



Fintech went mainstream in 2016

Expect more banking chatbots in 2017

From a mere focus on customer payments, the fintech market has now rapidly evolved into a growing web of services that includes blockchain, new digital lending, telematics, and next-generation trade finance. In Asia, it has been taking off with megadeals upwards of \$300m and an expanding B2C fintech in China, amongst other bright spots in the region.

“2016 was the year fintech went mainstream,” says Henri Arslanian, PwC’s fintech and regtech lead for China and Hong Kong.

Mainstream fintech

“Chatbots, which mimic human conversations in apps such as Facebook Messenger and WeChat, went from novelty to mainstream in 2016. Several customer-facing chatbot applications are now being tested for uses ranging from retail banking to insurance claims. Expect many more of these to be piloted and rolled out in 2017, as chatbots start to become part of our everyday lives,” says Arslanian, adding that the largest tech firms in Asia, such as Tencent and Ant Financial, will continue to push into financial services in 2017.

Miklos Dietz, senior partner of McKinsey and Company, says that as the industry evolves, it will play a role well beyond financial products and services. Dietz adds

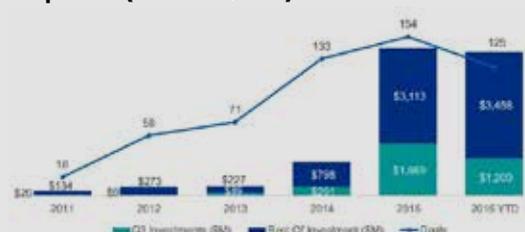
that individual companies will vie to become undisputed leaders by size and breadth, and ecosystems will develop that have a tight grip on customer loyalty. The banking industry definitely feels the pinch as fintechs continue to dominate the payments space, leading bankers to consider collaboration as still the key to keeping their customers and their revenues. After all, fintechs admit that they still rely heavily on the traditional infrastructures and the institutional memory of banks.

“Whilst fintechs have developed applications that create improved customer experiences, many lack skills in customer acquisition and other fields needed to grow quickly. Incumbent banks, on the other hand, already have hard-won capabilities in these areas, but they will have to work harder to create a true digital enterprise,” says Dietz.



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Asian annual financing trends to VC-backed companies (2011 - Q3'16)



Source: The Pulse of Fintech, Q3 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) November 16th, 2016.

NUMBERS

PAYMENTS IN SG



How consumers pay in Singapore

Consumer payments in Singapore are unique among highly developed economies. The performance of SVFs and cash points for opportunities to improve the landscape bolstered by consumer preferences for electronic payments, the existing infrastructure, and the high penetration of smartphones domestically.

- 60%** **Cash** is used in 60% of non-SVF transactions with **1.4 billion consumer cash payments** in 2015 alone
- 26%** **Cheque** usage has declined 26% since 2010. Consumer initiated **cheque payments have been steadily declining** from 28 million in 2010 to 20 million in 2015
- 59%** **SVFs** account for 59% total transaction volume and are used **mostly for public transportation**
- 18%** **Payment card** usage has increased 18% since 2010. **Use of electronic payment cards continues to grow** as consumers respond to the instruments' incentives for use and convenience

Funds transfer is an under-utilised payment instrument



Direct debit and credit transfers per inhabitant in Singapore and benchmark nations



The future of consumer payments is electronic

Consumers in Singapore demonstrate increased acceptance of electronic payments and are moving towards adopting more innovative solutions. Their primary concerns when selecting a payment instrument are security, convenience, and incentives for use.

Payment cards

The majority of consumers expect to increase their use of debit and credit cards

60% of payment cards are now contactless. When surveyed, consumers prefer contactless cards due to their convenience (93%), speed (92%) and wide acceptance (89%)

Faster payments

Significant growth is expected in the coming years increasing the utilisation of FAST by consumers can be a tremendous gain for the economy

Singapore is ready for

Mobile payments



Source: Singapore Payments Roadmap by KPMG