Inclusive trade and cross-border payments

Visa Economic Empowerment Institute

Presentation to WTO Informal working group on MSMEs
October 12, 2022

Moving money globally

200+
countries and territories

15,000
financial institutions[2]

3.9B
cards worldwide[1]

$13.8T
total volume[2]

250.9B
total transactions[2]

80M+
merchant locations[3]

Our vision is to be the best way to pay and be paid for everyone, everywhere.

Our mission is to connect the world through the most innovative, reliable, and secure payment network — enabling individuals, businesses and economies to thrive.

[1] As of December 31, 2021; [2] For the 12 months ended March 31, 2022, includes payments and cash transactions; [3] Data provided to Visa by acquiring institutions and other third parties as of September 30, 2021. Merchant locations reported excludes an additional estimate of 20 million small businesses that utilize payment facilitators as of September 30, 2021.

The value of cross-border payments

Has been growing recently

The international mobility of goods, services, capital and people coupled with the increased digitization of the economy,
notably during the COVID-19 pandemic, has increased the economic importance of cross-border payments.

$250 trillion

2027

$150 trillion

2017

The Bank of England commissioned research by Boston Consulting Group that estimates the current value of cross-border payments at $150 trillion and predicts that it will surpass $250 trillion by 2027.

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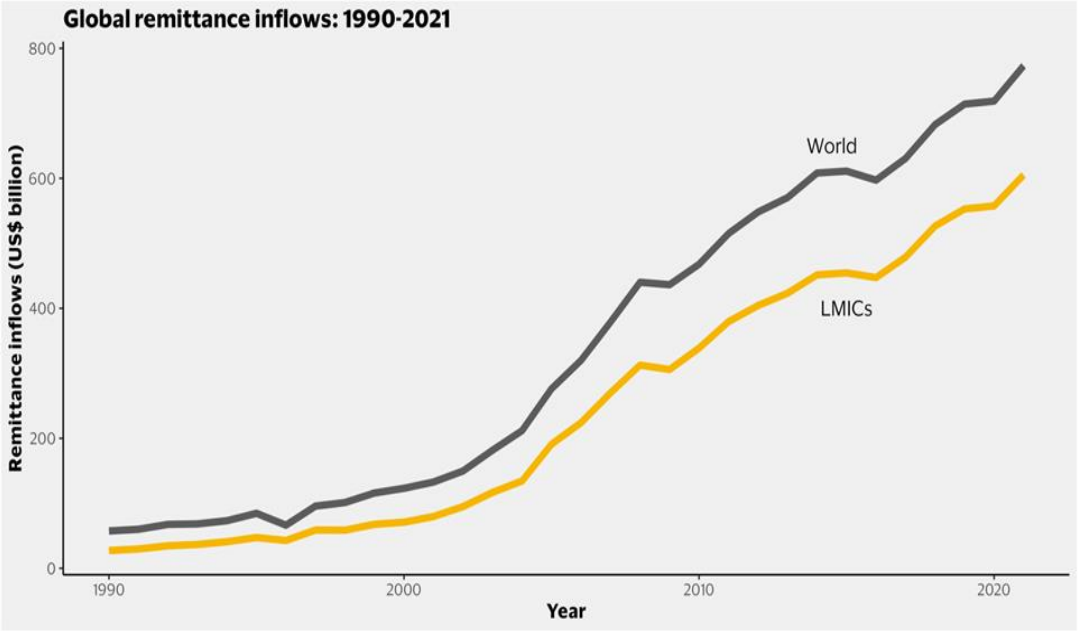
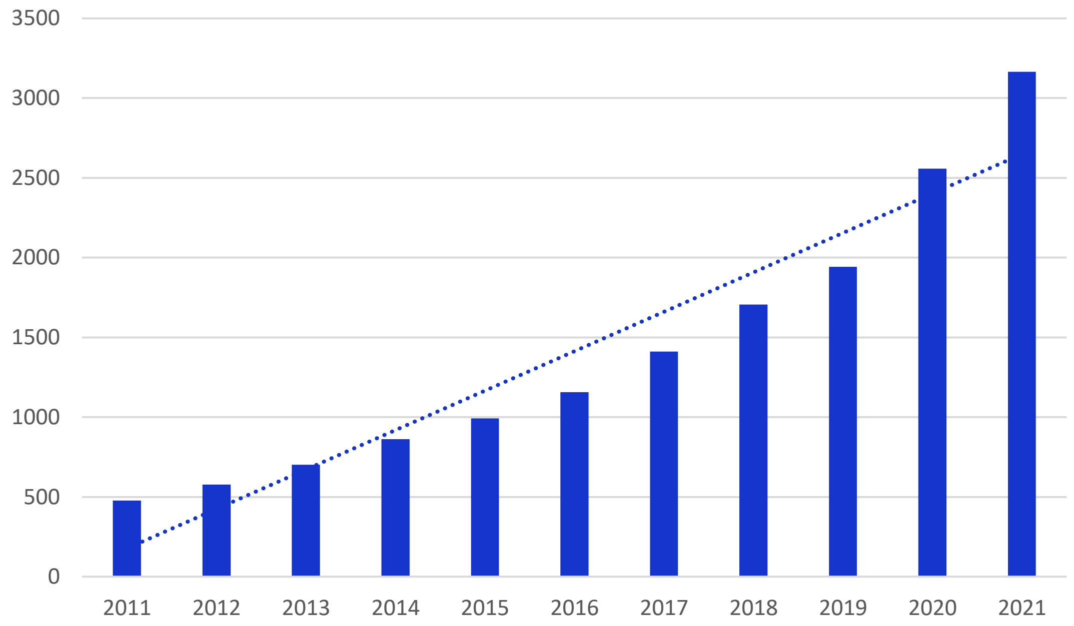
Cross border payments are essential to many economies and businesses

