

# Defining the Next Decade of MSME Digital Banking

October 2022

MSME Digital Banking Opportunities  
in Southeast Asia

🇮🇩 Indonesia / 🇲🇾 Malaysia / 🇵🇭 Philippines / 🇸🇬 Singapore /

🇹🇭 Thailand / 🇻🇳 Vietnam

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To future-proof their digital banking initiatives, banks need to look beyond digital access and experience of their products. They need to solve for better product fit & risk models instead.

### Anish Achuthan

Co-founder & CEO  
Open Financial Technologies



## Foreword



Trends in Southeast Asia point towards an evolution in MSME digital banking solutions. Digital technologies and tools are changing the way MSMEs do business, and creating a data footprint that is transforming our understanding of their financial health. Additionally, modern tech stacks, supportive governments policies, and digital public infrastructure for payments and open data are spurring innovation in fintech-powered solutions for MSMEs.

Our study of the trends in the region highlights not only a readiness among MSMEs to adopt digital tools for their business, but a demand for fintech-powered solutions that make it easier for them to run and grow their businesses. More than half of MSMEs in Southeast Asia claim that they would switch services providers for better financial options and for improved digital services.

For banks, the landscape today addresses two key concerns:

- Digital technology is significantly reducing the cost to acquire and serve smaller businesses, unlocking important value pools for banks
- Digital technology and financial automation are transforming the way businesses are profiled for risk and revenue, driving real innovation in banking products and services

With traditional strengths in customer trust, licensing and infrastructure, we believe this is a real opportunity for banks to evolve into a complete 'financial OS' for MSMEs. Our report looks into the opportunity and need for banks to undertake this evolution across six key markets, and five key business banking areas – cards & expense management, payments, digital banking, business financing and revenue-based financing.

This is a call for banks to reboot their offerings to compete meaningfully in the MSME digital banking space. And to truly future-proof their business, banks need to look beyond digital channels and customer experience. They need to solve for better product fit & risk models instead.

# Executive Summary

## The State of the MSME Market



### Digital decade and a new wave of growth for internet economies in Southeast Asia

In 2020, during the pandemic, Southeast Asia's internet economy showed remarkable resilience. With the rapid adoption of digital technologies, 2021-22 has been a period of recovery and resurgence for the region and the SEA internet economy is expected to grow at 20% CAGR to reach ~\$360B GMV by 2025.



### MSME businesses now have a digital footprint that banks can use

MSMEs in the region raced to adopt customer-facing digital solutions that facilitate the exchange of goods and services between merchants and customers. They also adopted digital operations tools to enhance operational and back-office productivity.



### Enabling policies and payment infrastructure make MSME sector ripe for digital banking services

Regulators and governments are enacting enabling policies such as open banking and digital banking, as well as infrastructure initiatives like national QR codes and real-time payment infrastructure to propel innovation in the banking sector.



### MSME demand for digital and embedded banking services is expected to skyrocket

In their quest for business growth and operational efficiencies, MSMEs in the region are in great need of integrated financial and business services from banking service providers, and would be willing to pay a premium for digital banking services with built-in financial automation.



### Last call for banks to reboot their digital banking and win MSMEs back from fintechs

Digital platforms and fintech scale-ups in Southeast Asia are emerging as one-stop solution providers for MSME business banking needs. While incumbent banks have traditional advantages of licensing, infrastructure & trust, they need to grow into a financial OS for MSMEs to compete effectively.



# Digital Evolution of the MSME Sector

Niche Segments & Digital Operating Models



# Emerging MSME Niche Segments

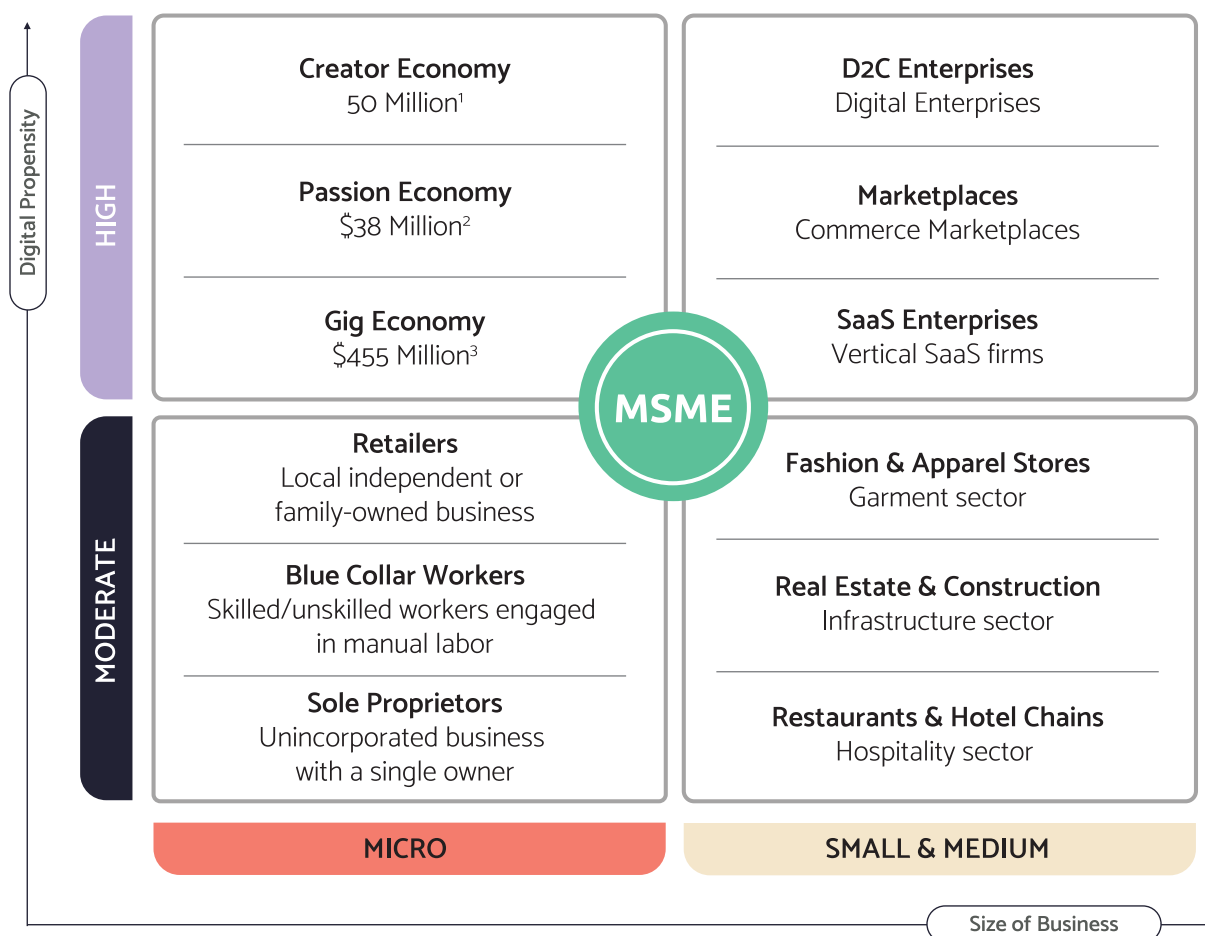


Exhibit 1, Source : 1-SignalFire, 2- Forbes, 3- Mastercard

The MSME sector is an incredibly diverse segment with variations in size, industry, life stage, growth ambitions, digital maturity and more.

