially critical for once out-of-reach segments like SMEs, who are often starved of capital. Further value-added solutions in the WealthTech space create new opportunities for businesses and consumers and democratize access to tools and investment options previously available to only a select few.

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<sup>1</sup> A “kirana” refers to a small neighborhood retail store in India. These stores are a staple of the local community, providing a wide range of products including daily essentials, groceries, household items, and personal care products. Kirana stores are known for their convenience, accessibility, and personalized service. They often offer credit facilities to regular customers and home delivery services. In many cases, these stores have a long-standing presence in the community, making them a trusted source for daily needs among local residents, but they often struggle with going digital

As technology, and specifically artificial intelligence (AI), continues to advance, new possibilities are being defined. One example of this is the emergence of **ChatGPT** from **OpenAI**, which has made AI accessible to the masses. This has helped individuals and companies recognize the potential of AI in the financial industry; as a result, nearly every bank in the Asia Pacific region is now experimenting with AI. Quantum computing also is set to revolutionize finance with a new level of computing power that has tremendous implications for data analysis and processing.

Despite this progress, the fintech industry is moving into uncharted territory. With higher interest rates, geopolitical uncertainty, and an unclear global economic future, the future of fintech in Asia is, similarly, anything but certain. Growth stage fintechs are being told by their investors to prepare for rocky times ahead and reduce cash burn to increase runways. Many are already feeling the pressure with numerous fintechs across the region throwing in the towel after running out of funding or not finding a market fit.

In addition, emerging technologies like AI are not without risks. AI has raised numerous ethical questions around transparency, explainability, and fairness, which will take the entire ecosystem of market participants, governments, and regulators to answer. The use of AI is also not limited to

benevolent actors. Cases of fraud in Singapore increased by 46.8 percent from 31,728 in 2022 to 46,563 in 2023, and the deepfake audio and video enabled by AI will only make tackling fraud much more challenging.<sup>2</sup>

Against this dynamic backdrop, the Asia Pacific fintech industry faces a changing future. New technologies and business models will continue redefining the possible while regulators and market participants struggle with thorny issues and questions. Collaboration appears set to gain priority over competition in this ecosystem driving global change.

Despite this, the region will remain at the forefront of fintech development globally as fintechs, financial institutions, regulators, and the ecosystem as a whole work to make financial services better for both the financially excluded and included.

Over the course of the *Navigating the Future of Fintech in Asia* report, we will examine some of the key fintech trends that have been re-shaping Asia's financial industry thusfar as well as examine the trends that will shape the future. Although challenges lie ahead, so might the bright future of fintech in Asia.

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<sup>2</sup> Singapore Police Force Annual Scams and Cybercrime Brief (<https://www.police.gov.sg/Media-Room/Police-Life/2024/02/Three-Things-you-Should-Know-About-the-Annual-Scams-and-Cybercrime-Brief-2023>)





## The Continued Value-Add of Payments in Asia

Asia Pacific finds itself at the forefront of a sweeping movement pushing domestic and cross-border payments into the digital era. Both established and emerging players are driving this transformation through innovation aiming to enhance efficiency, expand access and enable value-added services for consumers and businesses.

### Domestic Payment Innovation

Payments provide the basic infrastructure for many fintech innovations we see today. A solid and robust payment infrastructure can enable a tremendous amount of innovation. An excellent example of this is India's UPI.

**Unified Payments Interface (UPI)** is a payment system developed by the National Payments Corporation of India. Launched in 2016, it has transformed the digital payment landscape in India by enabling instant, real-time transactions through a simple and secure interface. UPI operates on the principle of linking bank accounts to a mobile phone or application, allowing users to transfer money between accounts or make payments to merchants without the need for account numbers. It supports peer-to-peer and peer-to-merchant transactions and is compatible with multiple banking

platforms, making it highly accessible and user-friendly. UPI has achieved tremendous growth in transaction volume and value since 2016. Over 11 billion transactions worth over US\$190 billion were processed via UPI in October 2023 alone.<sup>3</sup>

Domestically, nearly every country across Asia has implemented some form of real-time domestic payments similar to UPI. For example, the Payments Network Malaysia Sdn Bhd, or **PayNet** for short, is Malaysia's national payments network and provides the national shared central infrastructure.

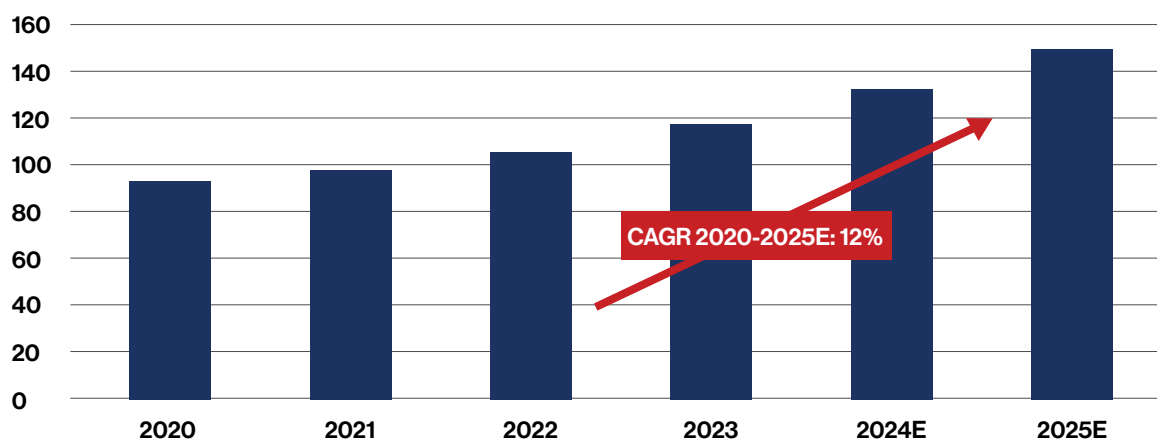
The PayNet organization was set up in 2017 and launched the Real-time Retail Payment Platform (RPP) in 2019. Uptake has been similarly impressive, with the value of electronic money transactions increasing from 1.7 trillion Malaysia ringgit (US\$340 billion) in 2022 to 2.1 trillion ringgit (US\$420 billion) in 2023.<sup>4</sup>

