

Can crypto solve the \$4tn SME financing gap?

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Agenda

- 1 / The problem: what it is, where it is, and why it exists
- 2 / The shortcomings of today's intermediaries
- 3 / Crypto's potential solution
- 4 / The challenges: many and significant
- 5 / Questions



1 / The problem — what is it?



Source: IFC MSME Finance Gap Database (2018 update).

1 / The problem — what is it?

Micro businesses

< 10 employees



> 117 million



\$611bn

financing gap

Source: IFC MSME Finance Gap Database (2018 update).

1 / The problem – what is it?

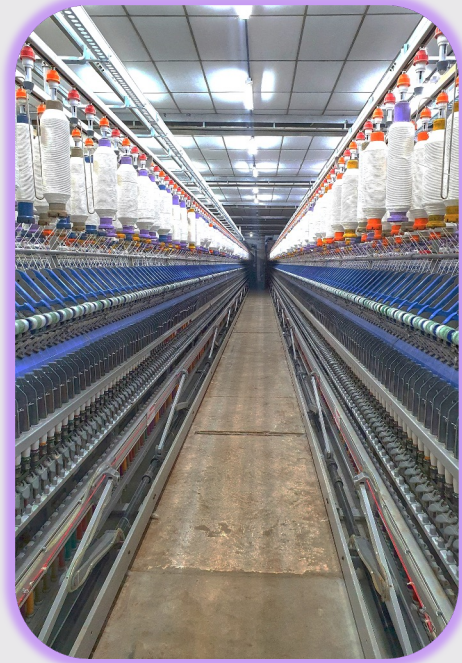
Micro businesses
< 10 employees



> 117 million



SMEs
11 – 250 employees

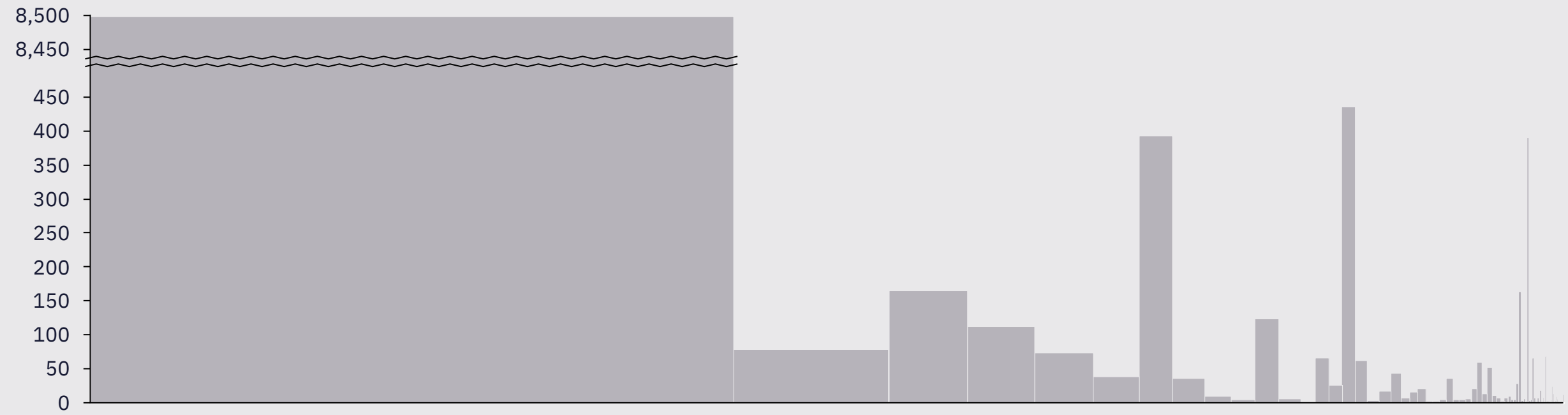


~ 13 million

Source: IFC MSME Finance Gap Database (2018 update).

1 / The problem – where is it?