Both remittances and e-commerce have seen a recent upsurge

Global remittance flows
($billions, 1990-2021)



Global cross-border e-commerce (goods)
(retail value RSP excl sales tax, $billions)



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During the pandemic we see a growth of women-led MSMEs

VEEI research provides insights from a survey of over 1,000 women-led small business across 8 countries. Some of the fascinating trends it uncovers include:

- **Women across the globe are opening businesses at higher rates.** More than 40 percent of firms born in the last two years are run by a woman. For firms that are ten years old or more, this figure is less than 25 percent.
- **Women-led firms are increasingly "born digital" and "born global."** This means they begin accepting digital sales and exporting their products soon after beginning operations. In our survey, one third of women-led firms aged 0-2—particularly those that sell on online marketplaces—report exporting to at least one new market.
- **Female executives empower other women to become business leaders.** In our survey, 40 percent of businesses with female CEOs had majority female management teams.

"Female entrepreneurship is on the rise, indicating the drive among women around the world to act on their ideas, build ventures, and maximize their full potential. The digitization, export participation, and growth of these new women-led firms may be leading gender disparities to narrow in business. "

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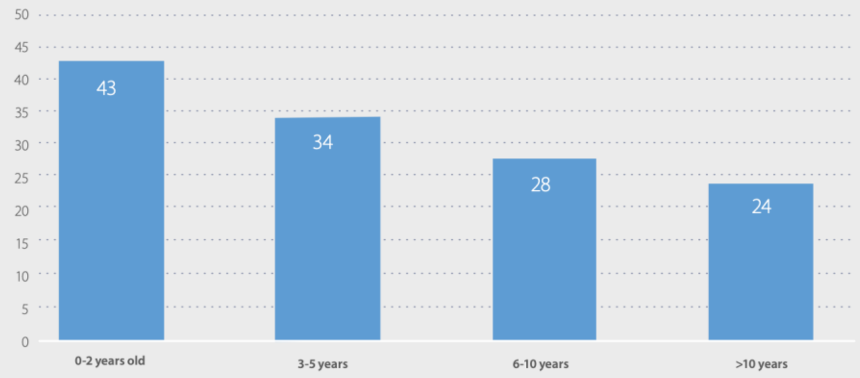
Traditional barriers:

- **Access to finance**. Women-led startups receive nearly 25 percent less funding than those owned by men.
- **More business procedures**. In some regions of the world, women must comply with between 2 and 12 percent more procedures than men to start a business.
- **Digital skills gaps**. Women are more likely than men to report lack of skills as a barrier to internet use.