<sup>3</sup> <https://economictimes.indiatimes.com/tech/technology/upi-transactions-soar-to-all-time-high-of-rs-17-16-lakh-crore-in-oct/articleshow/104888472.cms?from=mdr>

<sup>4</sup> <https://www.bnm.gov.my/documents/20124/57659/T3+-+Payment+Systems.pdf>

## Figure 1

APAC's Cross-Border Payment Flows are expected to reach US\$150 trillion by 2025



### Cross-Border Development

The innovation in payments in Asia is not just limited to domestic payments. Historically, cross-border payments were slow, opaque, and expensive for many individuals and companies. The lack of innovation pushed companies like [Revolut](#) and [Wise](#) to focus on making cross-border payments better, faster, and cheaper for consumers.

The size and opportunity in the consumer market have crowded the cross-border remittance space, so companies like Asia's own [Airwallex](#) have focused on the less competitive but more complex B2B side of payments. Airwallex epitomizes the ballooning opportunities within B2B payments as more companies expand across borders. By building robust payment infrastructure tapping into global bank partnerships, such players empower businesses with the capacity to collect and disburse funds seamlessly worldwide.

[Linjer](#) is a direct-to-consumer eCommerce brand based in Hong Kong, offering sustainably-made jewelry, bags, and watches without the luxury markup. The company was facing challenges with high foreign exchange (FX) and transfer

fees when making international transfers to their overseas suppliers using bank transfer and PayPal. Each bank international transfer cost them approximately SGD 20 (US\$15) per transfer. Additionally, when it came to purchases in foreign currencies, banks usually charged a 3-4% markup on top of the prevailing FX rate determined by Visa/MasterCard. To avoid these high fees, their employees would use their personal credit cards for purchases to get better FX rates, and then get reimbursed.

With Airwallex, Linjer was able to exchange currencies at better f/x rates and make international transfers for a fraction of the price of a wire transfer or PayPal transfer. The recipients of the transfers were also satisfied as they were not charged any incoming wire fees. Airwallex helped Linjer save more than SGD 13,000 (US\$9,650) in unnecessary FX and international transfer fees in just a few months.<sup>5</sup>

<sup>5</sup> How DTC eCommerce brand, Linjer, saved more than SGD\$13,000 ... - Airwallex. <https://www.airwallex.com/sg/case-studies/linjer>

## The Future of Payments

As digital payment technologies and interfaces standardize, companies are moving beyond competing purely on costs. The emergence of value-added offerings around core payment rails has ushered in the next stage of evolution. Whether helping enterprises streamline reconciliation or equipping them with embedded finance modules, there is plenty of opportunity for innovation in both domestic and cross-border payments.

For example, after PayNet implemented RPP, the organization shifted its focus to value-added services, including **DuitNow**. DuitNow is the overlay service that sits on top of the RPP infrastructure to provide QR-code and proxy addressing. Using their mobile phone, users can directly pay merchants or other users directly using a QR code or mobile number. Singapore, Thailand, and several other countries across Asia have taken a similar approach of providing the basic infrastructure and then proxy addressing on top.

Airwallex, for its part, has moved beyond just remittances and now provides company cards and expense management. The company is focused on enhancing the customer experience and ensuring its fintech services meet evolving customer needs across Asia through thoughtful product design, engineering, and backend infrastructure to enable seamless user experiences.

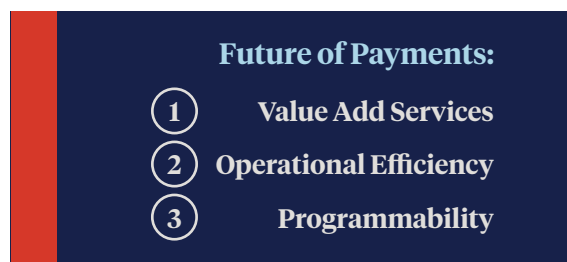
It has worked well. Airwallex was valued at US\$5.5 billion in late 2022 and is planning an IPO in 2026.<sup>6</sup>

B2B-focused payment service providers like Airwallex also underscore the necessity of specialization to solve the unique needs of consumer and business clients. From catering to specific sectors like travel to custom building treasury management stacks, targeted solutions showcase promising traction in hyper-personalization.

Operational Efficiency will also be a key focus of payment providers including PayNet. PayNet is focused on optimization by consolidating its various services into a unified technology ecosystem that will enable more efficient connectivity. This will also help PayNet evolve into a technology company focused on user experience that collaborates more with financial institutions and other market ecosystem participants while still providing financial education and empowerment for individuals in rural villages and towns.

Programmability will also be a key part of the future of payments in Asia. Traditional payments are somewhat programmable already but lack a certain amount of robustness that could be incredibly valuable for businesses. With testing and collaboration around CBDCs, stablecoins, and digital money, banks like Japan's **Mitsubishi UFJ Financial Group** (MUFG) are doubling down on such blockchain-based initiatives to future-proof their offerings.

By merging elements of programmability with embedded compliance, technology promises the best of both worlds - innovating processes while upholding stability. Programmability will also help drive financial inclusion by ensuring that money is in the hands of the right people and businesses.