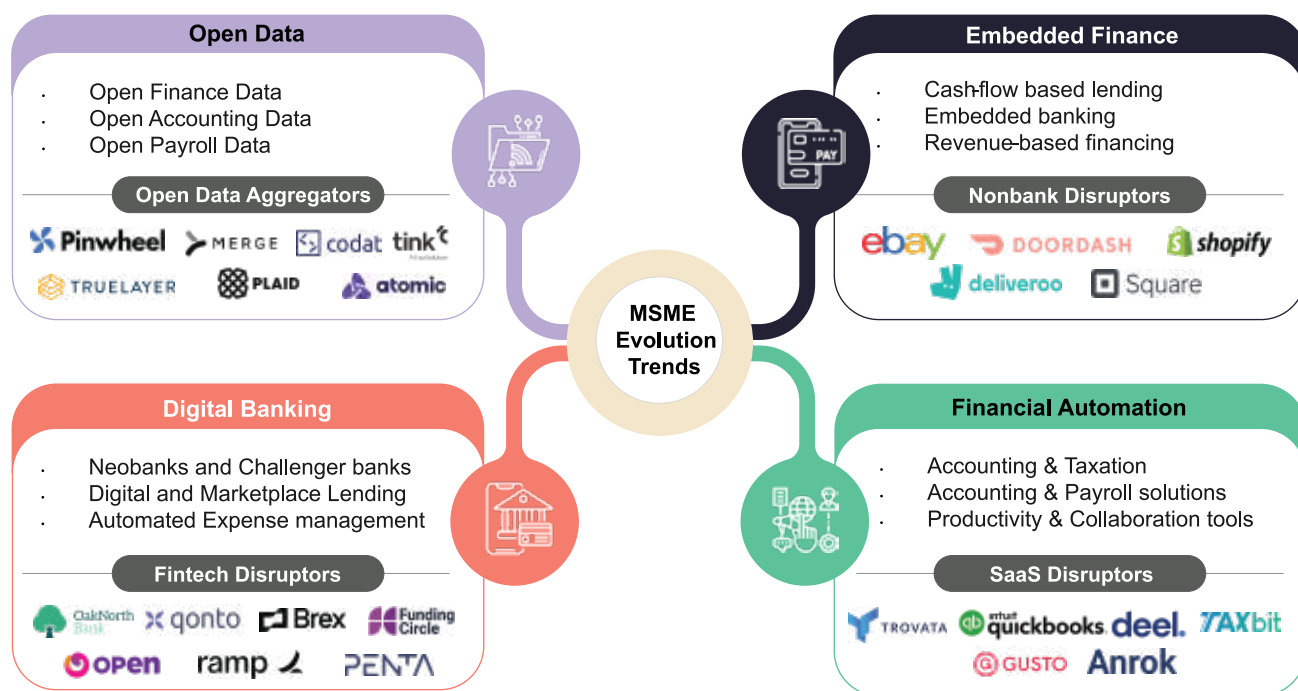
The diversity in the MSME sector has grown even further with the rise of digital-native business models (Exhibit 1). These business models have created new niche segments in the sector, such as:

- Highly specialised freelancers
- International gig workers
- Passion economy creators (using new digital platforms like Substack, Patreon, Teachable, or Medium)
- Direct-to-consumer e-commerce sellers
- B2C or B2B marketplaces
- Specialised vertical software-as-a-service (SaaS) enterprises



The emergence of new digital-native sub-segments and rapid digitalisation of existing ones in the MSME landscape has opened up important value pools for banks. These niche sub-segments have witnessed skyrocketing growth rates, and their widespread digital footprints allow banks to optimise the cost to acquire and serve these businesses.

# Evolving Trends in MSME Digital Banking



Digital adoption by MSMEs has fuelled innovation in the fintech sector:

- Open Finance has enabled third party providers to access granular and high-provenance data from applications used by MSMEs such as banking, accounting, ERP, invoicing, payroll, etc. to launch segment-specific digital banking products.
- Embedded finance has emerged as a key phenomenon for MSMEs worldwide, allowing them to access contextual financing options on the business platforms they use for their day-to-day business, such as B2B e-commerce platforms, procurement finance platforms, digital marketplaces, etc.
- Digital-first banks are leveraging improved cost-to-serve scenario to offer all-in-one 'business banking accounts' that integrate fully-digital current accounts with business applications.
- The widespread adoption of financial automation tools by MSMEs has unlocked new value-generating opportunities, such as fintech marketplaces integrating and automating workflows across banking, finance, and operations and new underwriting models based on alternative data points.



For banks to compete meaningfully in these emerging segments, they need to focus on digital acquisition, end-to-end digital customer journeys, and a segment-sensitive product fit. Importantly, banks need to map how newer products and services integrate traditional banking offerings with 'run-the-business' and 'grow-the-business' value adds for these customers.

