India has made significant investments in digitisation across the board and is embracing these changes to move with confidence into the digital age. The government is showing commitment to building a digital infrastructure, supported by regulators and the banking industry. Structural reforms in taxation and law, and the formalisation of the economy are matched with rapidly evolving consumer behaviour. For Mridula Iyer, Head of Treasury and Trade Solutions, South Asia, Citi, India’s mood is positive and expectations are high. All this is having a direct impact on how corporates do business within and outside the country.

Roots of change
The policies, initiatives and reforms introduced by the government are the bedrock of India’s change for the better. Among one of its reforms executed over the past few years is the national digitisation programme, which plays a key role in the country’s future.

The ‘J-A-M trinity’ (Jan Dhan – Aadhaar – Mobile) of initiatives encapsulates this movement. Jan Dhan is driving financial inclusion; Aadhaar gives each citizen a unique digital identity; Mobile is the practical means of inclusion in the digital economy for almost every one of India’s 1.3 billion citizens. Additionally, with the introduction of real-time 24*7 payment channels like Immediate Payment Service (IMPS) and Unified Payments Interface (UPI) that are faster, cheaper and more convenient, there has been significant progress in moving towards a digital economy.

Spectrum of opportunities
With GDP growth forecasts heading towards 7%, India has become one of the most attractive destinations for investment in the emerging markets. Government reforms in the recent past have led to a lot of positive change on the ground. Additionally, India jumped 30 places to 100th in the World Bank ‘Ease of Doing Business’ ranking. Key global players are now looking to expand their footprint in India, leveraging the development and consumption growth story in the country. Meanwhile, major Indian corporates are heading overseas, some strengthening their world-stage position through acquisition.

The major success in India is its US$50bn (c.US$120bn by 2020) e-commerce market. Propelled by favourable drivers towards rapid growth, the Indian ecommerce market is gaining further depth and breadth through new entrants, of which key priorities are increasing their presence in India and connecting Indian consumers to global merchants.

India is also emerging as a preferred export hub by many MNCs, manufacturing for the rest of the world. Automotive sector expansion has seen global players form vast ecosystems of national and international suppliers including OEMs, component-makers, financing companies and distributors.

India has long-been an IT hub for the world, playing host to some of the world’s largest technology companies. As a sector, IT is pushing outwards to countries such as the US and Canada. As key players work evermore closely with the administrations in these countries, they are finding new ways of enhancing their overseas presence.

The pharmaceutical sector, much given to inorganic growth, is a major player in India too, the country ranking third in the world in terms of volume. With rapid overseas M&A activity, strong footholds in the US and Latin America, for example, are being created.

Paths to success
Given the scale and impact of India’s sweeping new digital reforms, Citi is helping clients create value and drive growth through its commitment to digitise and implement innovative solutions. Digitisation has eliminated much of the trade paper-flow. The creation by the government of a centralised
data repository connecting customs, regulators, banks and clients, has enabled Cit to offer an end-to-end digital solution, simplifying cross-border trade payments and significantly improving efficiencies for clients.

With the rapid emergence of Indian e-commerce, Cit has helped clients by facilitating seamless payment mechanisms through specialised cross-border remittance solutions, working closely with the regulators.

To help clients navigate this dynamic environment, Cit is keen to partner with treasurers on their digital transformation journey. With progress encompassing the entire working capital cycle, Cit’s view is that the best next-generation solutions for clients can be developed through leveraging collaborative partnerships with the FinTech community. For Iyer, the agility, and new solutions of start-ups, combined with Cit’s unique global platform and network, will ensure the bank executes on its commitment to be the best for its clients.

When making judgments about China as a commercial opportunity, there are three key concepts treasurers must contemplate, says Yigen Pei, China Country Head of TTS: de-regulation, globalisation and digitisation.

China has become a fast-growing and complex market in a relatively short period. It used to retain a deeply conservative approach to regulation, particularly around exchange and interest rates, yet the trend is for a relatively accommodative environment for financial innovation.

Two-way flow

The country has benefited from globalisation, with the arrival of many MNCs onshore. But increasingly, Chinese companies are heading outwards, not least under the banner of the country’s vast Belt and Road Initiative (BRI). With renminbi progressively becoming a usable international currency, and the gradual opening of capital accounts onshore, China’s increased accessibility is striking, with trading opportunities very much bi-directional.

No emerging economy has travelled far down the road without the adoption of new technologies; China is no different. The penetration of internet and mobile devices, and the development of new channels, especially in the consumer space, have been key to success. Indeed, the transformation of traditional payment products into the digital realm has pushed e-commerce to the forefront of China’s emerging market opportunities.

That said, China is still at a transitional stage, says Pei. MNCs in the country are looking for the introduction of best practice. They want to hook their Chinese operations into their international networks, matching systems and processes seen in Europe and North America. Transformation must reach the subsidiaries, and provide an overlay in selected centres within China, before connecting to global operations.

Home-grown companies are catching up quickly; as they reach out across the world, they are adapting success stories, upgrading entire ecosystems accordingly. Companies are seeking full platform uniformity and system support, often via their banks.

Hope and patience

China’s commercial ecosystem is dynamic and complex; tackling its regulatory landscape is sometimes a challenge for corporates, says Pei. While financial liberalisation is under way, government intervention in home affairs can see it correcting undue market practices, stepping in, for example, to cool an over-leveraged shadow banking sector. All this must be understood by treasurers for the right decisions to be taken. For the uninitiated in transformation, be hopeful but also be patient, advises Pei.

China is morphing into a dynamic consumer market. Domestic and international players in retail, pharma and auto sectors, in particular, are significant beneficiaries of this re-invention. With the country often cited by foreign majors as their largest or second largest market, corporates seeking growth cannot ignore it.