<sup>6</sup> <https://thepayers.com/payments-general/airwallex-prepares-for-ipo-amid-valuation-boost-1266260>





## Digital Lending Models and Opportunities

### SME Financing - Serving the Missing Middle

Outside of payments, lending is one of the key regional opportunities for fintech to make an impact as technology promises to plug glaring gaps in credit access and affordability across both enterprise and consumer segments. According to data from a survey of a number of developing economies, the World Bank found that the finance gap from formal MSMEs was valued at \$5.2 trillion, which is equivalent to 19 percent of the gross domestic product (GDP) of countries covered in their analysis.<sup>7</sup>

One of the most underserved segments of the lending industry in the Asia Pacific region is the small and medium enterprises (SMEs). A widely reference datapoint from the [WorldBank](#) states that the unmet demand for financing in the MSME segment in developing countries globally is valued at US\$5.2 trillion, which represents 19 percent of

these countries' cumulative GDP.<sup>8</sup> Asia's SMEs are the bedrock of many economies across Asia. In India, SMEs employ around 62 million people and create over 8 million jobs annually. They account for nearly 45% of the total industrial output in India and contribute significantly to the country's GDP.

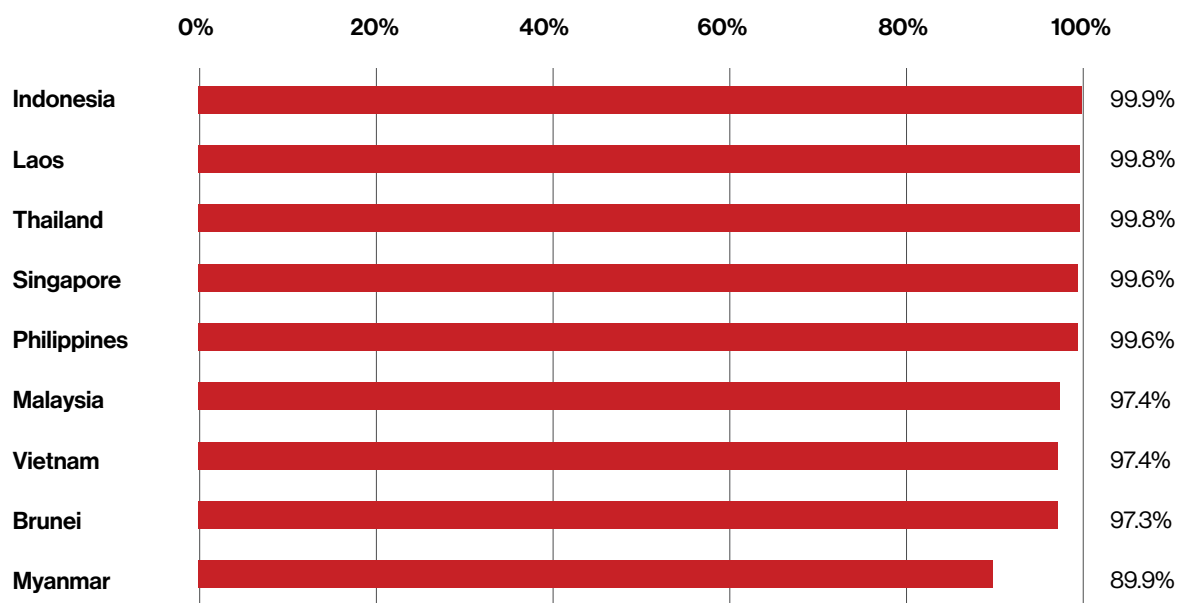
Financing these SMEs has always been challenging. Many SMEs operate in an informal economy where the lack of traditional financial credit files means that assessing credit can be incredibly difficult. Typically, too risky and small for traditional banks, SMEs, which often have only a handful of employees, have had to rely on informal lending if they have been able to access lending at all.

<sup>7</sup> <https://documents1.worldbank.org/curated/en/653831510568517947/pdf/121264-WP-PUBLIC-MSMEREportFINAL.pdf>

<sup>8</sup> <https://documents1.worldbank.org/curated/en/653831510568517947/pdf/121264-WP-PUBLIC-MSMEREportFINAL.pdf>

## Figure 2

Share Of Micro To Medium-Sized Businesses Asean 2021, By Country



Note(s): Asia; 2021; end-of-year data  
 Further information regarding this statistic can be found on page 8.  
 Source: Asian Development Bank

Fintechs across the region, recognizing this unmet financing need and the enormous revenue potential, have focused on developing digital-first solutions. [Validus Capital](#), a fintech based out of Singapore, spotlights the art of the possible by harnessing alternative data from cash flows to supply chain activity, combined with analytical engines, to qualify credit. Validus offers working capital loans, as well as invoice and purchase order financing, and, similar to [Airwallex](#), has moved into expense management and company cards.

Many of these fintechs also partner with traditional financial institutions that may have the funding to support SMEs, but not the data or technology. Collaborations like [DBS Bank's](#) alliance with homegrown Singapore alternative lender [Funding Societies](#) fuse the stability of incumbents'

reserves with the agility of digital natives' credit advancements and technology platforms. By embedding financing fully into enterprise workflows, integrated capital optimization unlocks the next evolution for SMEs across Asia while at the same time allowing traditional financial providers to leverage their deposits more efficiently.

Platform technologies promise unparalleled flexibility in rapidly iterating and integrating solutions, already apparent in adjacent domains like healthcare where packages and policies are hyper-personalized. Partners provide the fuel to feed such engines, and robust selection frameworks de-risk this synergy. But a spirit of co-ownership in outcomes ensures successful collaborations against temporary transactional pacts.

## The Promise of Embedded Consumer Lending

Consumer lending stands poised for a renaissance as connectivity enables embedded and contextual solutions expanding retail credit access. Digital ubiquity now allows unprecedented reach, while data analytics facilitates personalized products tailored to modern households' usage patterns and cash flows.

