



The Digitization of Payments and Innovation in SME Finance

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Agenda

- 1 SMEs and Digital Payments:
The Opportunity
- 2 Strategies and Examples:
 - New Business Models
 - New Products & Services
 - New Market Initiatives
- 3 Outlook

SMEs: Largely Operating in a Cash Economy

44M

Retail SMEs

\$19T

Revenues

63%

Cash

Base of the Pyramid Lacks Access to Digital Payments

Large chains

Most Accept Electronic Payments

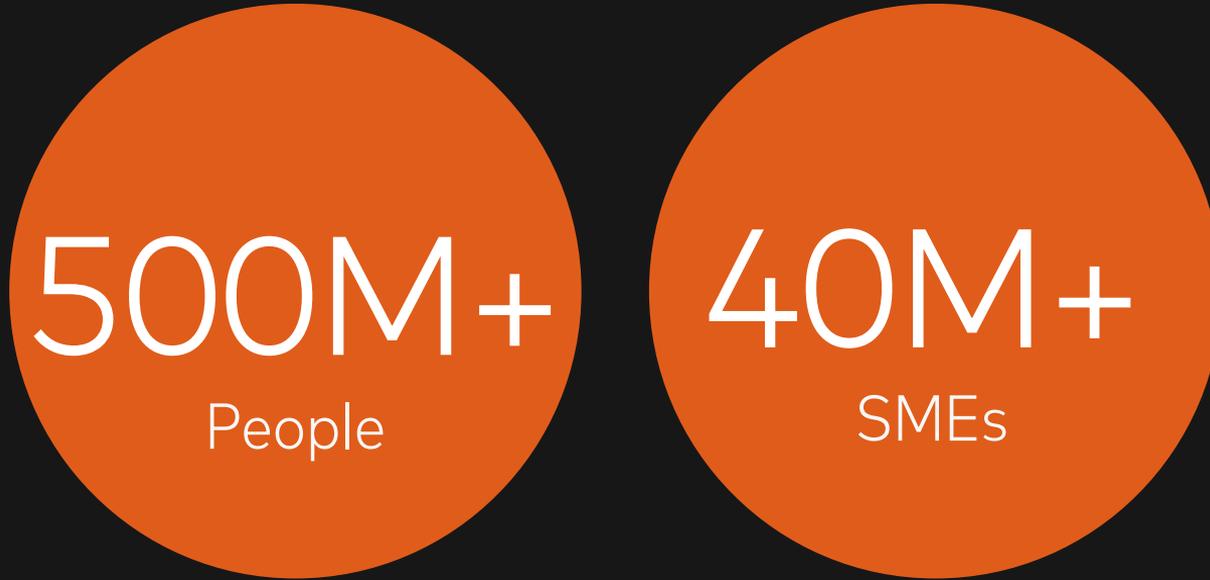
Medium sized retailers with multiple tills

Small grocery stores managed by family members

Most Lack Electronic Payments Acceptance Capability

Micro-entrepreneurs selling goods in a marketplace or on a mobile cart

Mastercard Commitment to Advance Financial Inclusion



From 2015 - 2020

Why Does Cash Exist?



To pay
employees
and suppliers



Perceived
to be simple
and free

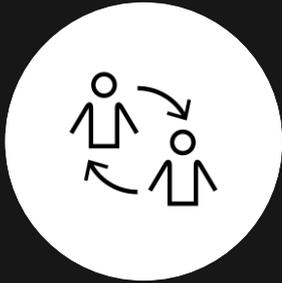


No technical
training
needed

Limited Access to
Digital Payment Records

Limited Access to Finance

How to Grow Penetration of Digital Payments



New Business
Models



New Products
& Services



New Market
Initiatives

Access and Usage of
Digital Payments

Need to work
together

Small Business Finance-to-Order Model



100K+
kiosks in
Kenya



99% cash
on hand





How it Works





Digitizing to Finance the Supply Chain



Kiosks:
More sales



CPGs:
Better sales
and stock info



Distributors:
More efficient
working capital



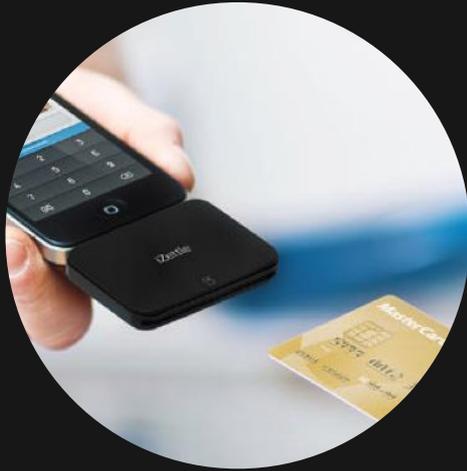
Banks:
New SME
customers

Mastercard and IFC: Creating a Multiplier Effect Model



- **Risk-Share Facility for Issuers:**
Joint \$250 million facility to license smaller issuers in emerging markets
- **Financing Facility for Acceptance Development:**
Insurance loss coverage and line of credit for acquirers and payment facilitators

