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**Ipsos** Strategy3

Financial Services

# ASEAN BUSINESS SENTIMENT SURVEY 2020/2021

Australian  
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# Content

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A blurred photograph of a crowd of people walking through a modern building. The walls are a vibrant yellow, and the ceiling features a series of black, curved arches. The people are in motion, creating a sense of a busy, dynamic environment. A yellow horizontal bar is overlaid on the middle of the image, containing the text 'Research overview' in white.

# Research overview

# Research objectives

To gather insights and recommendations from ASEAN indigenous enterprises

1. On the perceived impact of ASEAN economic integration under the AEC on their businesses and industries
2. To delve deeper into the sentiment on services trade liberalization e.g. the ASEAN Framework Agreement on Services (AFAS)
3. On how ASEAN can further develop and improve regional economic integration, especially in relation to the relevant sectors

Service industry sub-sectors that are the focus of this study

Distribution



Tourism



Financial Services

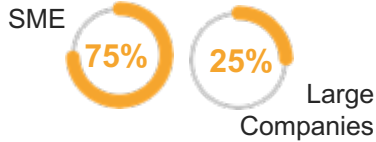


# Methodology

## Business Sentiment Survey

**1,115** Survey with

**ASEAN Indigenous Enterprises**  
across all AMS



## Business Leaders Interviews

**106** In-depth Interviews with

**ASEAN Indigenous Enterprises**  
across all AMS

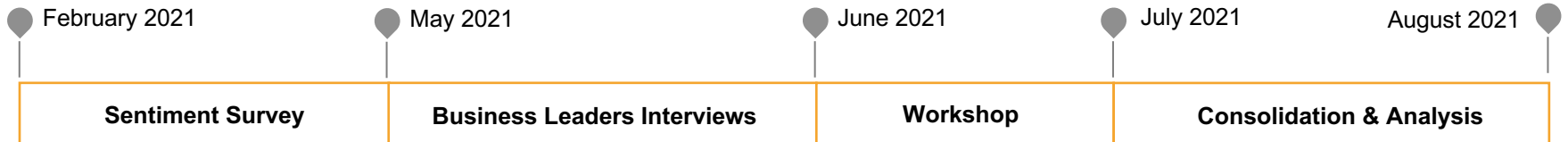


## Workshops

**29** Workshops with

**248 Indigenous Business Leaders** (as participants) across all AMS

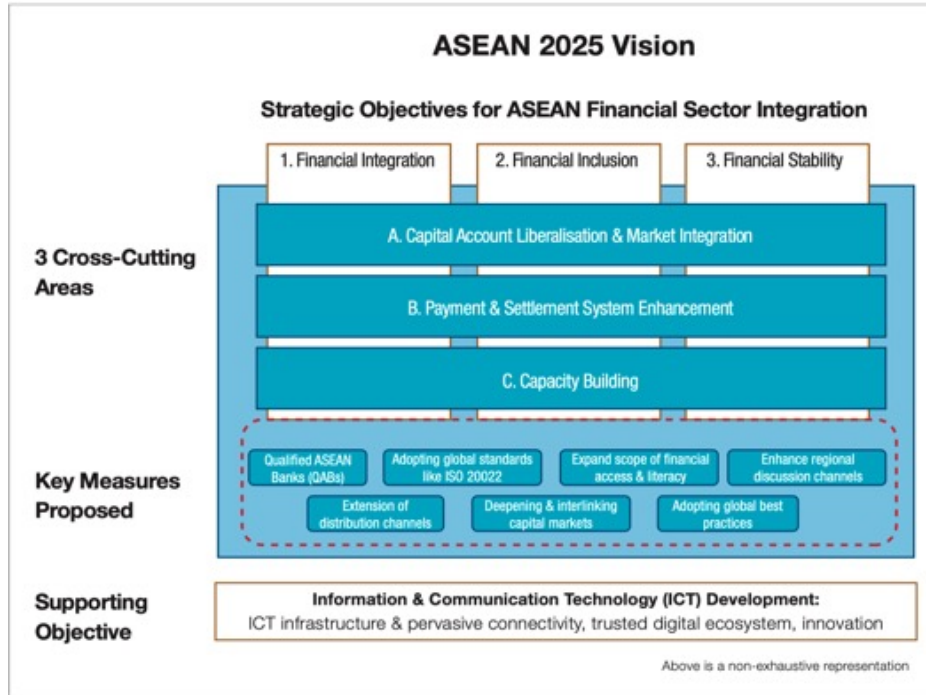
## Timeframe of study



# ASEAN FINANCIAL SECTOR

# ASEAN Financial Sector Integration

Financial services integration is one of the flagship agenda within the ASEAN 2025 vision. The diagram below depicts the specific objectives and the focus areas to drive the integration within AMS.