Fintech startups across the region are reimagining lending embedded seamlessly into consumer lifecycles. For instance, Australia's [Dough](#) facilitates round-up savings on everyday purchases that accumulate into a

pool of capital for personalized loans. By integrating into debit workflows via Apple Pay and Mastercard, micro-savings translate to point-of-sale micro-credit powered by the convenience of everyday commerce.

Advanced data models likewise show potential for social connections to mitigate risks and facilitate micro-loans. Digital communities build joint liability, as demonstrated across women's self-help groups in India accessed by micro-lenders like [Cashpor](#). This forms part of a wider Indian fintech ecosystem spotlighting the power of holistic platforms interconnecting communications, e-commerce, and credit.



Partnerships equally highlight promise in the mass market by blending institutional balance sheets with specialized innovation. Challenger digital banks provide agile engines designed around mobile-first experiences across generations. Traditional banks fuel this innovation by providing the bedrock of reserves and regulatory repute to scale inclusive solutions.

Frontier pilots also exhibit sustainable possibilities for the future, like [Loom Solar](#) tying lending rates directly to the responsible disposal of solar batteries integrated into microfinance contracts. The ethos of social responsibility thus permeates through synergies between incumbents and specialized players rewriting embedded finance.

Buy Now, Pay Later (BNPL) has also seen significant growth in Asia, largely due to increased e-commerce and digital finance transaction values. Companies like [Afterpay](#) in Australia and [Atome](#) in Singapore have seen tremendous growth but face a more complex future due to regulations.

## Navigating the Regulatory Maze

These laws and regulations around financing vary widely across the region, which often makes regional expansion difficult for lending providers. This inconsistency is unlikely to change anytime soon as lending often lacks the cross-border elements that would drive regional regulatory approaches like payments might. Policymakers, for their part, emphasize balance in unlocking digital lending for the underserved while ensuring prudent protections shield consumers and SMEs against predatory lending excess.

Clear frameworks for emerging modalities can encourage participation from specialization, where platforms take end-to-end ownership of their products, provided responsible oversight governs operations. Sandbox experiments equally help institutions understand unique structural risks.

Thailand's regulatory architecture spotlights possibilities by easing passage for digital lenders focused on micro-loans and nano-financing while strengthening compliance requirements and lending caps for broader licenses. Thai regulators are using tiered regimes to interest across different risk segments. Innovations likewise show early promise in embedding controls against delinquency from the ground up.

Certain business models will also likely need some attention. The BNPL industry's rapid expansion has raised concerns among regulators, as many BNPL companies have been operating in a regulatory grey area. Their business models often do not fit traditional credit or lending models, leading to a lack of specific regulation and potential risks for consumers.

Regulators' concerns around BNPL primarily revolve around three issues. The first is the fairness of BNPL contracts, as consumers may not understand the contractual terms of unregulated BNPL products. The second is consumer leverage

because of the potential to put consumers in excessive debt when using more than one BNPL product. The third is product suitability, as the compressed timeline when entering a BNPL contract hinders the BNPL provider's ability to conduct thorough consumer creditworthiness and affordability assessments.

Without proper regulation, the rapid evolution of BNPL business models and the fast expansion of the market could potentially create additional risks for consumers, such as misuse of customer data and the lack of support for vulnerable customers or customers experiencing financial difficulties. As a result, regulators have started to study the BNPL business model and its customer protection implications. Therefore, the future of the BNPL industry in Asia could be impacted by impending regulations, potentially bringing significant changes to the way these companies operate.





### The Future of Lending in Asia

Increasingly, lending is being embedded. A merchant on Indonesia's [Bukalapak](#) e-commerce platform is more likely to get a loan from the e-commerce behemoth itself than a traditional bank. Bukalapak's relationship with [Standard Chartered Bank's](#) Nexus Banking-as-a-Service platform allows Bukalapak to natively provide banking services including bank accounts and loans natively in the e-commerce platform to both consumers and merchants.

This embedded lending will be enabled by data. Progressively, platforms are leveraging many different forms of 'alternative data,' such as social media footprints, factory activity, and payment promptness, to assess creditworthiness. Technology has enabled the collection and analysis of a massive amount of data on individuals and companies to make credit and other financial decisions. AI will only help drive what is possible further and help expand the discoverable universe of creditworthy but sidelined consumers and enterprises.

Technology will also help achieve the regions' ESG aspirations as countries like China and Singapore

take a serious look at how to support sustainable solutions in the future. Fintechs across the region are experimenting with analytics and datasets across environmental and social criteria to qualify sustainability-linked financing. This promises an added lever to spur responsible business across entire supply chains.

This new wave of embedded and data-driven solutions has immense power to deepen access and increase efficiency in equal measures across lending. Harnessed ethically, technology can catalyze a new phase in lending in Asia where credit correlates ever closer with character rather than circumstance or legacy credentials alone. Asia's lending revolution may thus benefit millions left behind by conventional banking for decades to come.

#### Future of Digital Lending:

- 1 Embedded
- 2 Alternative Data
- 3 Regulation

## Digital Banks Reach their Make or Break Moment

### The New Superapps

Asia Pacific finds itself amidst a pivotal junction with the pioneering growth of digital banks - fully cloud-native entrants unencumbered by legacy systems and designed from the ground up with customers front of mind. The opportunity springs from lingering dissatisfaction even amongst the banked towards conventional experiences fraught with friction points. Surveys typically spotlight significant gaps in expectation benchmarks compared to big tech ecosystems setting consumer digital experience standards.

In developed markets like Singapore and Hong Kong, there tend to be three to five banks that control most retail deposits. Digital banks play a pivotal role in fostering competition to drive innovation in these markets. By re-architecting user journeys, design thinking can compel incumbents to escape inertia to transform legacy systems impairing experiences. Partnerships also help by combining incumbent bank strengths on compliance with the digital finesse of fintechs on intimacy.