Figure 6. Women-led firms (%) by firm age
See Annex 1 (page 37) for more information



What do successful women-led firms have in common?

Early-stage women-led firms whose revenue grew 5+ percent compared to those whose revenue declined by 5+percent

20%

more likely to use digital payments

25%

more likely to use globa
platforms

60%

more likely to export

The acceleration in digitization spurred by the COVID-19 pandemic increased the use of digital payments across the globe. Women-led MSMEs that accepted digital payments were better able to stay in business and grow.

Global marketplaces enable small women-led firms to scale their sales and diversify their markets.

Over half of fast-growing women-led firms export, and a quarter have diversified export markets.

Our findings suggest that firms born in the past two years are more likely than older firms to be headed by women. They are also more likely than pre-pandemic firms to be led by minority women. These early-stage firms adopt digital technologies at about the same rate as those led by men. Once they start to export, they sell to a larger and more diverse set of markets.

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Pain points in cross-border payments

- We live in a world where borders define economic spaces. These borders have been created by geography, by wars and by political decisions. By their very nature, borders introduce frictions and their existence causes inefficiencies when we move goods and services across them, including money.

- One study (IFAC-OECD) estimates that regulatory fragmentation costs the global economy more than $780 billion per year .

- **Cross-border payments,** still do not interoperate optimally across borders and as such preclude MSMEs from accepting payments from potential foreign customers that use different payment systems than the MSME.

- Eliminating this pain point would be a big deal. Forthcoming research by the eTrade Alliance estimates that in Southeast Asia alone, reducing the lost sales due to lack of digital payment interoperability by just 10 percent would generate $30.6 billion in new SME sales. This could result in growth in regional SME revenue by 2.4 percent and an additional 4.2 million jobs.

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To function well, systems need interoperability

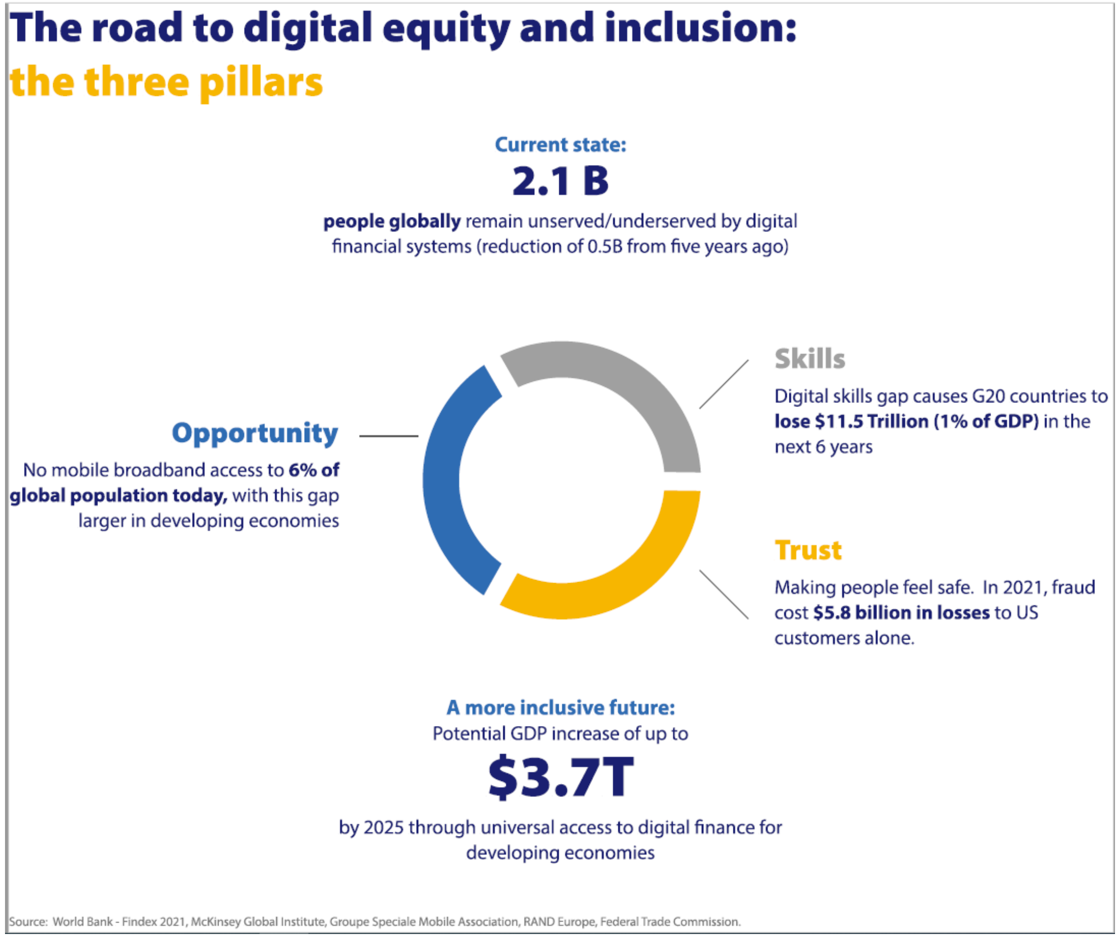
There are three types of interoperability (technical, network, and regulatory). All help to achieve the goal of a more equitable and inclusive payments system.

