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# ACCELERATING TRADE DIGITALIZATION TO SUPPORT MSME FINANCING

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This is a jointly produced white paper between Deepesh Patel, Editorial Director, Trade Finance Global (TFG), and Emmanuelle Ganne, Senior Analyst at the World Trade Organization (WTO). This white paper is endorsed by the International Chamber of Commerce (ICC).

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# FOREWORD

Micro, small and medium-sized enterprises (MSMEs) are the backbone of the economy, representing 95 per cent of all companies worldwide and accounting for 60 per cent of employment. They are fundamental to the day-to-day provision of goods and services around the world. Yet many struggle to grow and trade. Among the many challenges that MSMEs face, a lack of access to finance, including trade finance, is frequently identified as a critical barrier to growth. The MSME financing gap is a reality that cannot be ignored and that should be tackled with determination if we wish to ensure that small players are given a chance to thrive.

Digital technologies, from cloud computing to application programming interfaces, to the Internet of Things, artificial intelligence and distributed ledger technologies, open up a range of new opportunities for MSMEs. New business models and new approaches to MSME financing are emerging. The technology is there, making interesting promises. Yet MSMEs continue to struggle to access financing, including trade finance, with ripple effects on their ability to grow and trade. How can we unleash the potential of these technologies?

The current pandemic, which has had a devastating impact on small businesses, has shown that going digital is no longer optional. It is necessary. But digitalization requires more than simply technology. It requires an enabling regulatory environment.

This publication explores how digital technologies can be leveraged to facilitate MSME financing. It provides examples of relevant use cases and discusses

challenges faced by practitioners. While the potential of digital technologies to facilitate MSME financing is significant, this publication shows that a more holistic approach is needed to unleash the potential of these technologies to facilitate the access of MSMEs to finance, including trade finance. Coordinated action on issues ranging from standards, to how to leverage data, what type of data, digital identity, regulation, and how to close the digital divide, is needed. Policymakers, technologists, practitioners, bankers and all other stakeholders must work together to devise, agree upon and then execute a roadmap that will catalyse action.

We need to act big to help small businesses!



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