# MSME Digital Banking Opportunity in Southeast Asia

Indonesia / Malaysia / Philippines  
Singapore / Thailand / Vietnam

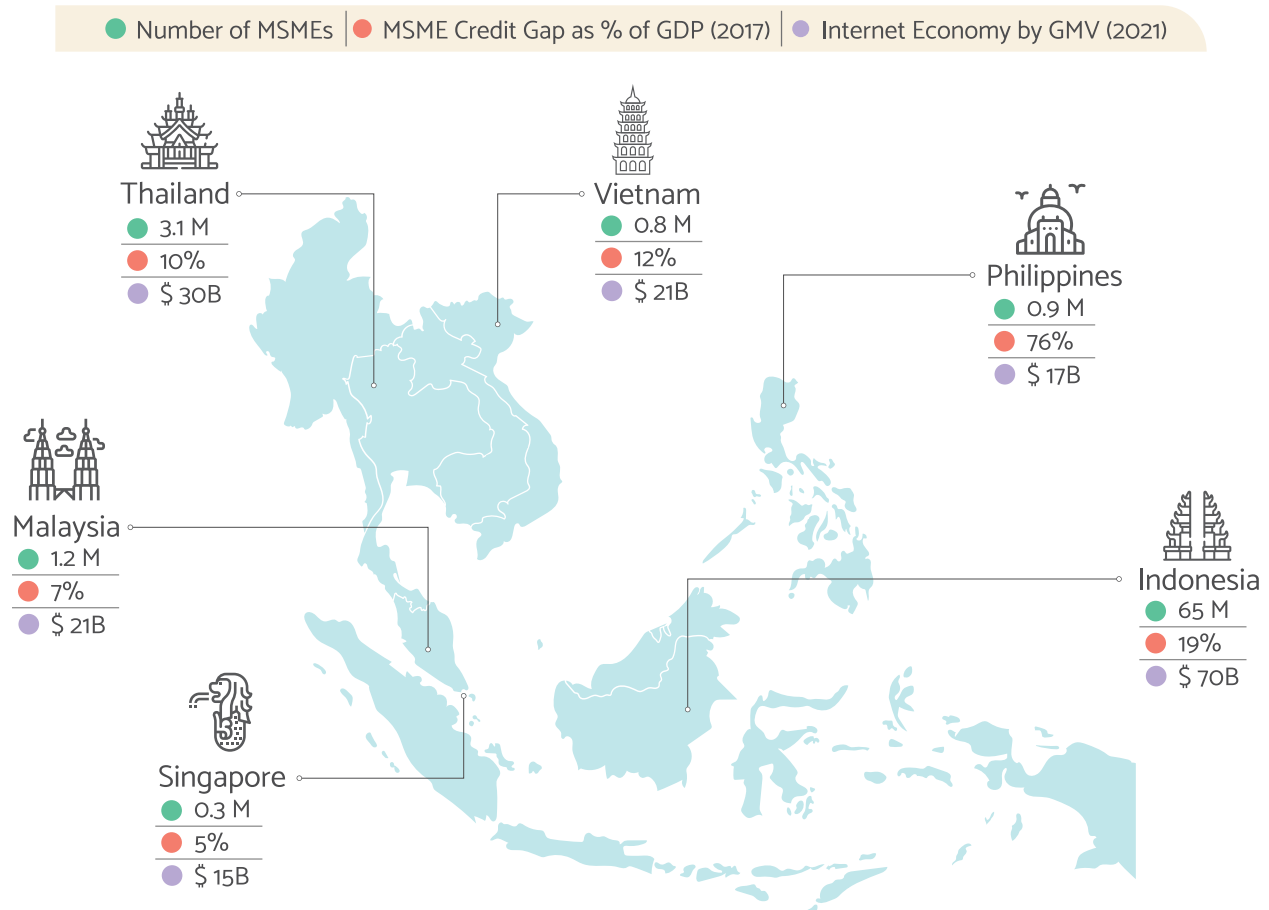


# MSME Digital Banking Opportunity Landscape



## 72M

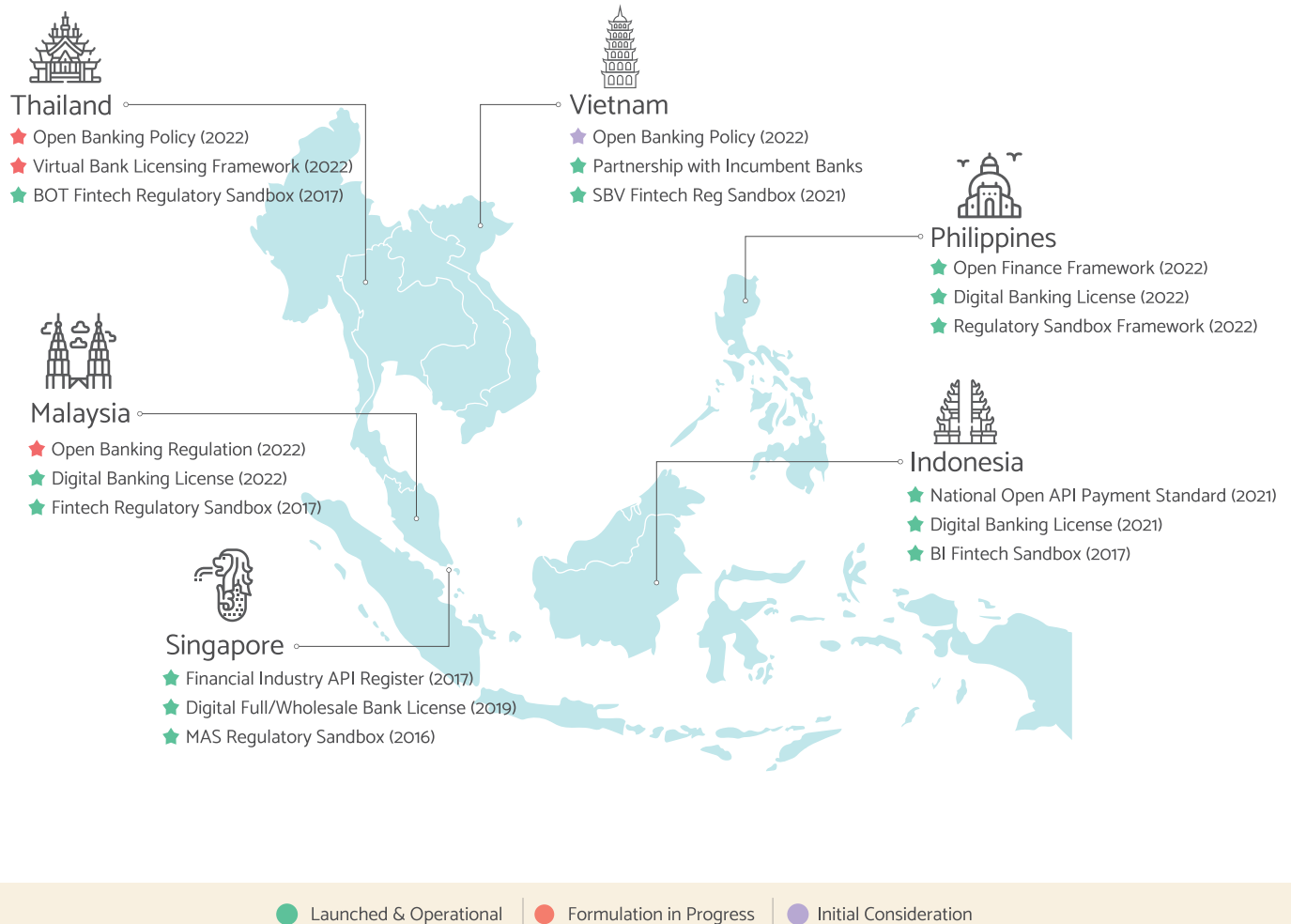
MSMEs in 6  
Countries in  
Southeast Asia



The role of MSMEs is very important to the Southeast Asian economies owing to a massive contribution to the GDP, employment, and exports. But the MSME sector still faces critical difficulties in accessing funding and adopting digital banking services. More than half of MSMEs in Southeast Asia claim that they would switch services providers for better financial options and for improved digital services.