- **Interoperability is not synonymous with uniformity.** While payments could be perceived as interoperable if they traveled on a common rail provided by a benign public authority, this might also lead to a "lowest common denominator" of consumer experience and capability.
- Because it enables both technical and network interoperability, **regulatory interoperability is perhaps the most important to pursue.** One recent step toward regulatory interoperability is the Singapore-Australia Digital Economy Agreement.
- **A growing number of countries are pursuing new technologies that promote network interoperability.** These include central bank digital currencies (CBDCs) and faster payments systems (FPSs). As of February 2021, 56 countries already had FPS capabilities.

Existing policies promoting regulatory interoperability:

1. **Singapore-Australia Digital Economy Agreement:** In response to the growth of "non-bank, non-financial institution and FinTech enterprises," both countries pledged to support "the development of efficient, safe, and secure cross-border electronic payments." The agreement also pledges to adopt ISO 20022 and encourages the use of application programming interfaces (APIs).
2. **The Digital Economy Partnership Agreement (Chile, Singapore, New Zealand):** Makes similar commitments to the agreement between Singapore and Australia.

Building an inclusive, equitable digital economy



Prerequisites for building an inclusive, equitable digital economy:

1. **Opportunity:** Increase access to the shared networks of the digital ecosystem.
2. **Skills:** Lay the foundation for digital literacy early in life.
3. **Trust:** Develop systems, products, and services that are secure.

"The Global Findex shows promising progress on financial inclusion, but the next billion people may be even harder to reach than the last. Addressing the remaining universal financial access challenges will require sophisticated technology and business model innovations. Expanding the scale of financial access must be done responsibly, with global standards, rules and safeguards."

