

**Draft Speech for MD (Corporate & Global banking) for ABA General Meeting on<sup>1</sup>**  
**“Asia’s Turn to Transform”**

1. Good morning to all. A warm well to India and the 34<sup>th</sup> ABA General Meeting 2017. Distinguished delegates, invitees, ladies and gentlemen, I welcome you all to the *34<sup>th</sup> Asian Bankers Association General Meeting 2017*.
2. We have gathered today on the occasion of the 34<sup>th</sup> ABA General Meeting 2017 to deliberate a number of common concerns. The world has changed considerably after 2007. If we look back today, the significance of Asia as an engine of global growth has increased over the last ten years. However, this will not be the first time in history that Asia has taken the center stage in global affairs. The recorded history shows that Asia accounted for over 50% of the global GDP up till 1750 after which the decline began and now Asia is reclaiming its lost status.
3. Asia had always been interlinked culturally and economically. Buddhism spread across vast landmass of Central Asia, all the way up to Japan and Maldives from India. In his book *‘The Ocean of Churn: How the Indian Ocean Shaped Human History’* Sanjeev Sanyal recounts deep economic and political ties amongst Asian countries and with Africa and Europe. The region has always been dynamic, home to pioneering entrepreneurs. Asia was at the cutting edge of technological innovation as one gathers from the legend of wootz steel and the only exporter of zinc till 1800. The manufactured items of Asia were prized possessions both in Asia and Europe.
4. Asia today is at the cusp of transformation or rather re-emergence. After 2007, on a purchasing power parity basis, the share of the GDP of developing countries now exceed those of the advanced countries. Asia’s GDP is expected to grow at 5.4% in 2018. The Asia Pacific is home to 61% (4.4 billion) of the world’s total population and three of its four most populous countries China, India and Indonesia together account for 40% (2.9 billion) of the world’s population are in Asia. Population in the region is estimated to increase to 5.2 billion by 2050; a stable, large, young consumer base in an otherwise ageing world.
5. The need for infrastructure investment in Asia is huge and is estimated to be about \$750 billion annually during 2010-2020. Rapid urbanization, quest for regional connectivity will further push the need for quality infrastructure. The most significant infrastructure gaps in the region are associated with energy such as electricity and transport such as roads and rail networks. Much needs to be done

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<sup>1</sup> Prepared by Economic Research Department, SBI CC, November 14, 2017.

to grow the power and utility capabilities of emerging market economies, the telecommunication networks that connect economic activity within a country and those that allow for effective trade between nations. Emergence of Asian Infrastructure Investment Bank (AIIB) and New Development Bank will guide the future of infrastructure financing and may dictate new norms and standards in the process.

6. Rapid urbanization will further reinforce the need for infrastructure. Almost half of the population, namely 45.5% in the region, is living in urban areas. In South and South-West Asia only 34% of the population lives in urban areas. It is expected that the urbanization rate in the whole region will reach 50% by 2026 and will increase further by 2030. Ambitious national initiatives such the Sagarmala and Bharatmala in India will rewrite the destiny of the region. Thus intergovernmental coordination and/or regional cooperation will be necessary to achieve the goals set by individual countries as well as by sub regional programs.
7. Banking system in Asia has fared well in comparison to the US and Europe. Since the global financial crisis, leading Asia-based banks have outperformed the global banking sector. Forecasts point to the region continuing to offer important growth opportunities in financial services, particularly in the emerging markets. As international western banks face the dilemma of Brexit, domestic and regional banks in Asia are gearing up — with a wave of new competitors hot on their heels. The region is already seeing new types of competitors from the rapidly-developing fintech sector, offering new banking, payment and financing options. Fintech adoption rates<sup>2</sup> in Asia are amongst the highest in the world. Around 69% of the digitally active population in China uses some fintech or the other. The same ratio in India is 52%. Asia received 42.5% of the total \$12.7 billion VC finance in fintechs because of higher return on investments at 25%, around 10% higher than returns in Europe.
8. Emerging financial centers such as Singapore, Shanghai, Dubai and India are now competing with established centers such as London. Mega banks may rise across the region, hastened by the market integration promised by the ASEAN Economic Community, which will enable banks to operate more easily across borders. New trading bloc will emerge. In many countries such as India, banks will need to consolidate if they are to compete against banks from other markets. Governments are introducing carrot and stick regulation to encourage the emergence of national champions that can compete more effectively domestically and across borders.

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<sup>2</sup> Defined as ratio of population using fintech to total digitally active population.

9. Culture of thrift and moderated consumption, Asian countries are traditionally saving societies. Savings product, particularly deposits with banks are quite popular and will continue to be main savings channel in region. With longer life expectancy, progressively less government and employer support for the post-working years and nuclearisation of family systems, it is likely that individuals in Asia will increasingly need to make their own funding arrangements for their old-age years. The life insurance industry and pension funds will be required to provide solutions to address such individual needs.
10. Similarly funding healthcare, especially long-term care (LTC) services is a pressing challenge in Asia. The majority of healthcare expenses have been financed either by individuals privately as out-of-pocket expenditure (e.g., in India, Singapore, Vietnam). Faced with rising healthcare costs and constrained budgets, governments in the Asia are likely to struggle to meet the care needs of their expanding elderly populations. The trend will increasingly be towards a sharing of the costs between the individual, state and the insurance industry. Thus future of financial services across board appears bright and rewarding over the next decade or so.
11. Against this backdrop of increasing optimism and growing cooperation, the importance of forums such as today becomes all the more relevant. The diverse participants of ABA bring with them valuable perspective and experience which can be shared under one roof. The platforms like 34<sup>th</sup> ABA General Meeting provide an opportunity to brainstorm on some of the pressing issues of our region and chalk a strategy to meet our respective goals.
12. This forum over the next two days will discuss a number of issues. As Asia grows, banks in Asia have role to play. What should be our role as financial institutions and can we reclaim the lost respect and faith after 2007 crisis? As world around us changes, how should we adapt and overcome new challenges? What is the role of new technology and how can banks leverage on the new technology to better their existing services and offer newer products? Where are our immediate priorities and what are be our long term objectives? These are of some the question that need answers and I hope discussions over the next two days will provide those answers.
13. As we discuss the success stories, the opportunities, challenges and the risk, I am confident that we will all find much in common which will lay the foundation of greater regional cooperation and collaboration in future.

14. With these thought I would like to extend a warm welcome to all delegates from member banks, esteemed speakers and panelist for this 34<sup>th</sup> ABA General Meeting 2017. Have a pleasant stay and enjoy the events.

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