Financially
constrained SMEs
(‘000s)

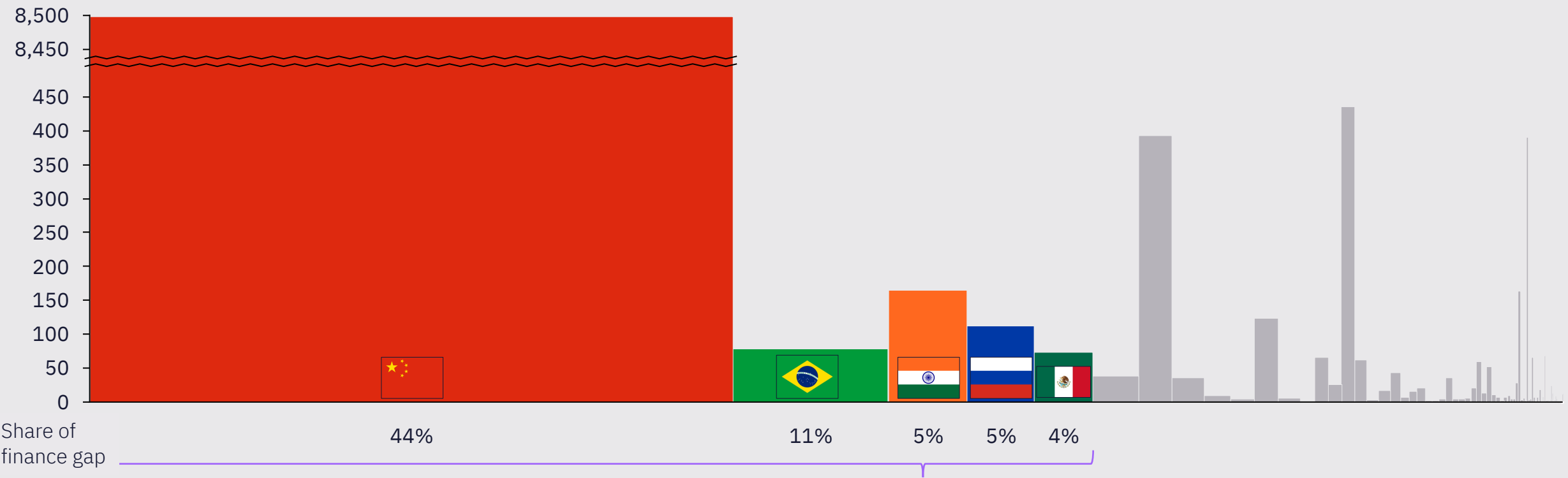


Share of
finance gap

Source: IFC MSME Finance Gap Database (2018 update).
Note: Shares do not foot due to rounding.

1 / The problem – where is it?

Financially
constrained SMEs
(‘000s)



5 countries account for 68%
of unmet capital needs

Source: IFC MSME Finance Gap Database (2018 update).
Note: Shares do not foot due to rounding.

1 / The problem – where is it?

Everywhere



Africa

Nigeria	\$92bn
Egypt	\$40bn
S. Africa	\$23bn
Kenya	\$18bn
Ethiopia	\$4bn



Asia

Indonesia	\$93bn
Bangladesh	\$36bn
Vietnam	\$22bn
Sri Lanka	\$14bn
Nepal	\$3bn



Central & Eastern Europe

Poland	\$74bn
Czech Rep.	\$67bn
Turkey	\$63bn
Romania	\$33bn
Slovenia	\$5bn



South America

Argentina	\$67bn
Colombia	\$35bn
Ecuador	\$16bn
Peru	\$7bn
Uruguay	\$5bn

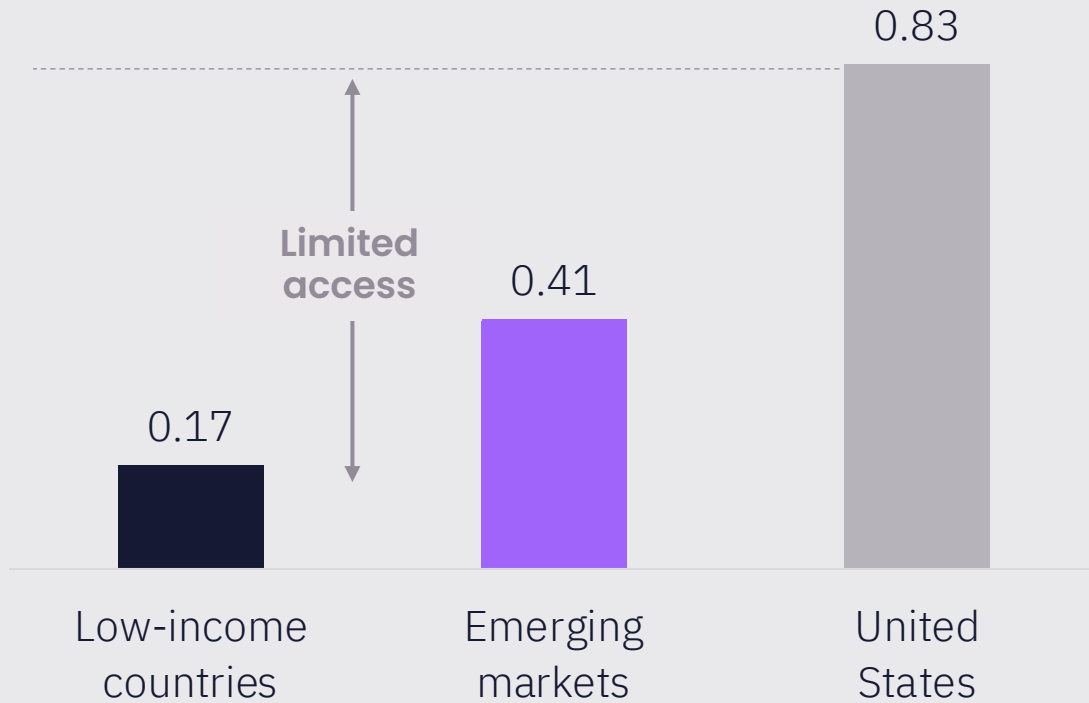
Source: IFC MSME Finance Gap Database (2018 update).

