



Expanding small industry through DIGITAL FINANCIAL INCLUSION

In emerging economies, 131 million or 41% of registered small and medium enterprises are either fully or partially credit-constrained. Of these firms, 23% are owned by women.^{1,2} In many emerging markets, small and medium enterprises also operate below optimal productivity levels, impacting output, revenue, and employment generation.^{3,4} Rural MSMEs in emerging economies face significant challenges in adapting to climate change, including a lack of resources and poor familiarity with climate-smart solutions.⁵

OPPORTUNITY

Digital financial services can support the productivity and growth of small and medium enterprises by enabling business owners to deliver a better customer experience. Businesses can benefit by, for example, accepting payments from any location via mobile phone, reducing costs compared with manual transactions, enabling better record-keeping through cloud-hosted transaction data, and by delivering services to a broader geographic area.^{6,7}

CHALLENGES

- Small businesses have historically faced barriers to finance due to physical distance, lack of proper documentation, lack of credit history, and high cost.^{8,9} COVID-19 lockdowns have also heightened the **risk of widespread bankruptcies**.¹⁰
- Only one in three small businesses was receiving a loan or line of credit in 2020–2021.¹³ **Women-owned small and medium enterprises account for 32% of the finance gap in emerging economies**.¹⁴
- Low-income users face more difficulty **adapting to and participating in an increasingly technological and green economy**.¹⁷

SOLUTIONS

- Digital financial services can facilitate access to finance for small and medium enterprises. Simplified loan application processes and the use of alternative data for credit decision-making could **cut turnaround times**.¹¹ Lenders using alternative credit scoring and accepting non-traditional forms of collateral, including moveable assets, can give faster and cheaper credit.¹²
- Digital credit **can spur entrepreneurial growth**, particularly of small e-commerce firms.¹⁵ Technological capabilities have also enabled lenders to reach underserved small and medium enterprises (e.g., firms in rural and remote areas, micro-enterprises, and informal ventures), and to cut transaction costs.¹⁶
- **Digital financial services could help low-income people to participate in the transition economy** by giving them access to markets, low-cost finance, education, and information.¹⁸



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SENEGAL

Of 343 businesses surveyed across 19 industries, **82% felt safer with digital wages** because they did not have to travel with their paychecks. Also, 57% of workers said they had better access to financial services after their wages were digitized.¹⁹



KENYA

NCBA Bank disbursed \$3.9 billion in 2020 and \$5.1 billion in 2021 using technology and innovation,



including digital payments, credit access, and the immediate disbursement of small working capital loans.²⁰



MEXICO

Grupo Bimbo, the world's largest baking company, worked with small retailers to help them adopt digital payments.

Sales revenue rose in one year by up to 30% for participating merchants.²¹

INDIA

The Unified Payments Interface in India enabled the seamless flow of data and payments between banks and payment service providers, even allowing small businesses without a bank account to accept payments via a digital wallet.²² By September 2021, the interface had grown to



include around 259 participating financial service providers and more than 3.5 billion monthly transactions.²³



AFRICA

To authorize short-term loans, KopoKopo uses electronic transaction histories to evaluate the creditworthiness of MSMEs. Over 20,000 of the 45,000 merchants onboarded since its launch in 2012 were active in 2020.²⁴



MEXICO

According to a recent Visa–60 Decibels survey of 753 micro and small businesses that have adopted digital payments, 72% of respondents confirmed more customer spending, and 75% reported higher revenues.²⁵

1. GPFI, 2020. 2. SME Finance Forum, 2018. 3. Albaz et al., 2020. 4. OECD, no date. 5. GPFI, 2017. 6. Deloitte, 2018. 7. GPFI, 2020. 8. Ibid. 9. Sun et al., 2021. 10. Small businesses have been forced to close and to lay off employees, while many others are facing cash flow difficulties (Karr, Loh, and Wirjo, 2020; Sun et al., 2021). 11. GPFI, 2020. 12. Frost et al., 2019. 13. United Nations, 2022. 14. SME Finance Forum, no date. 15. Hau et al., 2021. 16. OECD, 2020. 17. Pasricha and Baur-Yazbeck, 2020. 18. Ibid. 19. BTCA, 2021a. 20. Gamser and Chen, 2022. 21. BTCA, 2021b. 22. Carrière-Swallow, Haksar, and Patnam, 2021. 23. BTCA, 2021c. 24. Theuri, 2020. 25. Visa, 2021.