The time is ripe for banks to leverage the vast opportunity in the MSME sector and partner up with the local entrepreneurs and business owners to drive the growth of national economy by enabling frictionless access to modern digital banking services to the sector.

# Southeast Asian Regulators Enabling Digital Banking



Regulators in Southeast Asian economies have recognized the potential of fintechs and are leveraging the growth of the sector to accelerate financial inclusion in the underbanked segments.

Regulators and governments in multiple Southeast Asian countries are enacting enabling policies such as launching digital banking licensing frameworks and initiating open banking policies.

These policy initiatives are expected to ensure a level-playing field for new entrants in the industry and result in accelerated innovation and technology modernisation in the banking industry.

Regulatory Sandboxes are live in almost all key southeast Asian economies, allowing banks to embrace digital transformation and explore partnership with local fintech innovators.



# Digital Banking: Outlook & Opportunities Framework



## OUTLOOK



### Digital Consumers

Rise of digital consumers in the new normal and growing adoption of digital banking services among consumers in Southeast Asia



### Digital Economy

Growth rate and expected size of internet economy and e-commerce sector in Southeast Asia



### Digital Finance

Affinity and adoption of digital banking services among digital merchants in Southeast Asia



### Digital Operations

Affinity and adoption of digital and financial tools among digital merchants in Southeast Asia



## OPPORTUNITIES



### Digital Payments & Open Banking Payments

Offer digital payment services to MSMEs by leveraging instant payment rails, national QR, e-Wallets, and open banking directives  
Products: Cards, e-Wallets, A2A payments, payment gateways, direct debits, cross-border payments, QR codes, etc.



### Digital Banking & Digital Lending Services

Offer digital banking and lending services to MSMEs by leveraging e-KYC directives and data analytics  
Products: Current account, supply chain finance, corporate credit cards, purchase order finance, B2B BNPL, working capital loan, line of credit, merchant cash advance, etc.



### Embedded Finance & Automation Services

Partner with digital platforms to acquire MSME customers at scale and offer embedded banking and automation tools  
Products: Account aggregation, payroll, accounting, invoicing, expense management, expense cards, flow-based embedded lending, invoice discounting, reconciliation, etc.



# MSME Banking Outlook & Opportunities: Indonesia

## OUTLOOK



### Digital Consumers

- 21M** New digital consumers since the start of the pandemic (up to H1 2021)
- 22%** % of internet users aged 16-64 using a mobile payment service each month
- 80%** % of internet users who have made at least one purchase online



### Digital Economy

- 52%** Growth in e-commerce sector (2021)
- \$14B** Expected size of internet economy in 2025 (GMV)
- 20%** Growth rate in internet economy (CAGR till 2025)



### Digital Finance

Propensity of merchants to increase usage of digital financial services in 1 to 2 years

- 77%** Digital Payments
- 71%** Digital Remittance
- 37%** Digital Lending



### Digital Operations

Propensity of MSME businesses to increase usage of digital tools over the next 5 years

- 69%** Digital Marketing
- 49%** Operation Software
- 38%** Collaboration Software

Source: Google-commissioned e-Economy Research & Digital Merchant Survey 2021, Bain analysis 2021, Data Reportal Digital 2022



## OPPORTUNITIES

### 1 Digital Payments & Open Banking Payments



- Extensive adoption of digital payments by consumers opens up new opportunities for banks to offer digital payment acceptance services to merchants.
- 72% of new digital consumers come from non-metro areas, enabling banks to expand to new geographies.

### 2 Digital Banking & Digital Lending Services



- ~65M MSMEs in Indonesia are slated to contribute to and benefit from the projected high growth of the digital economy.
- Banks have a great opportunity to enable growth in sectors such as e-Commerce, transport & food, online travel through digital banking and credit services.

### 3 Embedded Finance & Automation Services



- MSMEs in Indonesia on average use ~2 digital platforms to access consumer demand online, thus presenting opportunities for embedded finance services.
- High usage of operational automation tools among MSMEs allows banks to use this rich business data for onboarding and performing credit assessment.



# MSME Banking Outlook & Opportunities: Malaysia

## OUTLOOK



### Digital Consumers

**3M**

New digital consumers since the start of the pandemic (up to H1 2021)

**23%**

% of internet users aged 16-64 using a mobile payment service each month

**81%**

% of internet users who have made at least one purchase online



### Digital Economy

**68%**

Growth in e-commerce sector (2021)

**\$35B**

Expected size of internet economy in 2025 (GMV)

**14%**

Growth rate in internet economy (CAGR till 2025)



### Digital Finance

Propensity of merchants to increase usage of digital financial services in 1 to 2 years

**73%**

Digital Payments

**35%**

Digital Remittance

**34%**

Digital Lending



### Digital Operations

Propensity of MSME businesses to increase usage of digital tools over the next 5 years

**70%**

Digital Marketing

**43%**

Operation Software

**38%**

Collaboration Software

Source: Google-commissioned e-Economy Research & Digital Merchant Survey 2021, Bain analysis 2021, Data Reportal Digital 2022



## OPPORTUNITIES

### 1 Digital Payments & Open Banking Payments



- Up to 72% of Malaysian consumers want MSMEs to adopt digital payments opening up growth in merchant acquiring for banks.
- Cross-border ecommerce makes up 44% of all ecommerce sales and 52% of Malaysian online shoppers spend cross-border, an opportunity for banks to focus on international payment offerings.

### 2 Digital Banking & Digital Lending Services



- According to Visa's SME Digital Banking Study 68% of Malaysian MSMEs are keen on using digital banks' services.
- Multiple digital banking licenses issued by Bank Negara Malaysia also confirms the opportunity that exists for banks to go after the under-served segment with cost efficient digital operating models.

### 3 Embedded Finance & Automation Services



- The the strict lockdowns during pandemic propelled the adoption of digital platforms and digital operations tools among Malaysian MSMEs.
- This allows banks to explore embedded finance and financial automation opportunities in partnership with digital platform.



# MSME Banking Outlook & Opportunities: Philippines

## OUTLOOK



### Digital Consumers

**12M**

New digital consumers since the start of the pandemic (up to H1 2021)

**21%**

% of internet users aged 16-64 using a mobile payment service each month

**68%**

% of internet users who have made at least one purchase online



### Digital Economy

**132%**

Growth in e-commerce sector (2021)

**\$40B**

Expected size of internet economy in 2025 (GMV)

**24%**

Growth rate in internet economy (CAGR till 2025)



### Digital Finance

Propensity of merchants to increase usage of digital financial services in 1 to 2 years

**72%**

Digital Payments

**52%**

Digital Remittance

**43%**

Digital Lending



### Digital Operations

Propensity of MSME businesses to increase usage of digital tools over the next 5 years

**68%**

Digital Marketing

**47%**

Operation Software

**43%**

Collaboration Software

Source: Google-commissioned e-Economy Research & Digital Merchant Survey 2021, Bain analysis 2021, Data Reportal Digital 2022



## OPPORTUNITIES

### 1 Digital Payments & Open Banking Payments



- 63% of new digital consumers come from non-metro areas, allowing banks to expand to new geographies with digital payment services.
- Availability of instant payment rails (InstaPay, 2018) and National QR code (BSPQR Ph, 2021) are a great aid for banks to build digital payment services.