Note: Turkey is in Europe despite Microsoft's iconography.

1 / The problem – why does it exist?

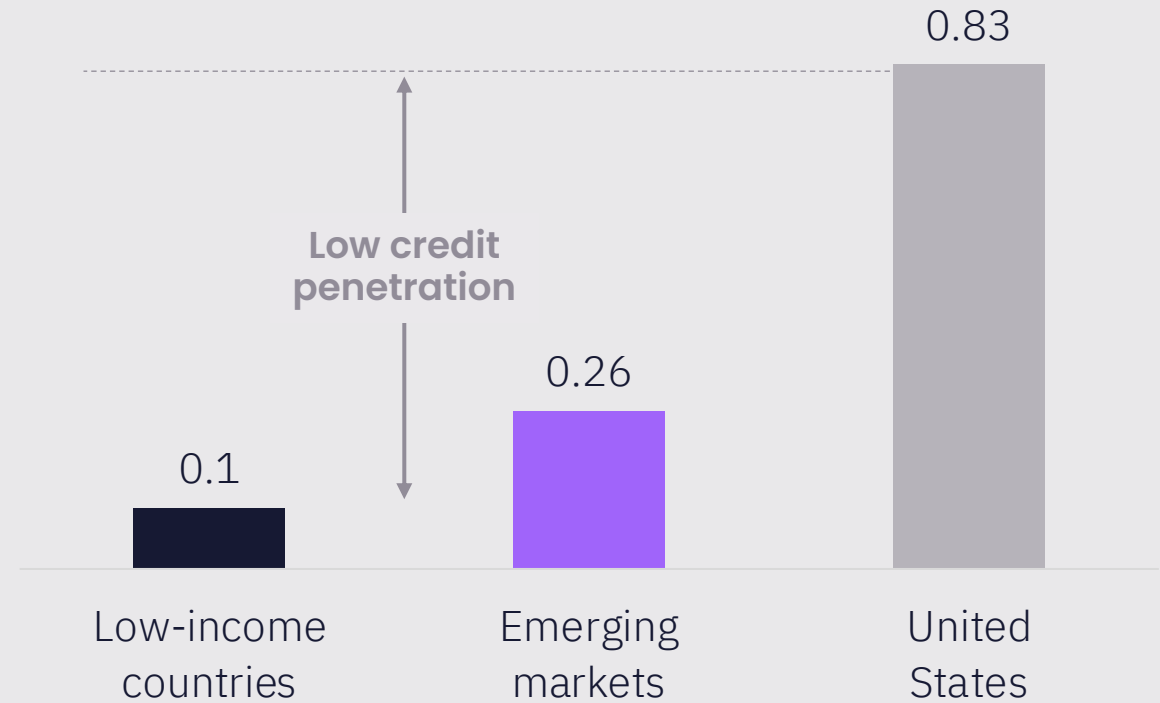
Businesses have difficulty accessing banks ...