The progress of the financial services integration is accelerated by the following scenarios:

1. Increase in the utilisation of banking services
2. Opening up of the financial services market; signing of Protocols 7, 8 has paved the market access and to progress with signing of Protocol 9
3. Advancement of fintech
4. Continued integration of ASEAN banks.



# Financial Services Integration Programmes

ASEAN has embarked on financial services integration on a staggered approach through the implementation of various programmes as indicated below.

## Financial Integration

Strengthen financial integration to facilitate intra-ASEAN trade and investment

### 1. ASEAN Banking Integration Framework (ABIF)

- **Qualified ASEAN Banks (QABs):** These banks could have greater access to other ASEAN markets
- Two QABs are expected to be established between the period of 2020 - 2025

### 2. Liberalizing & integrating ASEAN Insurance markets

- Established ASEAN Insurance Forum (AIFo)
- Liberalizing reinsurance and retrocession, catastrophe reinsurance and marine, aviation & goods in transit (MAT)

### 3. ASEAN Exchanges

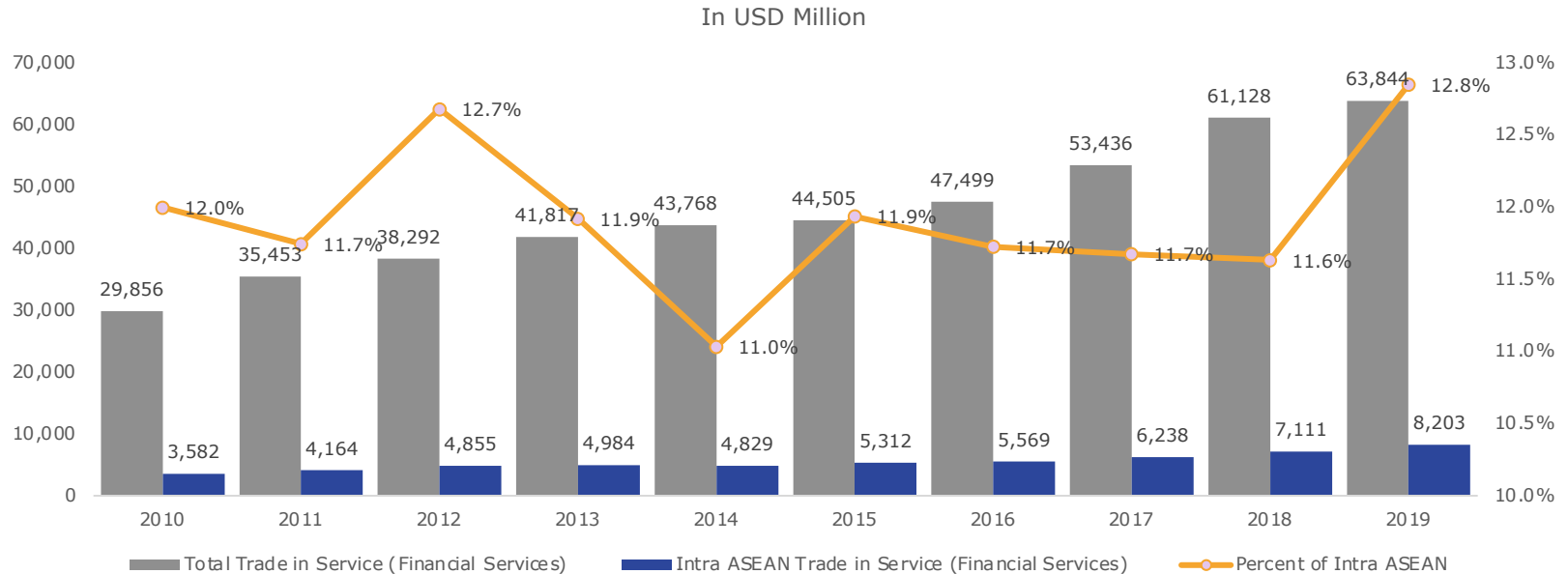
- Collaboration between seven ASEAN Member States in promoting the stock and capital market in the region
- Promoting the Collective Investment Schemes (CIS)

### 4. Private Sector's insights in ASEAN financial markets

- Incorporating relevant points from private sector sharing in workplan
- Inclusion of relevant points from private sector inputs in workplan

# Trade In Services

The financial services trade in services has grown from 11.5 % in 2010 to 13% in 2019. The volume has grown from USD29B to USD63.8 in the last decade. The intra-ASEAN trade has been growing steadily despite a sharp fall from 2013 to 2014.