### 2 Digital Banking & Digital Lending Services



- Philippines has the second fastest growing internet economy in the region after Vietnam, offering an opportunity for banks to participate in this growth.
- MSME loans as a percentage of GDP is approximately 3%, which offers a massive headroom for incumbent banks to launch digital lending solutions for MSMEs.

### 3 Embedded Finance & Automation Services



- MSMEs in Philippines are embracing digital tools to engage with their customers, allowing banks to explore BNPL offerings embedded in customer journeys.
- High usage of digital operation tools also offer avenues for 'run-the-business' value added services in invoicing, expense management, and payroll solutions.



# MSME Banking Outlook & Opportunities: Singapore

## OUTLOOK



### Digital Consumers

- 0.5M** New digital consumers since the start of the pandemic (up to H1 2021)
- 32%** % of internet users aged 16-64 using a mobile payment service each month
- 97%** % of internet users who have made at least one purchase online



### Digital Economy

- 45%** Growth in e-commerce sector (2021)
- \$27B** Expected size of internet economy in 2025 (GMV)
- 16%** Growth rate in internet economy (CAGR till 2025)



### Digital Finance

Propensity of merchants to increase usage of digital financial services in 1 to 2 years

- 61%** Digital Payments
- 23%** Digital Remittance
- 18%** Digital Lending



### Digital Operations

Propensity of MSME businesses to increase usage of digital tools over the next 5 years

- 43%** Digital Marketing
- 24%** Operation Software
- 24%** Collaboration Software

Source: Google-commissioned e-Economy Research & Digital Merchant Survey 2021, Bain analysis 2021, Data Reportal Digital 2022



## OPPORTUNITIES

### 1 Digital Payments & Open Banking Payments



- 94% of MSMEs in Singapore will accept some form of digital payments in 2022, compared to 82% globally, according to Visa's Back to Business Study
- With the presence of open banking directives, instant rails, QR code, and collaboration with UPI from India, Singapore offers a great opportunity for digital payments adoption.

### 2 Digital Banking & Digital Lending Services



- Singapore has given several digital banking licenses to enable financial access to the underserved segments like MSMEs.
- Incumbent banks have a window of opportunity to launch their own digital banking offerings for MSMEs.

### 3 Embedded Finance & Automation Services



- Moderate adoption of digital tools among MSMEs in Singapore presents banks an opportunity to grow the adoption even further.
- A high number of MSMEs involved in cross-border activities allows banks to explore embedded finance offerings like payment guarantees and purchase invoice financing



# MSME Banking Outlook & Opportunities: Thailand

## OUTLOOK



### Digital Consumers

**9M**

New digital consumers since the start of the pandemic (up to H1 2021)

**36%**

% of internet users aged 16-64 using a mobile payment service each month

**90%**

% of internet users who have made at least one purchase online



### Digital Economy

**68%**

Growth in e-commerce sector (2021)

**\$56B**

Expected size of internet economy in 2025 (GMV)

**17%**

Growth rate in internet economy (CAGR till 2025)



### Digital Finance

Propensity of merchants to increase usage of digital financial services in 1 to 2 years

**67%**

Digital Payments

**54%**

Digital Remittance

**52%**

Digital Lending



### Digital Operations

Propensity of MSME businesses to increase usage of digital tools over the next 5 years

**58%**

Digital Marketing

**49%**

Operation Software

**44%**

Collaboration Software

Source: Google-commissioned e-Economy Research & Digital Merchant Survey 2021, Bain analysis 2021, Data Reportal Digital 2022



## OPPORTUNITIES

### 1 Digital Payments & Open Banking Payments



- 67% of new digital consumers come from non-metro areas, allowing banks the opportunity to expand to new geographies.
- Availability of instant payment rails (PromptPay, 2017) and National QR(TSQR, 2017) allows to build and scale digital payment acceptance solutions for MSMEs.

### 2 Digital Banking & Digital Lending Services



- Thailand's central bank has announced its plans on new policy guidelines for virtual banks and open banking in 2022.
- The growth of internet economy coupled with supportive regulatory policies and digital infrastructure presents opportunities for banks to build and launch digital banking and digital lending services for MSMEs.

### 3 Embedded Finance & Automation Services



- MSMEs in Thailand have a very high adoption of digital tools both for back-office operations as well as to access consumer demand online.
- Such high usage patterns of digital tools offer a great opportunity for banks to explore partnerships with digital platforms for financial automation and embedded services.





# MSME Banking Outlook & Opportunities: Vietnam

## OUTLOOK



### Digital Consumers

**8M**

New digital consumers since the start of the pandemic (up to H1 2021)

**26%**

% of internet users aged 16-64 using a mobile payment service each month

**71%**

% of internet users who have made at least one purchase online



### Digital Economy

**53%**

Growth in e-commerce sector (2021)

**\$57B**

Expected size of internet economy in 2025 (GMV)

**29%**

Growth rate in internet economy (CAGR till 2025)



### Digital Finance

Propensity of merchants to increase usage of digital financial services in 1 to 2 years

**81%**

Digital Payments

**41%**

Digital Remittance

**53%**

Digital Lending



### Digital Operations

Propensity of MSME businesses to increase usage of digital tools over the next 5 years

**72%**

Digital Marketing

**39%**

Operation Software

**33%**

Collaboration Software

Source: Google-commissioned e-Economy Research & Digital Merchant Survey 2021, Bain analysis 2021, Data Reportal Digital 2022



## OPPORTUNITIES

### 1 Digital Payments & Open Banking Payments



- Availability of instant payment rails (NAPAS 24/7, 2021) and National QR (VietQR, 2021) along with e-KYC allows banks to build and scale digital payment solutions for MSMEs.
- 55% of new digital consumers come from non-metro areas, allowing banks to expand to new geographies.

### 2 Digital Banking & Digital Lending Services



- According to a 2022 report, ~92% MSMEs are open to open to changing lenders for different or simpler digital support.
- Through digital and analytics, banks have the opportunity to create more seamless credit underwriting models and workflows to further digital lending for MSMEs.

### 3 Embedded Finance & Automation Services



- MSMEs in Vietnam show the highest propensity to increase usage of digital tools by 2025.
- Banks have the opportunity to acquire MSME customers at scale by leveraging APIs and financial automation capabilities to deliver holistic digital banking solutions.

