

Banking on Digital Inclusivity In ASEAN, Post COVID-19

COVID-19 has accelerated ASEAN's pivot towards the digital economy, forcing companies to rethink how they operate. Cutting across all sectors, the pandemic has allowed the rare opportunity for companies to reset. However, not all businesses have the same starting point, and the pandemic could exacerbate the region's existing digital divide. To better understand how businesses based in ASEAN can better work with regulators to bridge these gaps, the EU-ABC held a webinar titled [Banking On Digital Inclusivity In ASEAN, Post Pandemic](#). The webinar brought together both public and private sector representatives to critically discuss how SMEs can continue to stay competitive in the digital age.

The webinar focused on SMEs as they are key in promoting digital inclusivity in the region. Forming 66.3% of total employment and contributing as much as 42.2% to ASEAN's GDP, small businesses are often seen the backbone of many economies in the region. During the pandemic, Malaysia Digital Economy Corporation addressed business disruptions faced by SMEs by offering digital tools such as Zoom and Microsoft Teams to enable them to conduct remote working. However, small business owners continue to face challenges such as lack of resources to invest in skills and technologies and wider information asymmetry gaps dealing with financial institutions. Below are some the challenges which SMEs encountered during the pandemic and continue to face.

Digital Banking

The pandemic highlighted the importance of digital banking as physical operations have been largely limited. As consumers and businesses adopt to a remote working model, there is a need for a contactless payment system to ensure that both businesses and financial services can still operate. However, many SMEs do not have access to online payments as they are not equipped with the skills to transition online and they are deterred by the high compliance and transaction fees. To address residual frictions in cross-border payments, Michael Moon, Managing Director, Payments & Trade Markets, Asia Pacific at Swift said that the company has been working with ASEAN countries to increase the level of cross-border transactions that financial institutions are putting over the global payment initiatives (GPI) service which gives faster payment outcome and tracking of end-to-end customer or consumer or business. SMEs will benefit from predictable payments, upfront costs and reduced compliance cost due to transparency of payments and information. Such wide-ranging services also introduce new challenges as some SMEs may not be digitally savvy, they need to be educated on such cross-border GPI services. To aid SMEs, SAP has also been equipping them with Enterprise Resource Planning (ERP). ERP system ties all the business processes into one integrated system and provides real-time reporting and automation. It also provides the convenience of pulling information from one platform and minimises data loss and inconsistencies.

Trade Financing – Going Paperless

Another challenge that SMEs face during COVID-19 is that physical documents are not able to freely move across regions due to lockdown restrictions. According to UNESCAP only 20% of ASEAN has partially implemented cross-border paperless letters of credit from bank of insurers without lodging paper-based documents. This means that documents cannot be delivered to the bank and consequently, letter of credit cannot be issued by the bank or delivered to the businesses. This impacted financial flows for SMEs.

Cloud Adoption amongst SMEs still remain low

In order for SMEs to tap on wider markets, cloud adoption is crucial now as it allows operational continuity during the pandemic. Despite its benefits, cloud adoption remains low amongst SMEs as they lack skills and sufficient knowledge in managing cloud technologies. Even though cloud technology allows for cost efficiencies after a few years, SMEs are still discouraged by the initial high cost of investing in cloud technology. To aid SMEs in cloud adoption, SAP has introduced a solution known as SAP Business One Cloud where SMEs can manage their critical business functions in a secure cloud environment. This solution is specially designed to be affordable, quick and easy to implement and with an established support system for SMEs.

Moving forward

Overall, the panel agreed that ASEAN is firmly entrenched in the future of digital economy and will have a larger place in the global economy in the future. However, to accelerate the digitalisation process, ASEAN governments and industries need to come together to create a digital ecosystem which benefits all. SMEs are key to this. Although they are seen to be agile and are able adapt to new environments, they still require additional support in access to upskilling, financing and operational assistance.

SMEs Account For



97-99% of Total
Registered Enterprises



66.3% of Total
Employment



42.2% of ASEAN's GDP



10-30% of Total Exports