Meanwhile developing markets exhibit gaps in financial inclusion where technology promises to bridge divides. With a significant portion of the population unbanked across countries like Indonesia and the Philippines, digital banks harbor potential for market growth rather than solely competition. However, localization and trust become crucial to drive adoption.

In either case, digital banks are reinventing retail banking for the mobile-first generation through entirely cloud-native stacks unencumbered by legacy architectures. Advancements range from purely app-based experiences to versatile platforms interconnecting communications, commerce, and financial services in one tap.

Indian digital ecosystems spotlight such possibilities for unified platforms converging diverse everyday use cases under a single pane of glass. Financial services integrate seamlessly as one among many lifestyle offerings rather than a separate domain requiring disjointed apps.

For instance, conglomerates like Reliance blur boundaries across connectivity, consumption and banking experiences via **Jio**, one of India's largest telcos. Jio offers retail investors integrated opportunities to save and invest alongside communication plans and media subscriptions. UPI likewise bridges payments across merchants.

By collapsing disparate apps into integrated platforms, digital players reshape consumer mindsets around finance as a ubiquitous lifestyle enabler interfacing with social, shopping, travel and other contexts. Discovery of new financial products can thus occur natively within routine digital moments, lowering access barriers.



## Specialized Platform Innovators

Alongside horizontally integrated platforms, dedicated disruptors like **Tonik** sharpen focus on specific service domains while optimizing digital-first delivery. Specialized vertical integration allows for targeted innovation adapting to unique sector dynamics and customer needs.

As one of the first digital banks in the Philippines, Tonik offers a full banking stack from deposits to lending within its mobile interface. By controlling end-to-end capability development, the bank optimizes user experience and convenience as the primary design priority rather than retrofitting legacy systems.

Creative product configuration equally empowers agile launches catering to observed consumer demands. For instance, during distress scenarios like natural disasters, analysis of usage patterns allows triggering customized emergency credit lines for affected customers. Social media connectivity has also enabled access.

## The Future Footprint

The results of the digital banks have been mixed.

In markets like Australia, nearly all the original digital banks have either been acquired or failed. With products and services so like traditional banks, they failed to differentiate, and VCs grew tired of continuing to fund non-profitable startups.

The banks in developed markets that are likely to succeed in the future are those that either have an ecosystem approach or focus on a specific niche. Singapore's **Trust** bank is a good example of the former. Operating as a completely cloud-based full-stack and licensed digital bank in Singapore, Trust offers everything from basic deposits to credit cards and lending.

Trust may end up being the first digital-only bank to be profitable in Singapore. One of the keys to its success has been **NTUC**, a large Singaporean conglomerate that importantly owns one of the

largest supermarket chains in the city-state. By leveraging the relationship with NTUC, Trust immediately had a potential customer base at a very low cost, and by focusing its rewards on groceries, drove usage.

**Aspire** is a Singapore-based technology organization that aims to reinvent SME banking in Southeast Asia. It provides convenient financial services to SMEs and startups by offering them a 60-day, interest-free credit line of up to S\$100,000 to secure their working capital. Aspire has grown to become an all-in-one finance ecosystem for SMEs across Southeast Asia, covering multiple offerings from payment services to finance management software. In 2021, the company crossed US\$2 billion in annualized transactions with more than 10,000 business accounts opened. The SME focus has been critical for their success.

Aspire is not a bank, but a Payment Services Institution located in Singapore and so partners with banks for certain services. For instance, if you bank with Aspire, your funds will be kept in a Tier 1 partner bank, specifically **DBS**, and insured by the **Singapore Deposit Insurance Scheme** (SDIC). This ensures the safety and security of the funds of Aspire's customers.

In developing markets, banks like Tonik are a welcome respite for individuals who might not have convenient access to traditional financial services or might be interested in a more compelling value proposition. Although the revenue opportunity might be smaller in these markets, we will likely see more successful emerging markets digital banks in the future.

### Future of Digital Banks:

- 1 Consolidation
- 2 Specialization



## Asia's Wealthtech Revolution: A Quiet Disruption

The Asia Pacific region is currently undergoing a quiet revolution in the wealth management sector, driven by the permeation of technology into mass retail and private banking. This disruption is fueled by a younger, digitally native generation demanding a similar digital-first approach to wealth management.

In response to this demand, even digital banks are beginning to incorporate wealth management services into their offerings, integrating them with payments, commerce, and banking activities. As a result, portfolios are becoming just another feature within an app. This rapid evolution of the financial landscape is being led by pioneering and innovative platforms like [Ant Group's Yu'e Bao](#), which has democratized wealth management for the masses through gamification, easy investing, and a wide array of choices.

The rise of robo-advisors is a testament to the tremendous development in the Asia Pacific region. These automated investment management solutions use algorithms and AI to allocate assets, optimize portfolios, and provide financial advice without human intervention. Platforms like Singapore-based [StashAway](#) and India's [Scripbox](#) have capitalized on this model, securing significant assets and making significant strides in the robo-advisory sector.

However, the industry faces challenges. While advocates argue that affordable and accessible investing can promote financial inclusion and participation, others express concerns about the risks of prematurely channeling inexperienced retail investors into the market without comprehensive suitability

assessments. As a result, regulators are now considering risk disclosures and other safeguards.

Historically, private banking and wealth management have been exclusive to the wealthy. However, technology is disrupting this sector in Asia, making informed and secure financial planning available to a wider audience and paving the way for sustainable wealth creation opportunities for the region's burgeoning population.

Partnerships are becoming crucial growth drivers, combining complementary functional expertise across the value chain. Private banks provide backend infrastructure, regulatory reputation, and distribution, while wealth tech specialization enhances the front end with democratized access to sophisticated advice and hyper-personalized investments.

