

# **FinTech and B2C E-Commerce: Lessons for CAREC**

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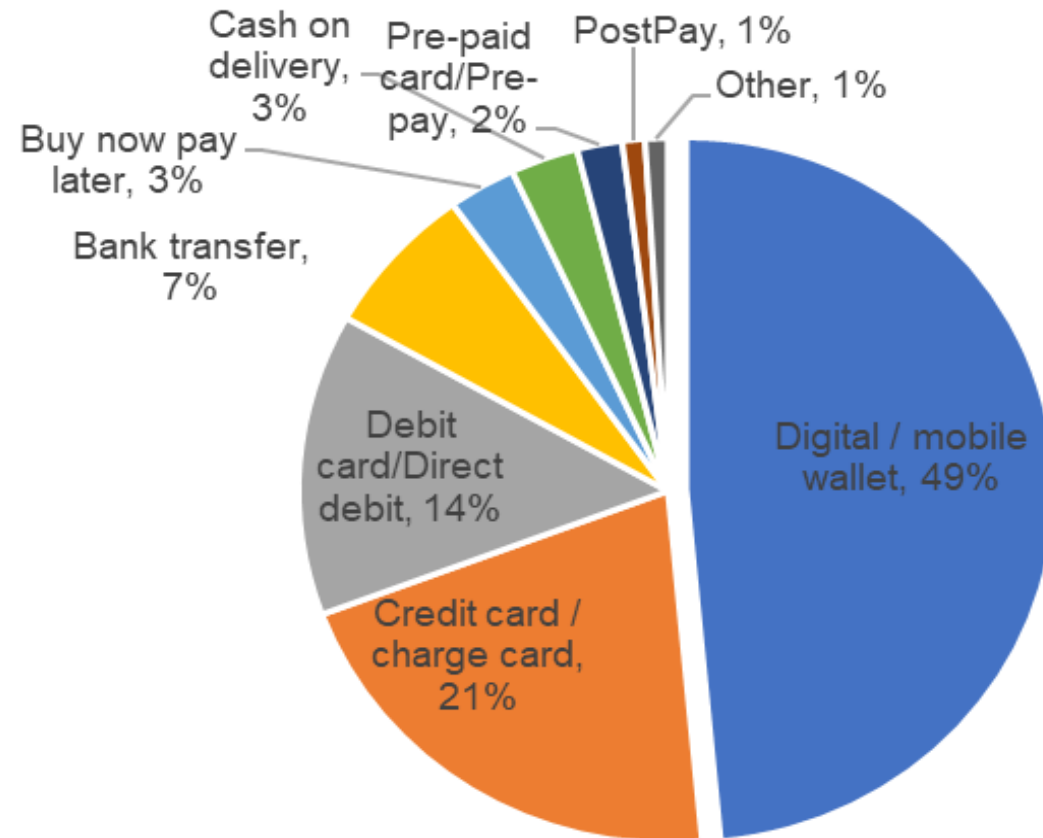
# FinTech and E-commerce: Economic Growth

- B2C e-commerce referred to as online retail trade or online shopping
- Cross border online retail trade involves “parcelized shipments” as opposed to bulk cargo
- Cross border online retail trade growth unlike domestic online shopping involves regional cooperation.
- FinTech contribution to economic growth without e-commerce limited
- FinTech must expand businesses beyond borders
- Cross border online retail trade selling beyond the domestic retail market
- Fulfillment of global online retail purchases impossible without digital payments systems

