

# Chapter 4

## Paving the Way for the Development of FinTech Initiatives in ASEAN

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### **ABSTRACT**

*Financial technology (FinTech) is not one to be ignored under any circumstances. It is not only growing as a concept but a phenomenon that has been manifested in non-financial sectors using innovative technology to bring financial services straight to the customers. The creation and practical applications of FinTech supported by government regulations and financial policies, high mobile adoption, rising rates of internet penetration, and increasingly literate and millennial generation, strongly indicates that the various scopes of FinTech in ASEAN are very promising in supporting economic growth and financial inclusion. This chapter will provide an overview of FinTech and examine the development of FinTech initiatives to shed light on some challenges and solutions facing the ASEAN's financial landscape today and in the future.*

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## **INTRODUCTION**

The use of Information and Communication Technology (ICT) has a long history in the financial services and business industries. Financial services industry, being regarded as the early adaptors of ICT (Puschmann, 2017), has brought about the fastest digital revolution of Financial Technology (FinTech). From simply providing and supporting back end technological support for financial service providers to a more user centric services and automation of decision-making (Dorfleitner et.al, 2017). The significance of FinTech is very much relevant today because it offers simplified and cost-effective services to customers, gives them access to a variety of value-added services, and enables organisations to meet their needs and preferences. More importantly, FinTech has brought the need to communicate everywhere and at all times without being confined to one space or location. Internet and mobile banking has gradually reduced the physical interaction between customers and financial institutions and replacing money with digital currency. This has considerably reduced customers' need to visit bank branches, which is however viewed as 'disruption' in the financial services ecosystems by the financial service providers.

The issue with FinTech Innovation and its applications are growing too fast that even regulators are struggling to keep up with it, and the financial industry is a high profile industry that demands the paramount security. Although FinTech can be seen as disruptive innovations to traditional banking transactions or conventional services, the growth of FinTech companies has increased rapidly over the years and the new trends in the services industry will also likely continue to expand globally. Figure 1 shows that North America received the largest amount of funding in general, increasing from US\$2,583M (in 2013) to US\$8,281M (2015). The amount decreased by US\$2,390 in 2016, but later increased by US\$1,946M in 2017. Asia is the next largest FinTech funded continent – increasing dramatically from 2013 to 2016 by more than 1600%, and decreased for the first time in 2017 by only 10%. Europe FinTech funding grew over 120% in 2017 from US\$1,210M to US\$2,676M (Gromex, 2018).

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