

Asia's opportunity for growth in banking

Asia is the world center for banking growth, with
consumer finance at the forefront.



Despite being in a disrupted state, the banking sector in Asia is poised for further growth if banks can be more selective. In this video, Jacob Dahl, leader of McKinsey's Financial Services Practice in Asia, speaks about a sector in the middle of a great transition as it faces geopolitical challenges, tech disruptors, and increasing regulatory scrutiny. An edited version of his remarks follows. The conversation is part of our series on the future of Asia.

What are the top three most disruptive forces shaping the Asian financial-services sector ten years out?

The Asian financial-services-and-banking sector is going through major turmoil at the moment. Asian countries are facing falling growth rates. We also see geopolitical challenges, where the trade wars and other political concerns are influencing what the banking environment is.

And obviously, we see attackers coming in. Fintechs, more established techs, are driving a lot of revolution in the banking sector, and they are pushing other players to have a fully digitized service.

Jacob Dahl is a senior partner in McKinsey's Hong Kong office.

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How should CEOs be responding to these forces as they think about their business strategies for the next decade?

In light of that, companies should ensure they're in line with the new market conditions. This means that you need to get your costs under control. There is so much margin squeeze—and pressure on volumes—so you need to be good at the discipline of costs. You need to be good at managing your risks—not just the creative risks you are taking on board but, frankly, also the conduct risks. We have seen increased regulatory scrutiny into how you are dealing with your customers, and banks need to be aware of that.

Finally, you need to be good at managing your capital—managing your balance sheet is essential. But you also don't want to just focus on your core business. Asia is still, in many ways, the center of growth for banking in the world, and banks just need to be a little bit more selective.

Areas like asset management and wealth management are huge growth areas going forward. So are areas like consumer finance. In essence, there are still a lot of opportunities, but they will appear in pockets rather than as broad-based growth.