Enterprises are also participating by incorporating modular saving and investing packages into employee benefits. Startups like [Endowus](#) are bringing tailored solutions to all levels of the workforce, democratizing wealth management even further. This shift is setting the stage for a future where wealth management and private banking are accessible to all, not just the privileged few.

### Future of Wealthtech:

- 1 Integration
- 2 Consolidation
- 3 B2B Value Propositions



## The Continued Rise of Insuretech

Asia's InsurTech landscape is undergoing a dynamic transformation driven by innovative companies like **Vsure**, **Finatext**, and **Bolttech**. Each plays a distinct role, reshaping the industry with bold approaches and strategic initiatives.

Since its inception in 2018 and conditional license approval in 2021, Malaysia headquartered Vsure has prioritised establishing robust go-to-market channels, focusing on B2B and B2B2C models to tap into larger customer bases. By offering innovative products like parametric micro-insurance, Vsure demonstrates a commitment to sustainable growth and regional strategic collaborations.

Meanwhile, Finatext, a powerhouse in Japanese financial technology, continues to innovate at the intersection of embedded finance and blockchain. Despite the recent surge in AI technologies, Finatext remains focused on expanding its market share within Japan and venturing into the broader Asian region. Leveraging AI technologies like generative AI for personalized risk assessments, Finatext focuses on InsurTech trends, aiming for robust and sustainable growth and innovation. While expanding beyond Japan presents challenges, Finatext's deep understanding of the local market and strategic partnerships position them well for success.

Bolttech, the world's largest InsurTech company, is revolutionising insurance practices on the global stage. Beyond traditional offerings, Bolttech is constructing a seamless ecosystem connecting insurers, distributors, and customers, facilitating over US\$50 billion in quoted premiums annually. Their innovative edge lies in empowering businesses through API-powered technology and embracing emerging technologies like AI and blockchain for fraud detection and claims processing. With a presence in over 30 markets, Bolttech's focus on micro-insurance, strategic partnerships, and localisation efforts solidify its position as a frontrunner in shaping the future of insurance worldwide.

These companies exemplify the diverse approaches driving innovation in the Asian InsurTech landscape. From Finatext's expansion ambitions to Vsure's market-focused solutions and Bolttech's impactful ecosystem, each company plays a crucial role in reshaping the industry, offering more inclusive, accessible, and personalised insurance experiences for customers across the region and beyond. As technology evolves and consumer expectations shift, the continued transformation of the insurance landscape in Asia and beyond promises to be both exciting and impactful.



## Technologies that Will Shape the Future

Technology has been a key driver of innovation and efficiency in the financial industry for the past two decades. However, most of the technological advances so far have been incremental rather than transformative.

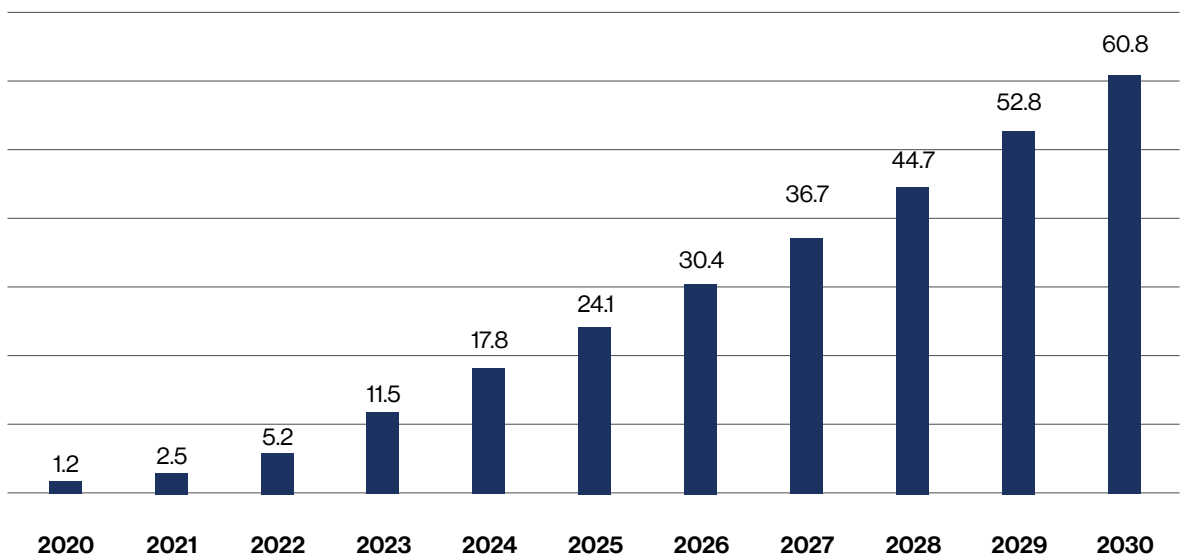
For example, cloud computing has enabled financial institutions to scale up their storage and computing power, but it has not changed the fundamental nature of their business and product models. Similarly, blockchain and distributed ledger technology have generated a lot of hype, but they have not yet delivered on their promise

of creating new value propositions and disrupting the status quo.

Artificial intelligence (AI) is different and has the potential to truly redefine the future of finance, by enabling new capabilities, enhancing existing ones, and creating new business opportunities. Platforms like ChatGPT have demonstrated the power and versatility of AI, by generating natural and engaging conversations across various domains. The financial industry is only scratching the surface of what AI can do, but it is clear that AI will reshape the nature of financial services in the coming years.

**Figure 3**

**Generative AI - Market Size Asia (US\$, Bn)**



AI is already making an impact in some of the simpler use cases, such as customer service and back-office operations. Chatbots that used to frustrate customers with irrelevant and scripted responses are now being replaced by intelligent assistants that can understand natural language, provide personalized solutions, and learn from feedback. Back-office processes that used to be tedious and error-prone are now being automated and optimized by AI systems that can handle complex tasks, such as data reconciliation, fraud detection, and risk management.