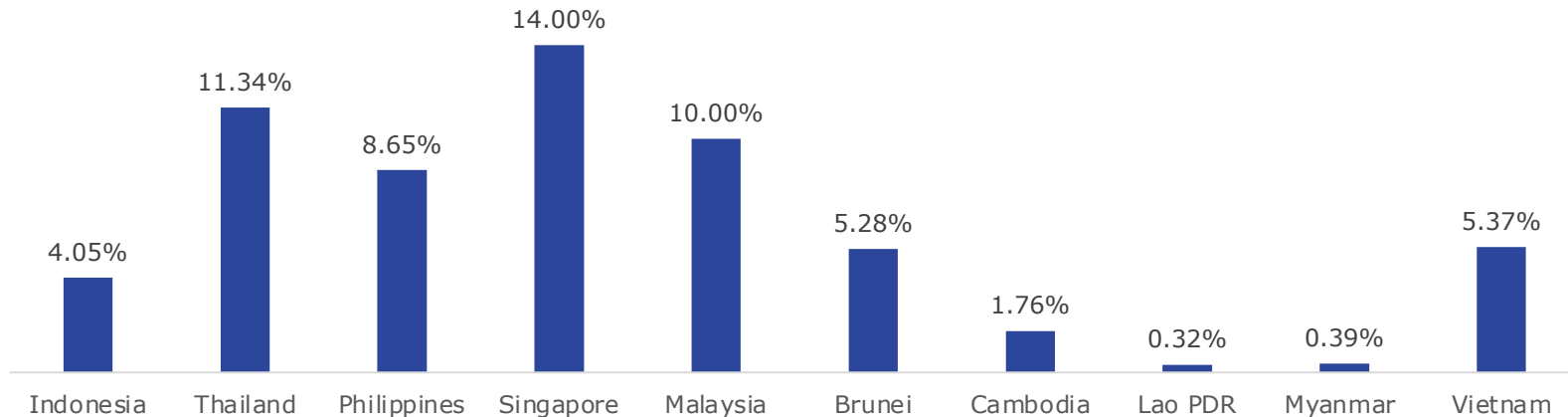


\*Source: ADB Asia SME Monitor 2020 database;

\*\*Other services denote accommodation/Travel and food and beverage services

## Financial Services Contribution to GDP

Financial services trade contribution to the respective AMS's GDP ranges from 0.32% (Lao DPR) to 14.0% (Singapore). The sector contribution to GDP averages 6.12%. The developed countries like Singapore, Thailand, Malaysia and Philippines recorded higher level of contributions. This is an indication of the better maturity level of the financial infrastructure in the developed countries as opposed to Laos PDR and Myanmar.