The services sector has been a major growth story in China too. App-based taxi services or travel service aggregators, for example, are exploiting new technologies and channels, playing on the provision of convenience, often to China’s young demographic.

Even indirectly, huge demand is being generated by China’s growth, says Pei. With Chinese companies moving further afield, investing and acquiring but also constructing under schemes such as BRI, foreign MNCs can benefit. A Chinese infrastructure project in Malaysia, for instance, may see a US or German company win the heavy-machinery contract.

Market-ready

Chinese companies – including those in the digital economy – are expanding into new markets, often by acquisition. These are often fuelled by international capital, PE firms or VC money. This activity also presents global banks such as Cit with opportunities to service corporates travelling in either direction.

Of course, Chinese businesses heading outwards must be prepared for new political risks, market volatilities (especially FX and interest rates) and cultural factors. They must establish process and management structures, and ensure people are in place with international vision, says Pei. Failure to respond can see operations become fractured, increasing risk. The same broad awareness applies to banking partners. The ability to advise on local market risk and opportunities, yet give a global perspective, is crucial for expansion, whether incoming or outgoing.

Call to action

The pace of change means corporates operating in China need to stay alert, says Pei. Treasurers must closely follow market
developments and communicate changes to all stakeholders rapidly because what was done yesterday might be outdated by tomorrow.

It can be a challenge, says Pei, but with the right partner it is possible to adapt to even the most changeable of environments. Citi’s long history in the region, allied with its global reach, enables clients to benefit from a timely flow of essential and actionable information.

By accessing the bank’s local connections, global intelligence and flexible solution set, building upon the pillars of de-regulation, globalisation and digitisation becomes less about the challenges, and more about opportunities.

The ten members of ASEAN have a combined GDP of circa US$2.6tn. This makes it the world’s fifth largest economy, a position that is expected to improve by one place by 2050, according to World Bank estimates. It boasts consistent growth over the past six years of around 5%. These figures meet ASEAN’s youthful demographic (more than 50% of its 550m people are under 30), and growing middle-class, head-on, presenting an exciting opportunity for businesses.

Consumer drive
Consumption and wealth is expected to continue growing, with the overall expectation for ASEAN’s expanding middle-class and youth segments to raise aspirational consumption and online activity, says Debopama Sen, Head of TTS, ASEAN.

There is also noteworthy traction for ASEAN FDI, with Europe and the US showing increasing interest in the financial sector, for example, China ploughing a lot into finance, and the retail and wholesale trades, and Korea developing its manufacturing interests.

Intra-regional investment is conspicuously increasing too. It now represents around 25% of all ASEAN FDI. With 2016 setting a record intra-regional high of US$24bn, Sen notes that many regional corporates are making concerted ASEAN growth plans.

It is noteworthy that corporates from all regions do not typically see their ASEAN investment through a single lens of, for example, cost arbitrage or consumer-market access, says Sen. Instead, it is commonly approached with multiple drivers in mind. This, she comments, makes for sustainable regional growth in what remains a highly changeable market.

Digital agenda
At a government level, ASEAN is driven by different themes. Infrastructure spend, attracting foreign investment, improving business facilitation rankings, and encouraging innovation are, in varied combinations, part of the region’s growth plans.

Singapore, for instance, continues to boost its status as a global liquidity centre, Vietnam as a manufacturing hub.

However, in all cases, there is a proactive regional-level agenda, says Sen. Almost every corporate today, whether it is a digital native or a traditional company, has a digital transformation strategy because this is seen as the only way to sustain growth. “This is a key place where we partner with these businesses, helping them on their digital transformation journey,” says Sen.

With several clients benefitting from Citi’s expertise in navigating the rapidly changing payments landscape in ASEAN, Sen says the process is about educating clients as to what is possible, helping them to understand the benefits of technology in their unique circumstances, and then making that happen.

A recent case in point is Citi’s work with an e-commerce retail client in Singapore. This business was struggling to provide immediate online confirmations to customers that their payments had been successful. “We worked to leverage the FAST [Fast and Secure Transactions] network in Singapore to give them instant reconciliations,” says Sen. This has helped the client process thousands of payments per month with instant confirmations for every end-customer.

As well as the efforts of Citi with its own clients, digital progress across the region is helped by determined knowledge-sharing amongst ASEAN members. There is a collective will to progress. With most members now driving a payments digitisation agenda, Sen believes that by 2020 all will have 24/7 real-time payments mechanisms, facilitating, amongst other benefits, rapid e-commerce growth.

It is vital now for treasurers to harness this evolving digital payments landscape. It is especially important to grasp what is happening in the real-time payments space, advises Sen, “as this may eventually impact how your customers do business with you”.

This means fully understanding how technology can impact end-customer relationships, channel management and, ultimately, liquidity planning. “If your business is using instant payments on both sides of your working capital cycle, then how you manage liquidity may also change,” she explains.

Similarly, treasurers must be proactively involved in sales and procurement cycles to optimise working capital, constantly investigating supplier and customer sides of the value chain to understand how the business can be more efficient on the balance sheet.

At the same time, of course, treasurers must be equipped to navigate the frequent regulatory changes that are typically issued by the developing members because here too there may be opportunities to leverage ASEAN’s developing trade environment.

At the corporate level, there are few, if any, serious impediments to market entry, says Sen. However, complexity and opportunity can present in equal measures. As such, Citi, as a global yet local partner, has the footprint and experience to steer clients through the ASEAN maze. Regardless of how progress is achieved, ignoring what could soon be the world’s fourth largest economy is surely not an option.