

MSMEs, for example, face greater difficulties than bigger firms in accessing trade finance. More than half of their trade finance requests are rejected, against 7 per cent for multinational companies (WTO, 2016b), and surveys have shown that about 60 per cent of companies whose requests have been rejected fail to execute transactions (Asian Development Bank, 2017). Anecdotal evidence suggests that banks are reluctant to spend money and efforts to conduct KYC, especially for potential clients unlikely to generate much profit. The often low profitability of MSMEs' transactions, combined with the lack of clear financial and other records – which makes it difficult to evaluate their creditworthiness using traditional methods – make banks unwilling to extend credit guarantees to them (Asian Development Bank, 2017).

Blockchain could help small firms and producers access finance at three levels.

First, the immutable nature of Blockchain could make it easier to track transactions and assess the creditworthiness of companies and individuals – a key hurdle for MSMEs and small producers. Going one step further, in December 2017 six international companies and banks and four fintech startups announced a project using the technology to gather information on price, quality and sustainability of the rice production process of 10,000 Malawian rice farmers to help them access financing on preferential terms based on the evidence supported by the blockchain (CISL, 2017).

Second, MSMEs often have neither the resources nor the ability to deal with complex procedures. Facilitating procedures using Blockchain to address the financing gap of MSMEs – and, of course, help open new revenue streams for the banks – was at the core of an initiative launched in 2017 by several banks. The We.trade platform, which can be accessed from any connected device, aims to streamline trade finance processes for participating companies, in particular small ones, including managing, tracking and securing domestic and international trade transactions. The platform completed its first live operations in July 2018 (see also Section 3.1(a) and Suberg, 2018). Other trade finance platforms, such that recently launched across the Guangdong, Hong Kong (China) and Macau (China) bay area with the backing of China's central bank, specifically target MSMEs.

Third, by allowing companies and individuals around the globe to make transactions on a direct, peer-to-peer basis, without the need to go through banks, blockchain technology opens up the possibility for small firms and small producers to participate in international trade without the need to secure traditional trade finance. One such example is the FastTrackTrade platform,¹⁰ which leverages the technology to build a digital trade network of MSMEs to facilitate commercial transactions between buyers and sellers and give participating companies direct access to the trade finance services of various fintech companies, thereby bypassing banks. Another example is the supply chain finance platform launched by IBM in cooperation with a technology