

# Embrace Fintech in ASEAN: A Perception Through Fintech Adoption Index

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## Abstract

In this new age of financial technology developments in ASEAN, the financial services industry is evolving quickly. However, consumer intention to embrace financial technology in different financial services remains vague. Hence, this study aims to investigate the consumer Fintech adoption level through constructing a Fintech Adoption Index for ASEAN countries. The empirical findings reveal that Singapore with a mature Fintech development having a relatively high adoption rate, while countries with nascent Fintech development such as Brunei Darussalam, Cambodia, Myanmar and Laos have a relatively low adoption rate as compared to the countries with emerging Fintech development such as Indonesia, Malaysia, Philippines, Thailand and Vietnam. All ASEAN countries show increasing trends in Fintech adoption from 2017 to 2019. From this study, the dimensional and final index scores generated are easy to understand, and this study has successfully simplified the complexity of Fintech adoption level across different sub-sectors for all ten ASEAN countries. In conclusion, the newly constructed Fintech adoption index for ASEAN countries can better illuminate consumer adoption preference toward Fintech development and thus leverage the results for productive financial policy direction.

**Keywords:** fintech, ASEAN, fintech adoption index

## 1. Introduction

Fintech is an acronym for financial technology, integrating banking knowledge with modern management science techniques and computer technologies (Bettinger, 1972). The presence of Fintech is believed to boost economies of a country (Zhang et al., 2020). Today, Fintech has expanded to be more than a start-up. It becomes a multitude of companies offering a wide variety of banking services and operating everywhere. Fintech has recently become the main development agenda for Association of Southeast Asian Nations (ASEAN). The financial services industry in ASEAN is developing quickly as a result of these new-age financial technology disruptions. The presence of young digitally knowledgeable, fast expanding economies, large population, high mobile and internet penetration, and increasingly under-served SMEs and consumer markets across conventional financial markets boost rapid Fintech innovation in ASEAN.

According to the United Overseas Bank (2019), there were an increasing number of Fintech companies in all ASEAN countries from the year 2014 until 2019. There is a total of 2590 Fintech firms in ASEAN in which Singapore accounts for the highest number with 1,157 Fintech firms. In addition, there has been a significant surge in ASEAN's Fintech funding from 2014 with US\$ 35 million to US\$ 1,148 million in 2019. This indicates that development of Fintech in ASEAN is promising. Also, there is a notable rise in later stage funding in both 2018 and 2019 which further denote that investors are confident regarding the potential growth of Fintech in ASEAN. Overall, only Singapore displays a mature Fintech market while the rest of the countries are still in earlier stages of development. Countries such as Brunei Darussalam, Cambodia, Laos, and Myanmar show relatively nascent Fintech development compared to other countries.

There are various reports on the general trend of Fintech in ASEAN in terms of number of Fintech companies and funding but consumer intention to adopt Fintech in ASEAN still remain ambiguous. It is important to understand market demand in order to formulate an effective policy to boost Fintech development in ASEAN. Also, looking into past literatures, there are limited studies examining Fintech adoption through comparison of different ASEAN countries. The only available index is the "EY Fintech Adoption Index" which covers only Singapore among ASEAN