# Digital Banking Use Cases for MSMEs

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Innovation for MSME-specific Product Fit

































# MSME Digital Banking Readiness in Southeast Asia

The future of MSME digital banking lies in segment-specific product innovation. The readiness heat map represents the readiness of each market for developing and adopting MSME-specific products across five key banking services.

The readiness level is derived based on several industry level parameters such as digital KYC policies, e-commerce legislations, open banking initiatives, digital payment rails, as well as fintech sector level parameters such as number of fintechs, overall fintech segment funding, bank API readiness, etc.

Low  High

	 Singapore	 Thailand	 Vietnam	 Philippines	 Indonesia
Cards & Expense Management					
Domestic & Cross border Payments					
Digital Banking Platform					
Business Financing					
Revenue Based Financing					

# Cards & Expense Management

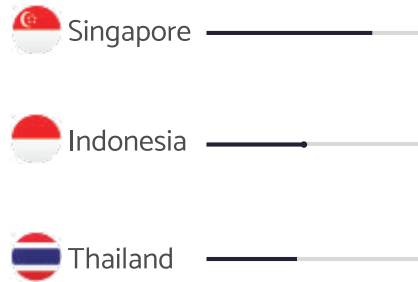


## Market Readiness

- **Singapore** has the highest credit card penetration along with **facilitative guidelines** for securing digital payments and recurring transactions.
- **Indonesia and Thailand**, while low on credit card adoption, are **introducing facilitative policies** for the use case.



## Countries with highest readiness



## USE CASE TRENDS AND CHALLENGER CASE STUDIES



### Use Case Overview

- Corporate expense management is a critical white space in the commercial cards business and currently comprises less than 1% of the \$150 trillion+ B2B payments market.
- Expense management processes are still manual in MSMEs. The function is therefore resource-intensive, costly and prone to errors, while still failing to provide visibility and control over fraudulent or out-of-policy spends.
- Challenger fintech solutions are integrating cards & expense management, allowing MSMEs to issue virtual cards to employees for specific spends, receive real-time spend approval notifications, and save effort with automated reconciliation and integration with their accounting software.



### Challenger Case Study



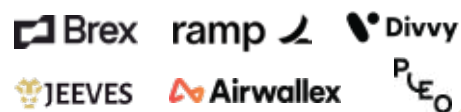
Volopay's platform provides startups and enterprises flexibility by issuing virtual and/or physical prepaid multi-currency corporate cards in their local currency (SGD, AUD, INR, IDR, PHP, etc.) with up to 5% cash back on all card transactions. The platform also processes domestic and international bank transfers with low foreign exchange rates and transaction fees.

In addition, Volopay's users get access to multicurrency wallets, which support more than 65 major currencies in over 100 countries with zero foreign exchange charges on international payments, and expense management software that helps track and control all the expenses in real-time.



### Sector Momentum

#### Key Players



- In 2021, over \$2.3B were invested in the segment.
- 2022 started even stronger with over \$1B invested in the segment till September 2022.

# Digital Payment Acceptance

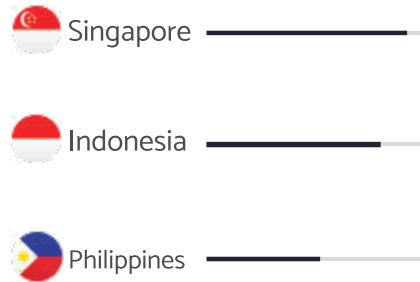


## Market Readiness

- Singapore and Indonesia lead with the **highest number of digital payments fintechs and total segment funding.**
- Adoption of **real-time payment rails** and **unified national QR systems** is evident in the region.



## Countries with highest readiness



## USE CASE TRENDS AND CHALLENGER CASE STUDIES



## Use Case Overview

- As the world comes out of the pandemic, MSMEs are expanding their payment options to meet customer preferences for digital payments, both contactless in-store and flexible choices online.
- Displacement of cash and new payments options like request to pay, account-to-account (A2A) transfers, digital wallets and buy now, pay later (BNPL) are all creating exciting opportunities for MSMEs.
- Innovations in digital payments focus on digital payments acceptance solutions that allow MSMEs to accept contactless payments from a number of different sources, including contactless cards and mobile wallets, all over a secure and efficient network.



## Challenger Case Study



SumUp helps small businesses to accept card payments at the point-of-sale or on the go in a simple, secure, and cost-effective way. SumUp gives small businesses a toolkit to run their entire operations while also offering them SDKs and APIs to use their card payment integration easily on mobiles. The extensive product suite includes proprietary terminal hardware, SumUp Business Account and Card, e-commerce, remote payments, invoicing, and point-of-sale registers.

SumUp currently processes more than 100,000 card transactions every day while more than 2,000 businesses join SumUp every single day.



## Sector Momentum

### Key Players



- In 2021, **38%** of merchants reported expanding their digital payment options.
- This momentum is poised to grow further in 2022 when **53%** of merchants expect to accept more digital payment options.

# MSME Digital Banking

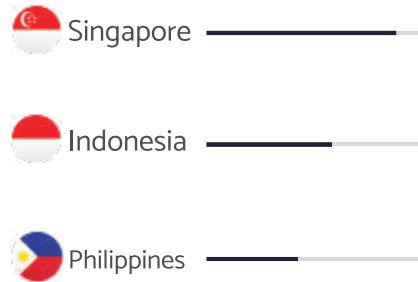


## Market Readiness

- **Singapore** has issued **4 licenses** since introducing the digital banking policy in 2019.
- Indonesia has allowed **non-banks to acquire stakes in local financial institutions.**
- The **Philippines** has issued **6 licenses** since introducing the digital banking policy in 2020.



## Countries with highest readiness



## USE CASE TRENDS AND CHALLENGER CASE STUDIES



### Use Case Overview

- Challenger fintechs offer financial automation and value added services that allow MSMEs to significantly reduce their 'run-the-business' effort.
- Neobanks offer all-in-one 'business banking accounts' that integrate fully-digital current accounts with bookkeeping, payments, collections, expense management, automated reconciliation, and more.



### Challenger Case Study



India

Open is a neo-banking platform that provides business banking services to MSMEs. Open's business banking offering contains features such as business current account, integrated payments gateway, automated accounting, account aggregation, spend cards, and developer APIs that allow MSMEs to integrate their banking and payments with their business applications and accounting systems.

Open serves over 2.7 million MSMEs in India, manages deposits worth \$2 billion and processes \$30 billion in transactions annually. The platform onboards ~100,000 new SMEs and startups every month and is targeting to disburse \$1 billion in lending by next year.



### Sector Momentum

#### Key Players



- In 2021, over \$2.7B have been invested in the segment in 52 funding rounds.
- In 2022 over \$1.1 B have been invested in the segment in 25 funding rounds.



