

What does the surge of cross-border payments in Asia hold for its SMEs

In Asia, the backbone of the business landscape (about 97%) comprises of a multitude of Small and Medium-sized Enterprises (SMEs), forming the vast portion of economic activity. A common characteristic shared by many of these SMEs is a keen interest in adopting more convenient and efficient payment solutions, as these enterprises often operate on leaner resources compared to their larger counterparts.

So, providing them with tools that facilitate more streamlined and accessible payments holds the potential to catalyse a significant uptick in their overall turnover. E-commerce market *projections* show that by 2027 Southeast Asia is going to see the number of digital transactions conducted across its territories double. At the same time, cross-border revenue is expected to reach \$148B in the next 5 years.

This surge of cross-border payments heralds a transformative era for small and medium-sized enterprises in the Asian region. The advancement of e-commerce and the overall fintech service market alongside it will pave the way for heightened global connectivity and economic opportunities. Asian SMEs will

be empowered to engage in international trade with greater ease and efficiency than ever before.

Let us take a look at the main reasons behind this transition.

Emerging digital payments solutions facilitate innovations in cross-border transactions for SMEs

As a general rule, fintech services advance in response to the growth of SMEs and their needs. In Asia, this has become a catalyst for the rapid evolution of fintechs tailored to meet the specific needs of these businesses in several key directions.

The first main emphasis is placed on mobile-based payment solutions, acknowledging the prevalent use of smartphones and mobile devices across the Asian business landscape. As SMEs increasingly seek flexibility and convenience in their financial transactions, mobile-based payments offer an accessible and user-friendly avenue for businesses to send and receive payments swiftly.

Secondly, the fintech sector in Asia actively seeks to address the complexities associated with cross-border transactions and currency exchange for SMEs. Card acquiring in local currencies is a notable point of attention aimed at simplifying payment processes for businesses operating in diverse markets.

Faster onboarding of merchants is another critical aspect, streamlining the integration of businesses onto fintech platforms efficiently. This not only saves time for SMEs but also allows them to capitalise on the benefits of fintech services promptly and without lengthy interruptions in their operations.

Finally, the ability to introduce payment rails that can manage high transactional demands on both domestic and cross-border levels is crucial in supporting the scalability and growth ambitions of Asian SMEs.

Establishing a symbiotic relationship between the expansion of SMEs and the agile evolution of fintech services reflects a paradigm shift in the way businesses in Asia will manage their financial operations. This transformation will serve to foster a more interconnected and technologically empowered economic landscape in this part of the world.

Why is Asia becoming the focus of payments transformation?

The way I see it, Asia has emerged as a focal point for the growth of fintech services centred around payments due to a combination of favourable factors in this field. One of them is the moderate requirements and relatively swift time frames for obtaining regulatory approvals in many Asian countries.

Governments in the Asia-Pacific have long since recognised the transformative potential of fintech and acted to streamline regulatory processes in a way that encourages the development and deployment of innovative financial solutions. This regulatory flexibility facilitates a conducive environment for fintech companies to experiment with new payment models. There are rankings that clearly name Asia as one of the best business environments worldwide, with Singapore and Hong Kong, in particular, being in the top 10 jurisdictions.

Additionally, the considerable economic potential in the e-commerce sector has also propelled the rise of fintech services in Asia. With an increasing number of consumers (over 60%) turning to online platforms for their shopping needs, the demand for efficient and secure payment solutions has soared. Fintech companies are capitalising on this trend by providing innovative payment options tailored to the diverse needs of consumers and businesses engaged in e-commerce activities.

The future outlook for SME payments in Asia is bright

The enthusiasm for more convenient payment methods among Asian SMEs is rooted in the desire for operational efficiency and enhanced financial agility. Introducing tools that offer seamless and user-friendly payment solutions not only addresses their immediate pain points but also positions these SMEs for greater growth.

I believe that in the future, we will see several significant facets of this transformation, including faster onboarding processes for new clients and rails that allow for seamless currency exchange in cross-border payments.

All of this will add up to the creation of a much more efficient payment infrastructure that will empower Asian SMEs to thrive in a digitally-driven and customer-centric global business landscape.

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