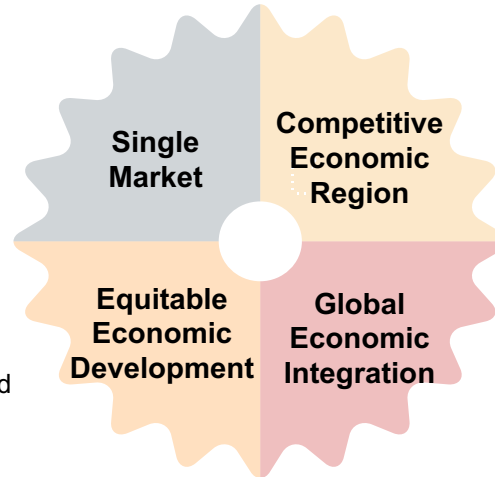
# Financial Sector in AMS: sentiment

<b>General View (Financial Services Sector)</b>	Overall neutral sentiment, indigenous enterprises in financial sector generally understand what economic integration is trying to bring, but only have surface level understanding on AEC programs and still sees implementation that will affect their sector to be lagged behind		
Perception on improvement made in ASEAN Business Environment	Sentiment on ASEAN Economic Integration	Awareness and Understanding of AEC	Understanding on AEC programs for Financial Sector
<p><b>Felt improvement in the past 5 years</b></p> <p><b>Key area where improvement felt positively:</b></p> <ul style="list-style-type: none"> <li>- Communication with other countries</li> <li>- Ease of doing business</li> <li>- Political and Macroeconomic stability</li> <li>- Human capital</li> <li>- Digital infrastructure</li> </ul> <p><b>Key area where improvement felt to be lagged behind:</b></p> <ul style="list-style-type: none"> <li>- Taxes</li> <li>- Procedures for cross border activities</li> <li>- Incentives for cross border trading, especially intra-ASEAN</li> </ul>	<p><b>Split opinion on wanting further integration</b></p> <p>More developed countries wants further integration to expand, while less developed countries wants to maintain the current level to prepare for upcoming competition.</p> <p><b>Only a handful, mostly large companies have felt tangible benefits brought by ASEAN Economic Integration.</b></p> <p>Smaller enterprises do not see any benefit that they can utilize from ASEAN Economic Integration as most are still focusing on domestic market</p> <p><b>Further liberalization is desired with condition:</b></p> <ul style="list-style-type: none"> <li>- All AMS are on-board</li> <li>- Committed to take down the liberalization barriers</li> <li>- Provide support at regional level to even out the fighting changes of enterprises from less developed countries.</li> </ul>	<p><b>High awareness on AEC at higher level than other key services sector</b></p> <p>of the programs they participate in.</p> <p><b>Moderate level of understanding,</b></p> <p>Larger enterprises can state the general AEC vision but cannot emphasize on the details.</p> <p>Financial services being the most regulated sector, enterprises are keeping track of the regulatory environment.</p> <p>Mostly still focuses on domestic.</p>	<p><b>Low awareness of AFAS and ATIGA,</b></p> <p>few enterprise that are aware have low understanding</p> <p><b>Low level of understanding,</b> most enterprises do not understand what it is about and how it can benefit them.</p> <p>Most financial sector player in ASEAN are still looking inward and do consider expanding or having cross-border activity.</p> <p>Low level of intent on cross-border activity remove the necessity to understand any cross-border related framework and its benefits.</p>

# Financial Services Sector Indigenous Enterprise Sentiment on AEC

The followings are some of the key pointers shared by the indigenous enterprises for the financial sector.

- Good flow of services but fall short of free flow
- Protectionism practise is still a barrier for capital and investment integration
- Finance professional movements within AMS is still a challenge




- Varying level of economic development created a gap in integration, but it is narrowing
- SMEs involvement in financial services is still low
- SMEs are yet to capitalize on the technical assistance and capability development programmes due to poor access to information

- Varying IP standards and consumer protection regulations amongst AMS pose a challenge
- Fair competition is hindered by protectionism
- Poor connectivity pose a challenge to access information
- Inadequate legal infrastructure such as to address disputes becomes a challenge for integration

- IEs already leveraging on the FTAs and CEPs
- Extra ASEAN FTAs are regarded as being smoother as opposed to intra-ASEAN.
- Trade in financial services yet to gain momentum in majority of the AMS



The background of the slide features a close-up, high-angle shot of the ASEAN flag. The flag is blue with a red circle in the center containing a yellow stylized emblem. The flag is draped over a grey, textured surface, possibly a table or desk. The lighting is soft, creating subtle shadows and highlights on the fabric of the flag.

**Key recommendations**  
**Suggestions from ASEAN Financial Services Indigenous Enterprises to Promote Inclusivity and Improving Integration**

# Key Recommendations

- 1 • **Improve communication infrastructure and data sharing platform** for financial sector of ASEAN through further digitalization and collaboration of AMS
- 2 • **Harmonization or relaxation** of financial services related regulation across ASEAN
- 3 • **Incentivize cross border financial service trade** intra-ASEAN through attractive tax structure and removal of barriers
- 4 • **Improve awareness** on AEC, AFAS, and ATISA and communicate how it is materialized in form of local and other AMS regulation in easy to digest format for enterprises
- 5 • Creation of **dispute settlement framework** (and common law for transaction) for financial sector to facilitate cross-border trade in financial service
- 6 • Improve the **procedure for labour movement** to make it easier and reduce the cost

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Thank You