Opportunities for Corporate Banks in Asia: The Digital Advantage and ESG

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Corporate banks in Asia have successfully used technology investments to become more efficient and lower costs. Today, the largest banks are using their IT spending for a new reason: to keep up with their corporate clients.

Large companies globally are using technology to transform their business models, with growing number of them migrating to "multi-channel" distribution models, designed to service an expanded universe of customers through a growing number of digital and physical channels. These companies need banks with digital capabilities and platforms capable of supporting these complex models.

Banks that have invested heavily in their own digital platforms are in a strong position to help clients build out their infrastructure and process needs to support new multi-distribution models. On the risk side for banks, companies are talking with nonbank/fintech players offering solutions for payments/receivables and other functions that are effective, flexible and cost-efficient.

Scale Alone Won't Ensure Success

It is clear that technology demands play to the strengths of the biggest banks in the region, giving them a significant competitive advantage. In Asian large corporate banking, however, pure scale is no guarantee of success. As Asia is so heterogeneous and geographically dispersed, even banks with the biggest technology budgets will struggle to win corporate banking clients if they cannot offer a strong network proposition in a given country.

For that reason, even as technology makes corporate banking and cash management scale businesses, smaller local Asian banks will continue to win and maintain the business of large corporates within their home countries and regions.

Several banks we recently recognized as 2022 Greenwich Share and Quality Leaders in Asian Large Corporate Banking and Cash Management have developed the digital capabilities needed to meet many of these new demands. These banks are investing heavily to acquire the capabilities that will be required to service large corporates with evolving models in the future.

ESG Creates a New Opportunity for Banks of All Sizes

Banks of all sizes have an opportunity to strengthen client relationships in Asia by helping companies adopt and implement ESG driven practices. Although Asian corporates have been slower than their counterparts in Europe to adopt environmental, social and governance standards, companies across the region are now making fast progress with ~70% of respondents talking about having a clear ESG target or goal.

These companies are motivated to act on ESG due to increased pressure from shareholders, consumers and government regulators. For many companies, the first step was to tap capital markets through green bonds and similar instruments. As companies rushed to lock in low-cost funding, the boom in green financing helped some banks meet their five-year ESG related financing goals in two years or less.

Despite this progress, most Asian companies are still learning what ESG means to their organizations and which ESG factors are material to their businesses.

Banks should be working to build and strengthen client relationships by helping large Asian companies create the frameworks needed to measure, monitor and report ESG not only in traditional treasury functions like financing, trade finance and supply chain management, but throughout their entire businesses.

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