

RETAIL BANKING FORUM: BANGKOK



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How can banks in Thailand successfully dominate the digital innovation space?

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Smartphone ubiquity has paved the way for the rapid rise in digital banking and online payments among Thai consumers, driving banks to come up with increasingly creative digital products and strategies lest they trail behind. Fintechs have given banks an even bigger run for their money as they roll out highly competitive and attractive products such as contactless cards and FX trading platforms.

During the Asian Banking and Finance Retail Banking Forum held in Bangkok, Thailand on May 25 this year, **Thakorn Piyapan**, head of digital banking and innovation at Bank of Ayudhya (Krungsri), said that they have been counting the growth of fintechs and startups in Thailand for the last two years. However, they have stopped count in recent months as new fintechs were being put up every day. These latest developments in the local and global

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financial industries beg the question: Will banks remain up to speed?

The answer will most likely not disappoint in Thailand where consumers still pay regular visits to bricks-and-mortar banks, even as the banks' digital departments have begun navigating their way into what originally were fintech-dominated spaces. Experts also think that Thai banks are not yet ready to introduce a separate brand for a standalone direct online bank because clients are not fully transitioning from physical branches to online platforms.

"There is a lot of disruption happening in the market and there are a lot of banking industry concerns, but banks are not going to close business. Banks are much smarter than most of the fintechs I worked with, so they will have the money and the power to stay alive," said **Rajiv Madane**, director, product & strategy, core banking, risk &

compliance and payment networks, ASPAC at Fiserv.

Fintechs: friend or foe?

The entrance of fintech companies into the financial industry posed a threat to the the mainstays, but banks saw beyond the challenge and discovered opportunities to partner with the more technology-savvy fintechs. Their relationship has evolved from a competitive nature to a collaborative one, as both realised that their services are more closely intertwined than they first thought. **Supaneevan Chutrakul**, first senior vice president – retail business division at Kasikornbank, shared that Kasikornbank does not see fintechs as competitors because each has an expertise that the other does not have.

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and they have the patience to learn, which is very good. The banks were slower in the earlier stage compared to the fintechs because they [fintechs] have focus and are doing things very fast. In terms of Kbank, we have upped our IT system and we are working very closely with the fintechs to gain a customer base faster than the others. We are looking forward to working with fintechs more often,” Chutrakul said.

The game is no longer played by outsmarting emerging competitors, but by striking a balance wherein both the bank and the fintech play to their strengths and mutually benefit from each other. Madane shares that his experience with advising Singapore fintechs revealed that their technical expertise may not be enough to keep them afloat. Unlike banks, fintechs do not have the infrastructure and the legacy to gain and keep a lot of traction, so the solution would be for them to reach out to those who have already made it big in the industry.

“What they [fintechs] don’t know is that once the connection to the bank fails, how will the transaction get processed? That is where collaboration between bank knowledge and fintech knowledge comes in,” said Madane.

Tailor-fitting digital solutions

Despite reassurances that fintechs will not take over the banking universe, banks are far from heaving a sigh of relief. The massive digital disruption in financial services is sending banks

on a 24/7 frenzy to develop seamless strategies that work across all age brackets and consumer contexts.

Madane highlighted that banks should do away with one-size-fits-all solutions and come up with a digital strategy that provides an unparalleled and individualised customer experience. He calls it “banking at the speed of life,” a strategy that categorises banking products according to the different stages in the life cycle of a customer.

For instance, banks are now responsible for creating a customer identification platform that will eliminate countless hours of queueing, filling up new forms and submitting new documents for returning clients. Meanwhile, young professionals, who make up the bulk of online bankers, expect that online payments will no longer need a separate tab on their computer browser or a separate app on their smartphone. Madane said that they will eventually look for a digital solution that will allow them to do their banking on Facebook or Instagram.

“There are a few banks, mostly in the US, who have integrated Instagram services and payments from the banks. I think it is still a young industry. Things are still picking up. This is the time for [Thai] banks to identify what customers want and how this could be done. Check on your customer base. How are they adopting your current digital strategies? How are they using the

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apps?” Piyapan added.

Proactive banking is another upcoming strategy that banks need to study and develop. According to Madane, the customer will no longer determine what he or she wants to do with his money – the bank must be ahead enough to layout the options for the customer. In Thailand, most of the cash influx come from the older segments of the clientele. Thai banks must be able to identify the perfect mix of branch banking and digital solutions that they will offer older clients who still make an effort to visit the branch and communicate with the branch staff.

Lobbying for dynamic policies

The growing demand for online services pushed banks to close down 55 branches in the past year and an average of 200 branches per year over the last four years. Whilst cash will not be eliminated anytime soon, countries across Asia have already joined the massive drive of moving towards a cashless society which includes mobile and digital banking and a whole range of P2P services. Piyapan elaborated that the changes must not take place only within banks, but within the entire Thai financial market.

According to him, the banking industry in Thailand is still replete with regulations that are keeping financial institutions from rolling out new products at top speed. This is where the fintechs enjoy an advantage – their structure and novelty have placed innovation at an arm’s length.

“The Bank of Thailand has to study the regulatory text to understand what’s going on in the technology today and work out the aspects of the regulations. Thailand’s banks have been left behind for the last 20 years,” said Piyapan. He cautioned, however, that the Bank of Thailand is also protecting the industry from a credit collapse whilst it is fine-tuning policies for P2P lending.

Chutrakul said that they are expecting changes to happen very quickly in the regulatory environment of Thailand’s financial services industry, one major development of which is the creation of a national payments platform.



Asian Banking and Finance editor Tim Charlton facilitates the discussion among Thai bankers