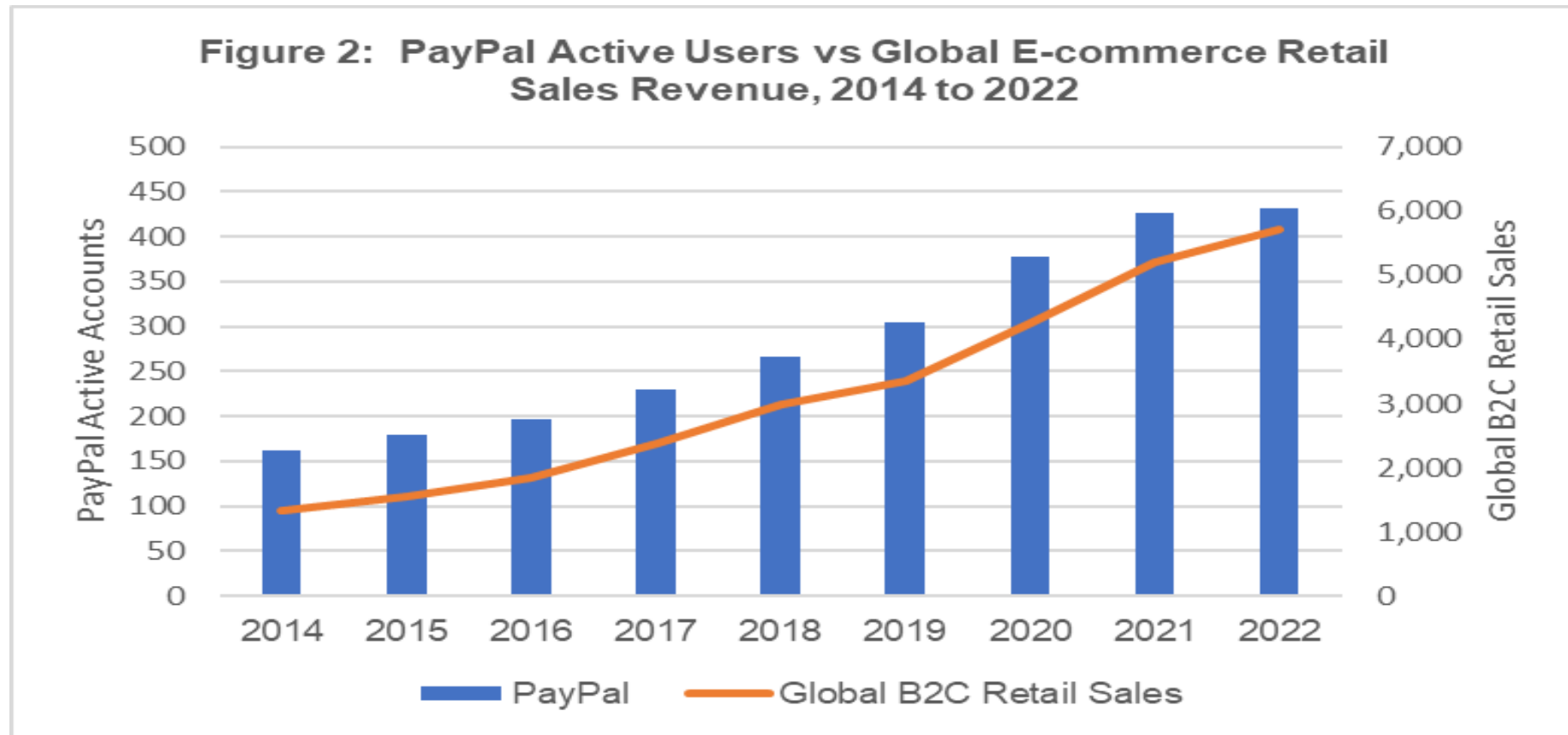
# FinTech: Major Driver of Cross-Border Online Retail Trade

- “FinTech payments have revolutionized retail transactions by accommodating even smaller payment values” (ADB 2021)
- In 2021: 49% of global e-commerce payments were made using digital/mobile wallet; credit card/charge card payments accounted for a smaller share of transaction volume at 21%
- PayPal, an e-wallet app ranks among the top four players in the global digital payments industry, alongside major credit card firms - Visa, Mastercard, and American Express.

Figure 1: Global E-commerce Payment Methods, Transactions Volume Share, 2021



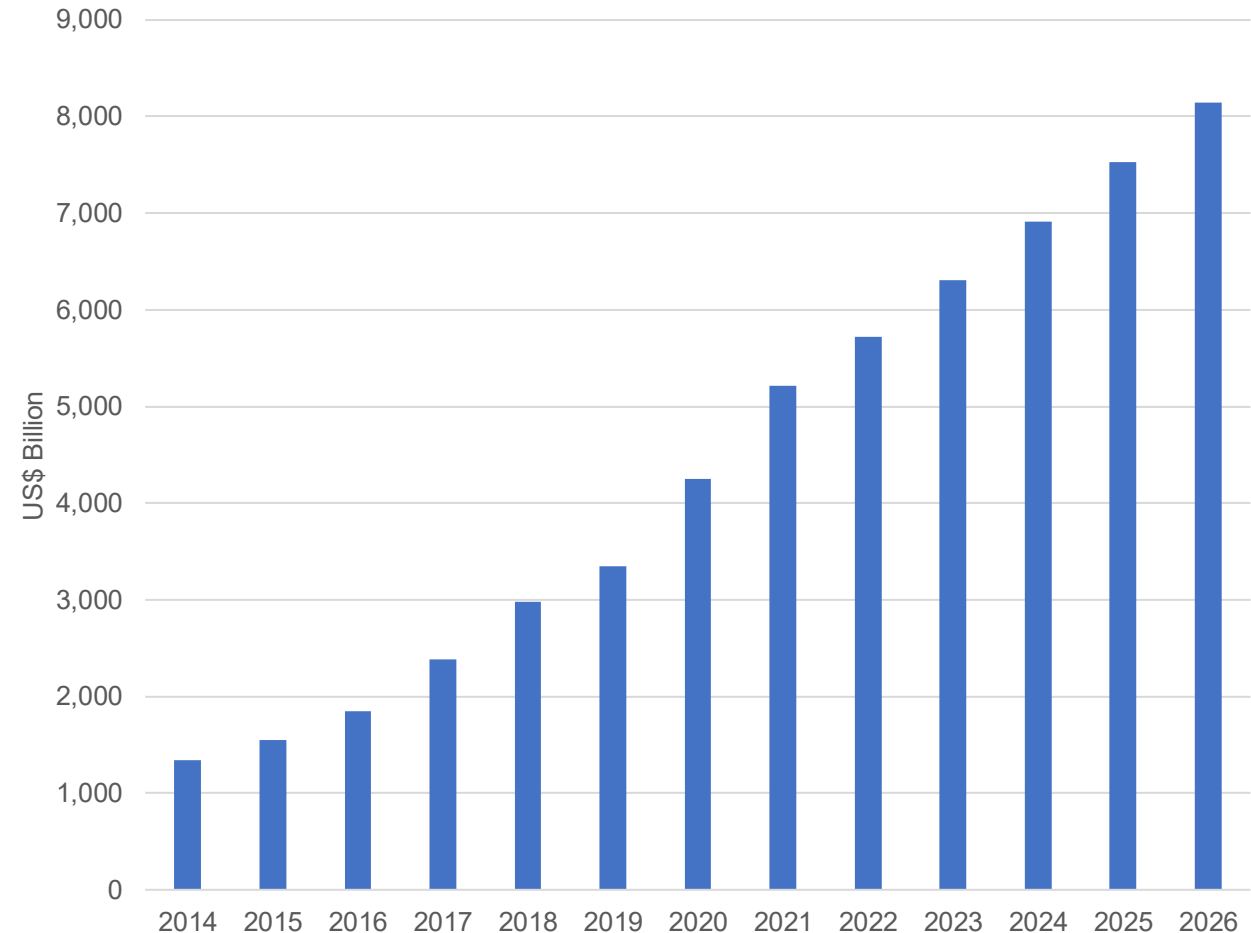
# FinTech: Major Driver of Cross-Border Online Retail Trade