# B2B Buy Now Pay Later

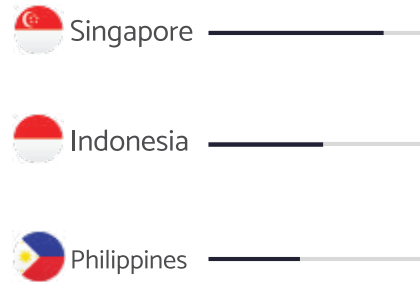


## Market Readiness

- Singapore and Indonesia are the more mature markets for digital business lending.
- Singapore has established a BNPL Working Group to develop a code of conduct.
- In Indonesia, BNPL providers have to comply with certain requirements for credit services.



## Countries with highest readiness



## USE CASE TRENDS AND CHALLENGER CASE STUDIES



### Use Case Overview

- B2B Buy Now, Pay Later is a form of short-term lending offered to business buyers at the point of sale (POS). While it is a relatively new concept, it is gaining traction due to rapid growth of B2B marketplaces and adoption of alternate payment methods on these marketplaces.
- According to Digital Commerce 360 2022 report, sales on B2B marketplaces increased 131% to \$56.5 billion in 2021, and are expected to grow to \$130 billion in 2022, making them the fastest-growing e-commerce channel.
- B2B BNPL sector in Asia pacific has a lucrative market potential upwards of \$160 billion in 2021 and is expected to grow to \$300 billion by 2024.



### Challenger Case Study



Germany

Billie is a fintech startup with a mission to provide working capital management solutions for MSMEs by offering innovative lending products.

It is solving the order-to-cash problem through a fully automated invoice financing solution tailored to small businesses. In addition to its factoring services, Billie helps SMEs secure better payment terms by offering a pay-after-delivery product for B2B online merchants. In February 2021, Billie achieved the milestone of catering around 100,000+ businesses regularly.



### Sector Momentum

#### Key Players



- Several B2B fintech players in the developed markets such as Uplift, Mondu, Ritmo, Playter, Billie have collectively raised over \$1B in funding rounds.

# Revenue-based Financing

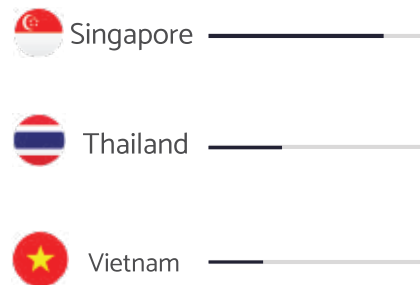


## Market Readiness

- Singapore is a key market for RBF given its lion's share of international factoring volumes and presence of a large number of SaaS and D2C platforms.
- Thailand also has significant adoption of receivables-financing and is slated to launch National Digital Trade Platform which will help RBF adoption.



## Countries with highest readiness



## USE CASE TRENDS AND CHALLENGER CASE STUDIES



### Use Case Overview

- Revenue-based financing (RBF) is a means to obtain credit by leveraging future earnings. RBF offers an alternative to venture funding or debt financing, allowing startups and MSMEs to get financing without giving up equity or the burden of inflexible debt repayments.
- Through live data connections, RBF evaluates firms' recurring revenue streams to determine their risk level, which is used by Investors/lenders to bid on the borrowers' future revenue streams for financing.
- According to Allied Market Research, the global revenue-based financing market is expected to reach a value of \$42.4B by 2027, growing at a CAGR of 61.8%. The rapid revival of factoring business in Southeast Asian markets which grew to \$41.5B in 2021, is expected to be a tailwind for RBF sector.



### Challenger Case Study



USA

Pipe was founded in 2019, its vision was to provide SaaS companies a funding alternative outside of equity or venture debt.

In 2021, the company broadened the scope of its platform beyond strictly SaaS companies to "any company with a recurring revenue stream such as D2C subscription companies, ISP, streaming services or telecom firms.

In 2021, Pipe raised \$250 million funding round at a \$2 billion valuation within a year of launching. In 2021, it acquired over 8,000 firms on the Pipe trading platform with over 50% of the trading volume coming from non-SaaS verticals including direct-to-consumer subscription, property management, streaming services and service-based firms such as gyms and pest control.



### Sector Momentum

#### Key Players



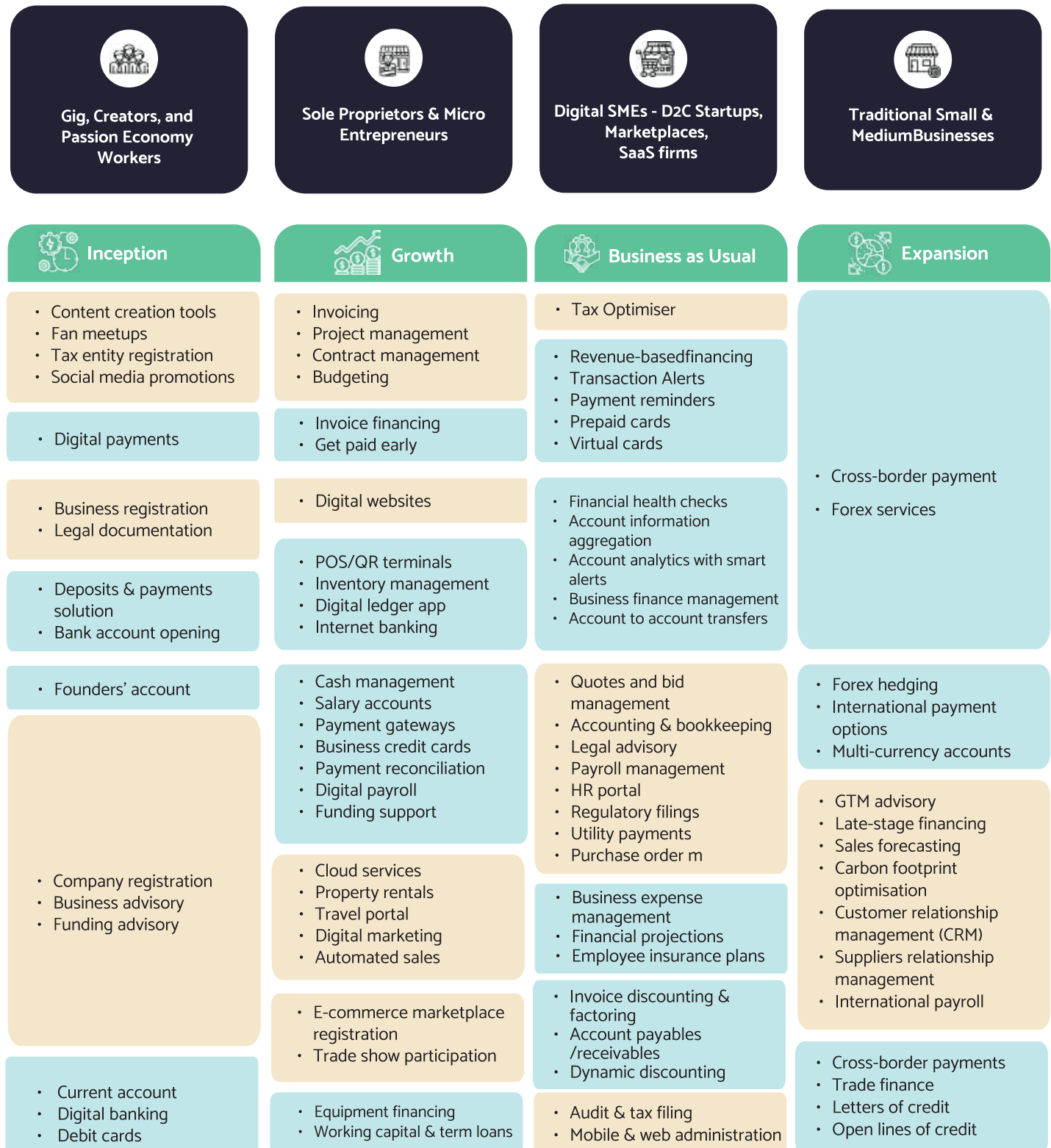
- 30+ RBF startups have raised **\$1B** in equity and debt funding across 40 rounds in 2021, almost 8x the previous year.
- Cumulatively the sector has raised over **\$3.9B** in the last 3-4 years.

