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Competition Turns Up The Heat For Asia Payments

- **New market entrants could struggle to make a mark**
- **Thailand-Singapore payment project to go live in weeks**

The payments space in Asia is becoming an increasingly busy place to do business as attention turns to the innovative cross-border area.

Asia has been a hotspot for the payments industry in recent years, with European companies such as Wise and Revolut both expanding to jurisdictions in the region, while Chinese companies like AliPay and WeChat have been hailed for their innovations.

But stakeholders have warned that the market is becoming increasingly competitive, which could make it harder for companies to dip into the region.

“Any payments provider that is not already in the market will have their work cut out for them,” said Zennon Kapron, Singapore-based founder at fintech consultancy Kapronasia.

Payments is one of the most competitive segments of the Asian market and is full of both foreign and domestic players, with digital banks also moving quickly into the market.

“If companies want to move in they need to understand their potential customer base and the different cultures, habits and regulations in Asia. It is hard to have a single strategy for the region,” he said.

Asian markets are reaching the saturation point very quickly, agreed Akhil Rao, India-based director at payments consultancy the Nth Exception.

“Revolut recently announced they are coming to India. While their offering is very apt for the European markets, it will be tough for them to capture a sizable portion in the market in India or the rest of Asia,” he told VIXIO.

The consultant noted that much of the transaction growth to date had been driven by peer-to-peer (P2P) transactions, which would previously have been made in cash.

“If we look at the growth of Unified Payment Interface (UPI) in India over the past few years, a lot has been driven by improved ease of use, which has been delivered by fintechs,” he said.

“Now, much of it is the result of apps such as Google Pay, Paytm and PhonePe. These

companies are spending quite a lot of money in advertising in order to capture market share.”

Now that the UPI has achieved the billion transaction mark, the question has moved to whether its success is due to the services or the cash backs and discounts that payment service providers offer.

“The luring cashbacks can undoubtedly keep the customers glued to digital payments but how long will this process sustain and for how long will the digital payment app companies have to compromise with their operating profits to keep themselves intact on the ground,” Rao said.

According to Scott Reynolds, California-based founder of the consultancy firm Global Payments Insight, the region’s payments market is not saturated yet but is becoming a lot more competitive.

“For their first ten or so years they had the market to themselves, but now many companies have woken up to opportunities in the cross-border payments space,” Reynolds said.

“The pie is growing, but competition for a slice of it is as well.”

In general, it is cross-border payment services that have become a phenomenon in Asia. Unlike Europe, it has lacked the means for cross-border transactions to occur with ease due to a plethora of national payment systems and regulations.

Geopolitical issues have made this difficult to overcome in Asia, but bilateral relationships are developing.

“It is now conceivable that once borders open up, retail payments could be settled cross-border in certain jurisdictions leveraging national real-time payment switches,” Kapron said.

A source close to Singapore’s financial regulator, the Monetary Authority of Singapore, has told VIXIO that the [linkage](#) between Singapore and Thailand’s national retail payments system, Paynow and PromptPay, will go live in a matter of weeks. This will be a first of its kind in the world, with anyone who registers for PayNow or PromptPay being able to send money directly between the countries.

“Cross-border real-time payments are becoming a reality,” said Rao. “They have reduced a lot of risk in the market and Asia is following in the footsteps of the EU. It won't have a single currency, but real-time payment threads are being linked up.”

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