Financial Institutions Access index



... which generally offer asset-backed loans

Financial Institutions Depth index

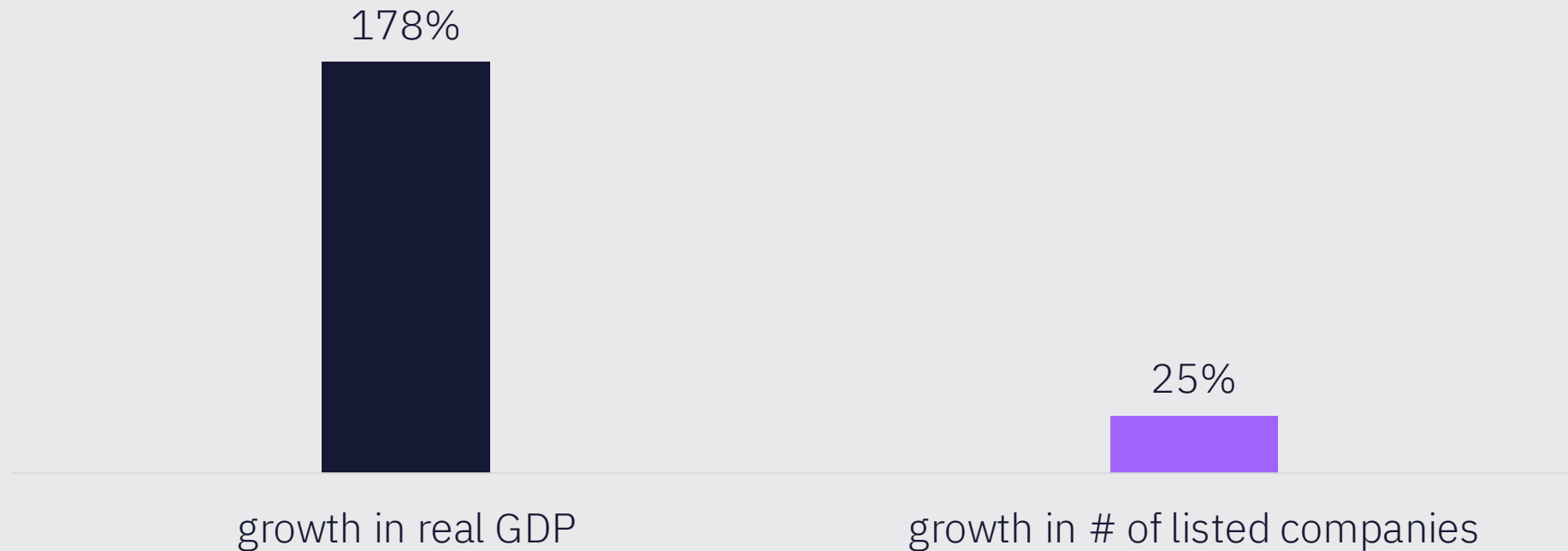


Source: IMF Financial Development Index Database.

1 / The problem – why does it exist?

Equity capital market development has not kept pace with economic growth

IDA & IBRD countries, 2000-2020

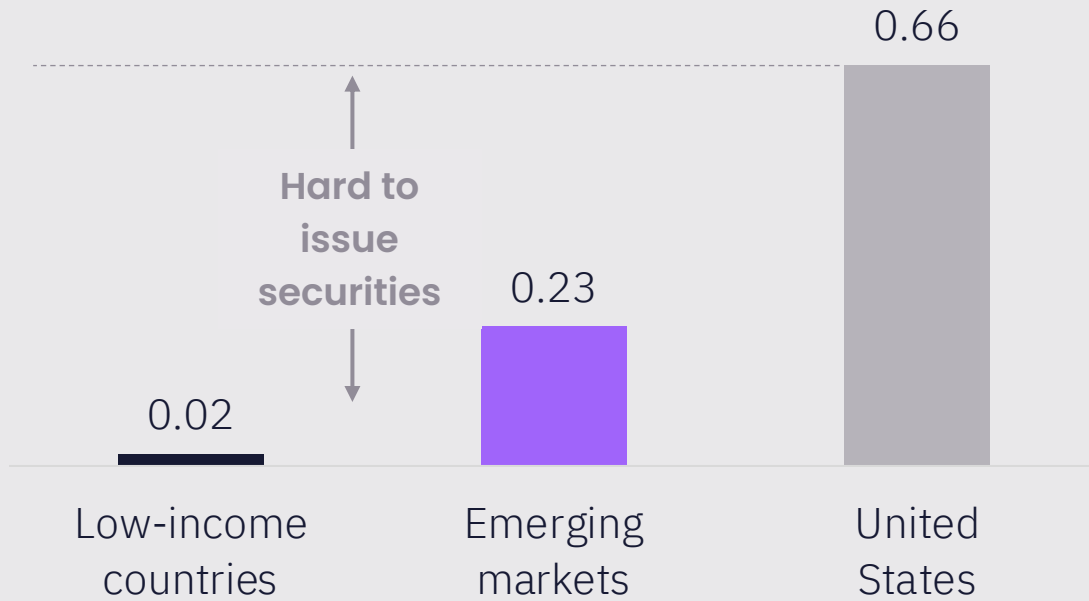


Source: World Bank.

1 / The problem – why does it exist?