# Accelerated Digital Banking Adoption for Banks

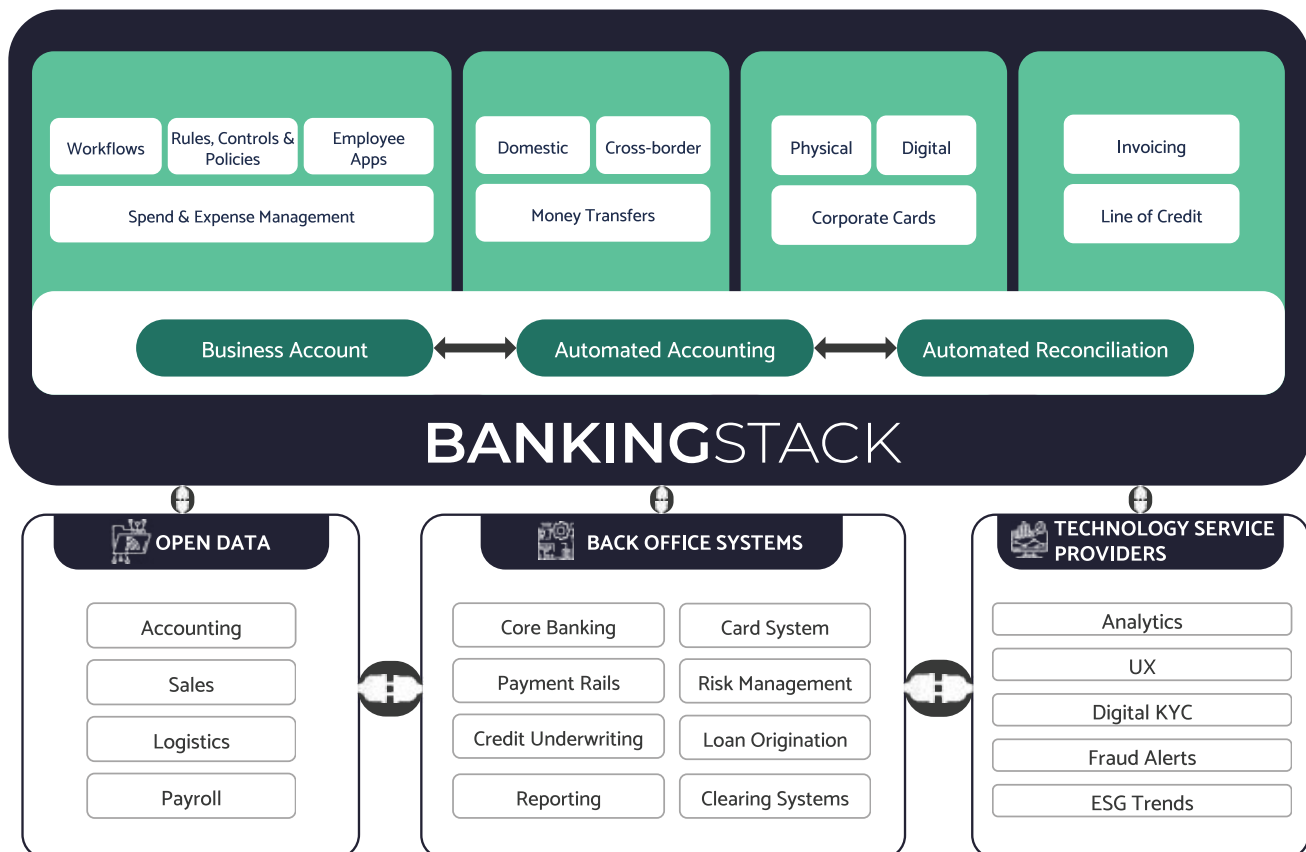
BANKINGSTACK Proposition



# A Framework for MSME-focused Product Innovation



# BANKINGSTACK: Accelerating Digital Banking Innovation for Banks & Financial Institutions



While banks acknowledge the significant disruption in MSME-focused digital banking, they also recognise that capex-intensive, multi-year projects to build fintech solutions in-house will not deliver the agility they need to launch, test and enhance modern digital banking solutions.

**BANKINGSTACK** is a cloud-native fintech operating system that delivers innovative, targeted and market-ready digital banking solutions. With a best-in-class neobanking engine, segment-specific solutions, and value adding ecosystem partnerships, the **BANKINGSTACK** OS helps banks and financial institutions launch modern digital banking solutions in a matter of weeks.

As a 'stackable' solution, **BANKINGSTACK** complements and enhances existing digital banking infrastructure with new workflows and underwriting capabilities, reducing capex, disruption, and adoption time significantly.

## ABOUT

**BANKINGSTACK** is a part of Open Financial Technologies, the world's fastest growing digital banking enterprise. We power 2.7 million businesses through our suite of digital banking products.

**BANKINGSTACK** is a cloud-native fintech OS that enables banks and financial institutions to launch fintech-powered digital banking solutions in a matter of weeks. We help banks future-proof their business with cost-effective customer acquisition, segment-sensitive product fit, and alternate risk assessment models.

## ABOUT



WhiteSight is a FinTech research firm with a design-oriented and data intensive approach to research. WhiteSight brings unique and actionable intelligence to drive strategic growth and innovation agenda for its clients.

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[letstalk@bankingstack.com](mailto:letstalk@bankingstack.com)

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[hello@whitesight.net](mailto:hello@whitesight.net)

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