**Figure 4**  
**Generative AI Systems**



However, these are just the tip of the iceberg. AI can also enable more sophisticated and innovative use cases. Just a few of them include:

**Personalized financial advice:** AI can help customers make better financial decisions, by analyzing their preferences, goals, and behavior, and providing tailored recommendations and insights. AI can also help financial advisors deliver more value to their clients, by augmenting their human expertise with data-driven insights and suggestions.

**Predictive analytics:** AI can help financial institutions anticipate and respond to market trends, customer needs, and regulatory changes, by using advanced techniques, such as machine learning, natural language processing, and computer vision, to extract insights from large and diverse data sources, such as news, social media, images, and videos.

**Financial inclusion:** AI can help expand access to financial services for the underserved and unbanked populations, by enabling alternative ways of assessing creditworthiness, such as using behavioral and psychometric data, and providing low-cost and convenient solutions, such as mobile banking, peer-to-peer lending, and microfinance.

**Ethical and responsible finance:** AI can help promote ethical and responsible finance, by ensuring that financial products and services are fair, transparent, and aligned with the values and interests of customers and society. AI can also help monitor and mitigate the environmental, social, and governance (ESG) risks and impacts of financial activities, by using data and analytics to measure and report on ESG performance and compliance.



Quantum computing is another technology that has the potential to shape the future of finance, by enabling new capabilities, such as faster and more accurate data analysis, optimization, and encryption. Quantum computing leverages the principles of quantum physics to manipulate information using quantum bits, or qubits, that can exist in the superposition of two states, rather than classical bits, that can only be either 0 or 1. This allows quantum computers to perform parallel computations on large and complex data sets and solve problems intractable for classical computers.

Although AI, quantum computing and a myriad of other technologies have the potential to dramatically change the financial industry as we know it today, they also have the potential to do harm. This is why appropriate regulations and guardrails will be critical in the future to ensure that technology is used in the right way.



## The Risk of the Future

As the last decade has shown, nothing can be taken for granted in the financial industry and society. With that uncertainty and the accelerating nature of technology development, regulation and standards are critical for the next stage of fintech development, especially for Asia.

### Ethical considerations

Advanced technologies like AI have the potential to revolutionize the financial industry, by enabling new capabilities, such as faster and more accurate data analysis, optimization, and encryption. However, these technologies also pose some ethical challenges and risks, such as:

**Bias:** AI uses data to learn and perform tasks, but the data may not be representative, reliable, or unbiased. For example, AI algorithms may inherit or amplify human biases, such as racial, gender, or socioeconomic discrimination, in their decision-making or recommendations. Quantum computing may also introduce new sources of bias, such as quantum noise or measurement errors, that may affect the accuracy and reliability of the results.

**Privacy:** AI and quantum computing may compromise the privacy and security of personal and financial data, by enabling new ways of accessing, processing, and sharing information. For example, AI may collect and analyze large amounts of data from various sources, such as social media, biometrics, or geolocation, without the consent or awareness of the data subjects. Quantum computing may also threaten the security of existing encryption methods, such as public-key cryptography, by enabling faster and more efficient decryption.

**Accountability:** Technology may obscure the responsibility and accountability of the actors involved in the design, development, and deployment of these technologies, by introducing new levels of complexity, uncertainty, and opacity. For example, AI may produce outcomes that are difficult to explain, understand, or predict, especially when using advanced techniques, such as deep learning or reinforcement learning. Quantum computing may also produce results that are probabilistic, rather than deterministic, and that may depend on the choice of measurement or interpretation.

**Impact:** AI and quantum computing may have significant and unforeseen impacts on the financial industry and society at large, by creating new opportunities, but also new challenges and risks. For example, AI may enhance the efficiency, productivity, and innovation of financial services, but it may also disrupt the existing markets, regulations, and norms. Quantum computing may enable new solutions for complex problems, such as climate change or health care, but it may also create new threats, such as cyberattacks or quantum warfare.

Given these ethical challenges and risks, it is important for the financial industry to adopt a measured and responsible approach to the development and use of AI and quantum computing. This approach should involve ethical:

**Principles:** The financial industry should adhere to ethical principles, such as fairness, transparency, privacy, and accountability, that guide the design, development, and deployment of AI and quantum computing. These principles should be aligned with the values and interests of the stakeholders, such as customers, employees, regulators, and society.

**Governance:** The financial industry should establish ethical governance mechanisms, such as codes of conduct, standards, policies, and audits, that ensure the compliance and oversight of AI and quantum computing. These mechanisms should be enforced by appropriate authorities, such as regulators, auditors, or ethics committees.

**Education:** The financial industry should provide ethical education and training, such as courses, workshops, or certifications, that raise the awareness and competence of the actors involved in AI and quantum computing. These actors include developers, users, managers, and regulators.

**Collaboration:** The financial industry should foster ethical collaboration and dialogue, such as forums, networks, or partnerships, that facilitate the exchange of knowledge and best practices among the actors involved in AI and quantum computing. These actors include academics, researchers, practitioners, and policymakers.



The role of regulators in driving ethical and responsible AI and quantum computing in finance is crucial, as they can provide guidance, oversight, and enforcement of the ethical principles and governance mechanisms that the financial industry should follow. Regulators can also facilitate collaboration and dialogue among the various stakeholders, such as academics, researchers, practitioners, and policymakers, to ensure the alignment and coordination of ethical standards and best practices.

One of the actions that regulators can take to drive ethical and responsible AI and quantum computing in finance is to develop and update the relevant laws and regulations that apply to these technologies, such as data protection, consumer protection, anti-money laundering, and cyber security.

Regulators can also monitor and anticipate the emerging trends and challenges of these

technologies adapt the regulations accordingly and provide guidance and support to the financial industry on how to comply with the regulations and implement the ethical principles and governance mechanisms which might include incentives and recognition for the financial institutions that adopt and demonstrate ethical and responsible practices.