Europe: Turning Mobile Phones into Acceptance Products



Hardware-based

In markets
across Europe



Software-based

Pilots in the UK
and Poland

Enabling Mobile QR Acceptance



Removes need for terminal infrastructure



Consumers scan QR code with banking app

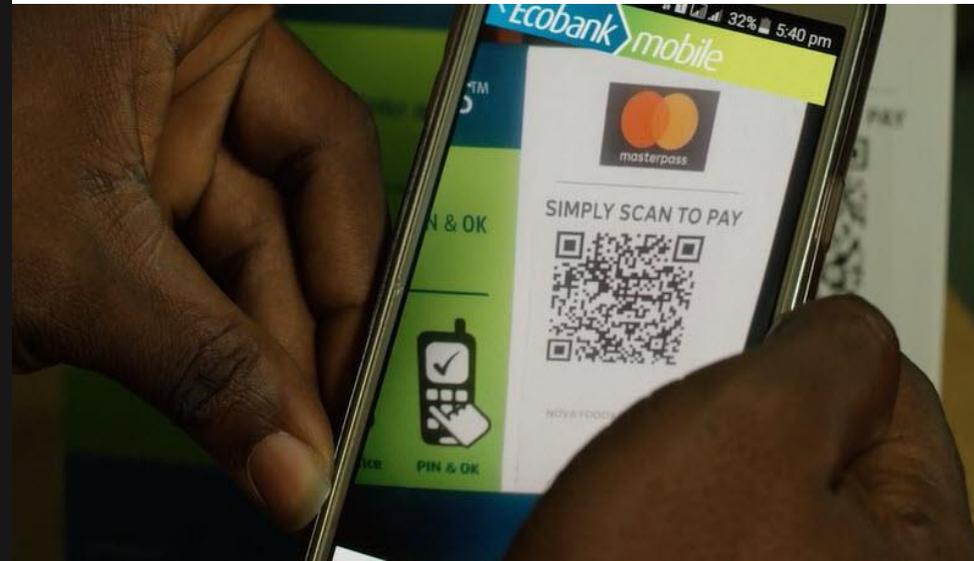


Store builds up sales history to qualify for credit



Live across Asia and Africa, launching soon in Europe

BHARATQR



Global Markets are Becoming More Urban



MORE THAN
1/2

of the world's
population lives in
cities



CASH

Too slow to
handle
demand



LESS FRICTION

Through
electronic
payments



Mexico-City: Building Acceptance and Usage through Mass-Transit

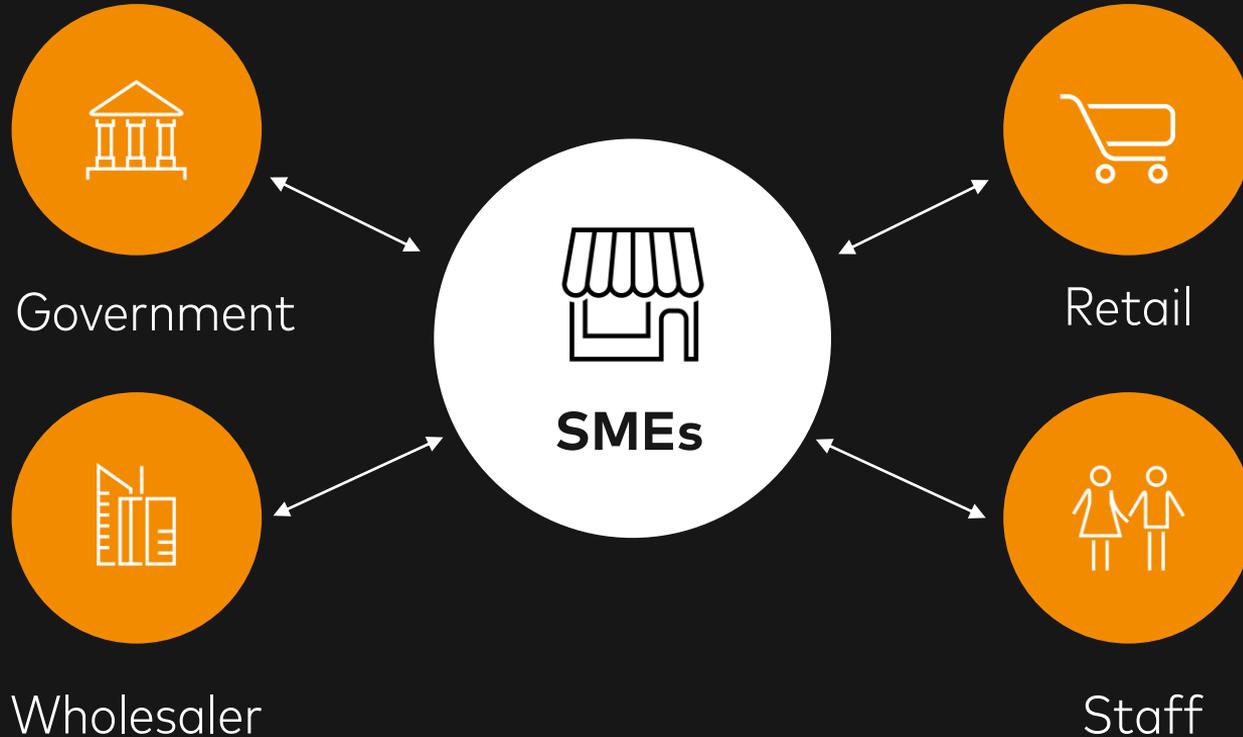
- Payroll and social benefits
- Transit open-loop payments
- SMEs around transit hubs
- Builds and reinforces habits

Germany: Building Acceptance and Usage through Restaurants

- 27% are cash-only
- 31% of consumers avoid cash-only restaurants
- 44% of restaurants say that cards grow their revenues
- Partnering with POS company to raise market awareness



Towards a Complete View of SMEs





Q&A