

How digital payments can benefit entrepreneurs

Digital payments can increase firms' profits by allowing more efficient and cost-effective financial transactions

Keywords: entrepreneurship, wages, financial inclusion, digital payments

ELEVATOR PITCH

Digital payment systems can conveniently and affordably connect entrepreneurs with banks, employees, suppliers, and new markets for their goods and services. These systems can accelerate business registration and payments for business licenses and permits by reducing travel time and expenses. Digital financial services can also improve access to savings accounts and loans. Electronic wage payments to workers can increase security and reduce the time and cost of paying employees. Yet, there are challenges as many entrepreneurs and employees lack bank accounts, digital devices, and reliable technology infrastructure.

KEY FINDINGS

Pros

- + Digital payments can increase an entrepreneur's profitability by making financial transactions with customers, suppliers, and the government more convenient, safer, and cheaper.
- + Paying wages digitally benefits employees and is safer and more cost-effective for employers.
- + Digital payments automatically provide users with a credit history and can thus improve an entrepreneur's access to credit.
- + Digital payments give women entrepreneurs greater control over their income, potentially benefiting their entire household, especially children.

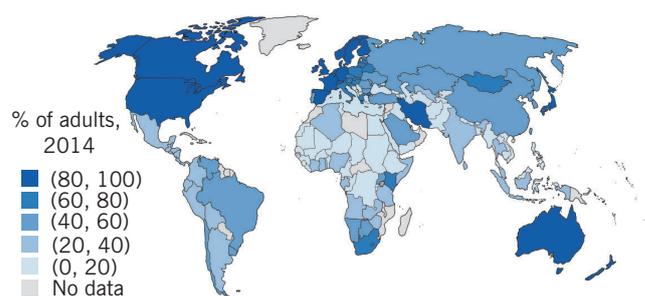
Cons

- A strong financial infrastructure, including access points such as mobile phones, is needed to support digital payment systems.
- Many entrepreneurs and employees lack documents such as government-issued identity cards or birth certificates, which are required to use digital services.
- Entrepreneurs and employees often lack financial literacy and an ability to think quantitatively, making it harder for them to use digital financial products efficiently.

AUTHOR'S MAIN MESSAGE

Digital payments improve the speed and reduce the cost of payments between entrepreneurs and suppliers, employees, customers, and governments. Digital financial systems make it easier for entrepreneurs to access credit products to start and expand their businesses, and encourage formal entrepreneurship by facilitating compliance with regulatory and tax obligations. Governments in developing countries can promote digital financial services by investing in the necessary infrastructure, collaborating with private entities to offer training for potential users, and ensuring that effective security and regulatory measures exist.

How many adults make or receive digital payments?



Note: "Digital payments" include electronic payments made from or to an account at a bank or other financial institution or mobile money service provider.

Source: Author's own compilation based on data from World Bank Global Findex (2015). Online at: <http://www.worldbank.org/globalfindex>.