Regulators also need to re-visit technology audits to include more advanced technologies like AI and quantum computing, which will require an entirely different rule book.

By adopting a measured and responsible approach to AI and quantum computing, the financial industry can harness these technologies' benefits while minimizing the harms and risks. This way, the financial industry can contribute to advancing ethical and sustainable finance, creating value for all stakeholders.

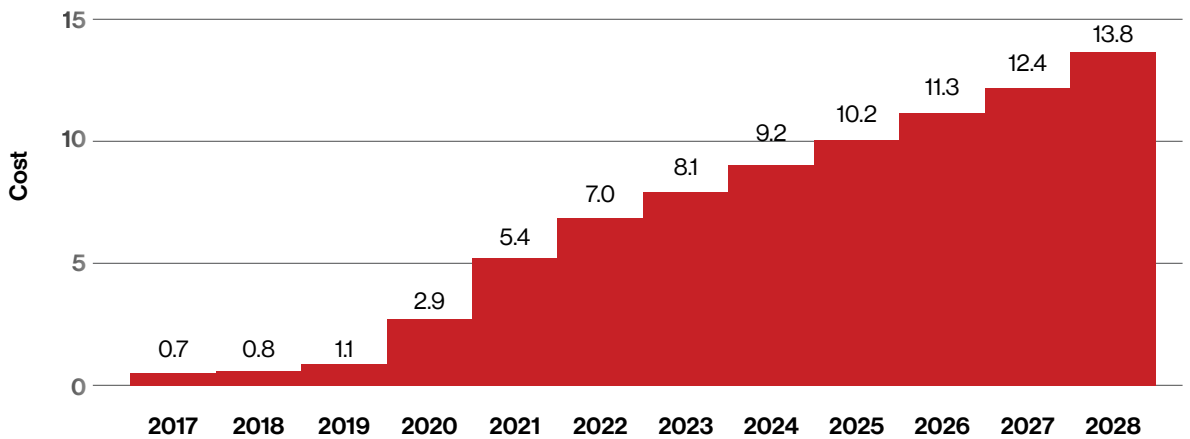
### Addressing the Security Imperative

The blistering pace of the digitization of finance also introduces new attack vectors that pose immense systemic risks if left unaddressed. Sophisticated state-sponsored groups and rogue elements relentlessly probe vital financial infrastructure and platforms for vulnerabilities. Ensuring resilience thus becomes non-negotiable.

Threat modeling and building robust shields customized to counter potential breach scenarios is crucial even as technologies and data environments evolve. Strong data access controls, encryption and multi-factor authentication provide foundational security hygiene. Establishing systems to swiftly respond to and contain compromises minimizes damage.

**Figure 5**

**Estimated Annual Cost Of Cybercrime Worldwide 2017-2028 (In US\$ Trillion)**



And partnerships play a pivotal role in developing credible cybersecurity and fraud prevention frameworks. Payment industry players increasingly integrate capabilities from niche providers like Mastercard’s Ekata to update defenses against identity and transactional fraud in real-time. Collective vigilance helps preempt disastrous domino effects from payments breaches.

Technology promises previously unthinkable processing efficiency, cost savings and rich analytics. Yet prudent governance and ethical

application remain vital to ensure sustainable advancement. The foundations built today determine the trajectories for how payments shape economies ahead. Industry leaders thus carry the responsibility to elevate their local and global communities simultaneously through the platforms now being constructed brick by digital brick.

## Realizing Asia Pacific's Fintech Promise



Innovation and advancement are rapidly reshaping financial services in Asia. Payment modernization forms the basis of the development, with lending, wealth, and insurtech breakthroughs and pioneering digital banks expanding access and financial inclusion. However, the realization of the region's immense fintech promise necessitates prudent progress; there is still work to be done.

Nowhere is this more evident than in the area of cross-border real-time payments. Although tremendous progress has been made in the development of real-time domestic payment systems, there has been little progress in cross-border integration. ASEAN is the most natural place for this development, but due to disagreements between governments, progress has been languishing. Regulators need to come to the table with the best interests of their constituents in mind and put aside their differing views for the good of the region. Start with cross-border payments, open banking, and further regional integration.

AI and new technology require a new approach. Data governance and ethics provide the cornerstone for innovation and generative technologies to sustainably serve once-excluded consumers and businesses. Cloud and mobility are musts in order for banks to meet the scale of digital transactions in a way that meets a constantly elevating set of customer experiences.

Regulation and policymaking will be the key pillars of support for the industry's continued development - balancing guidance and governance amidst technology's swift unpredictability. Frameworks fostering transparency, accountability and security will provide the guardrails for sustainable innovation. Progress necessitates expanding access to underserved groups but prudent protections shield against exploitative excesses - upholding stability alongside growth.

Partnerships will be instrumental in order to combine strengths across incumbents and innovators - be it balance sheet resilience, regulatory reputé, agile technology or customer intimacy. Goal alignment and outcome ownership help foster meaningful relationships beyond superficial transactions. But resilience testing by design becomes non-negotiable despite progressive aspirations, as seen by high-profile collapses of celebrated fintech neo-banks.

Realizing the immense potential of fintech in Asia lies not in the success of singular companies but strength of ecosystems. Collaboration must take priority over competition, ethics over economics. Only together by aligning interests across stakeholders can Asia Pacific continue to progress the fintech agenda and realize the promise of progress and inclusion.





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Kapronasia, an Atlas Technologies Group company, is a leading provider of market research covering fintech, banking, payments, and capital markets. From our offices and representation in Hong Kong, Seoul, Tokyo, and Singapore, we provide clients across the region the insight they need to understand and take advantage of their highest-value opportunities in Asia and help them to achieve and sustain a competitive advantage in the market.

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