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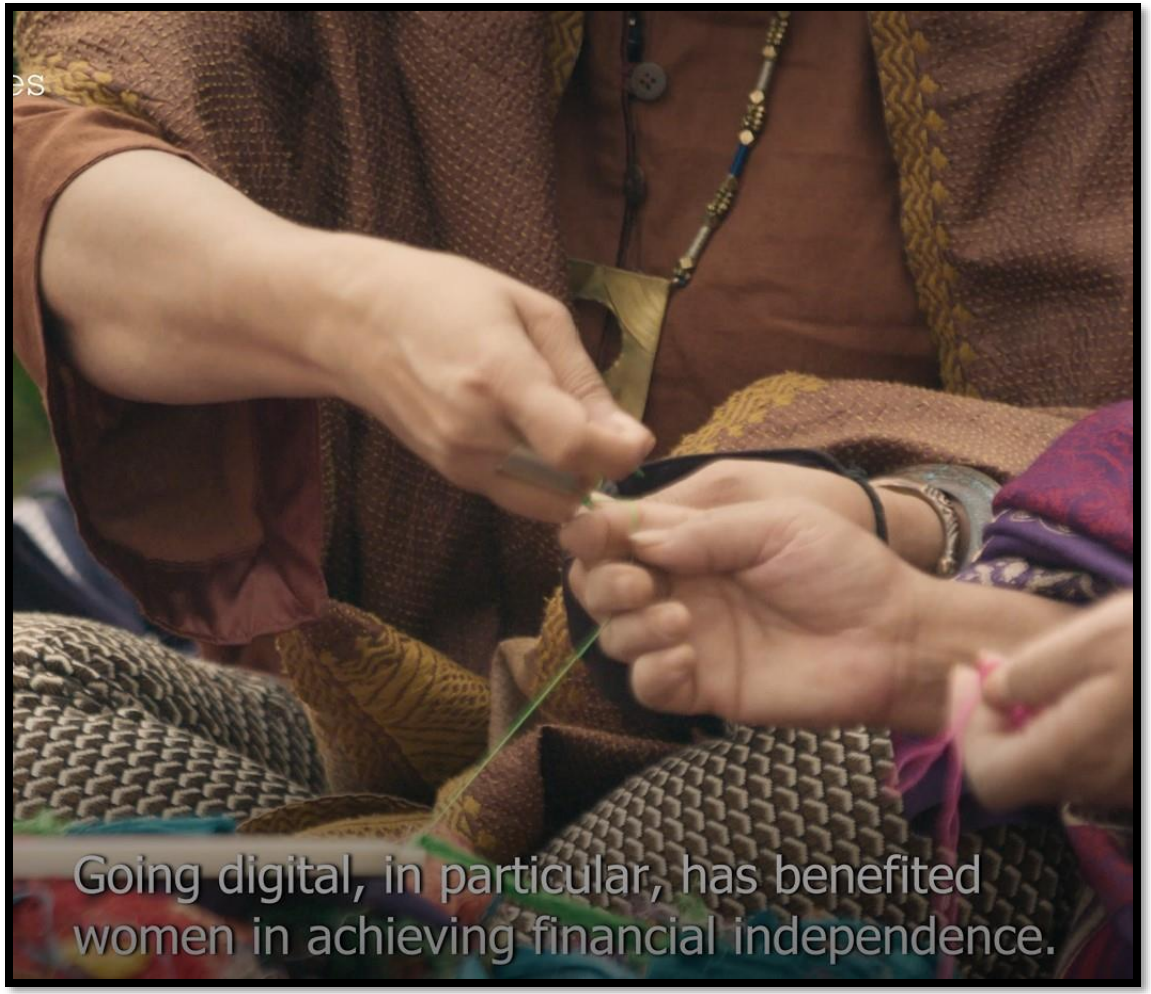
Inclusive digital equity

Opportunity, skills and trus



VEEI papers referenced


Let's talk about how we talk
about interoperability

[Let's talk about how we talk about interoperability!]

Discussions of interoperability can sometimes turn into recommendations for uniformity and rigidity, and we believe this can stifle innovation. This paper discusses common goals and metrics for technical, network, and regulatory interoperability.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Digital, diverse, and going global:
A new dawn for women-led firms

During the pandemic, the number of women-led startups grew. These firms are more digital, diverse and are exporting to the world. We identify 3 key needs to help them succeed – and to miti-gate the digital gender divide.

[Digital, diverse, and going global: A new dawn for women-owned firms (forthcoming July 2022)]


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Building an inclusive,
equitable digital economy

This paper proposes a framework for building an inclusive and equitable digital economy. We believe that opportunity, skills, and trust are key to extending access to digital technologies in a way that can uplift everyone, everywhere.

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Thank you