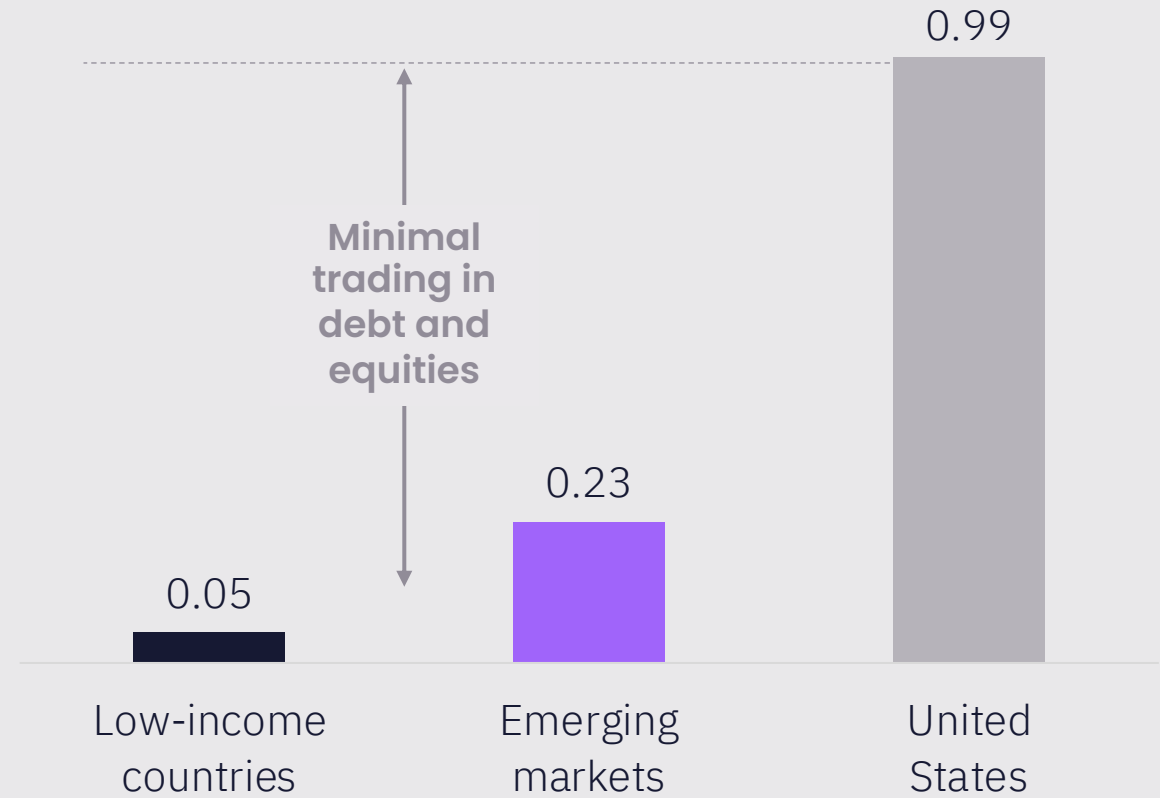
Few companies can issue securities ...

Financial Markets Access index



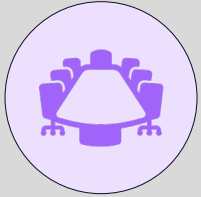
... and the capital markets are shallow

Financial Markets Depth index



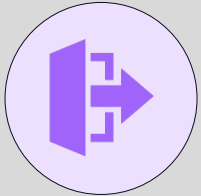
Source: IMF Financial Development Index Database.

2 / The shortcomings of non-bank intermediaries



Institutional investors

- Slow decisions
- “Boots on the ground” and pro-cyclicality
- Scale



Exit risk

- Performance
- “Zombie” funds



Fees & opacity


- Fee-drag
- Reporting

What is the solution?

an

**open, permissionless protocol
for capital formation**

3 / Crypto solves this ... maybe




Institutional investors



Individual investors

- Speed
- Location
- Scale




Exit risk

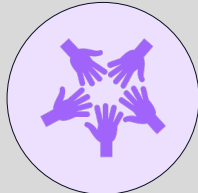


Tradability

- Liquidity
- Smart contracts
- Structure



Fees & opacity



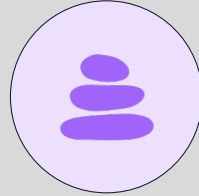
Alignment & transparency

- Tokenomics
- Perks
- Auditability

4 / Challenges



Regulation




Aggregation



Validation


4 / Challenges



Regulation



Aggregation



Validation



Extensibility

5 / Questions?

Thank you!



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