# Growth of Global Cross Border B2C E-commerce

- Global e-commerce retail sales revenue quadrupled from US\$ 1.3 trillion in 2014 to US\$ 5.7 trillion in 2022; projected to reach US\$ 8.1 trillion in 2026.
- Share of e-commerce to total global retail sales almost tripled to 20% in 2022 from 7% in 2015
- Asia is the largest e-commerce market accounting for half of global e-commerce retail sales revenue (2022 data)
- Share of cross-border e-commerce revenue remains small averaging around 6%.

Figure 3: Global E-commerce Retail Sales Revenue



# Growth of Global Cross Border B2C E-commerce

- Room for growth considering global consumer class market size and spending
- Estimated size of global consumer class was 4 billion people, with Asia accounting for 55% of this population.
- Estimated consumer class spending total US\$ 63 trillion; Asia contributed 41%, equivalent to approximately US\$ 26 trillion (2021 data)
- Major players: Alibaba Group and Amazon;

The Amazon logo consists of the word "amazon" in a bold, lowercase, sans-serif font. Below the text is a curved orange arrow that starts under the letter 'a' and points towards the letter 'n', resembling a smile.The Alibaba Group logo features a stylized orange icon above the text. The icon is a circular shape with a white arrow pointing upwards and to the right, resembling a stylized 'A' or a hand. Below the icon, the text "Alibaba Group" is written in a bold, orange, sans-serif font. Underneath that, the Chinese characters "阿里巴巴集团" are written in a smaller, orange, sans-serif font.

# B2C e-commerce: CAREC Region

- PRC accounts for nearly all (99%) of the CAREC region's total B2C e-commerce revenue in 2022 at US\$ 1.3 billion in 2022
- CAREC-9 excludes PRC and AFG
- CAREC-9 e-commerce revenue in 2022 total US\$ 14 billion
- Among CAREC-9 in 2022, top four countries in terms of e-commerce revenue and market size – PAK, KAZ, AZE, UZB

**Table 1: CAREC E-commerce Revenue (B2C), In US\$ Million, 2022 and 2027**

CAREC Member Country	2022	2027
AFG	Excluded in study	
<b>AZE</b>	<b>1,762</b>	<b>3,448</b>
GEO	561	1,146
<b>KAZ</b>	<b>2,878</b>	<b>5,909</b>
KGZ	415	799
MON	374	716
<b>PAK</b>	<b>6,066</b>	<b>8,101</b>
<b>PRC</b>	<b>1,306,000</b>	<b>2,375,000</b>
TAJ	255	472
TKM	297	543
<b>UZB</b>	<b>1,335</b>	<b>2,640</b>
<b>Total CAREC</b>	<b>1,319,942</b>	<b>2,398,772</b>
<b>Total CAREC W/out PRC, AFG</b>	<b>13,942</b>	<b>23,772</b>

# CAREC e-commerce market size

- In 2022 CAREC-9 B2C e-commerce market size is 84 million - way smaller than the ASEAN market size of 366 million

Table 2: CAREC: E-commerce Market Size, B2C, Number of Users, In Million, 2022 and 2027

CAREC Member Country	2022	2027
AFG	Excluded in study	
AZE	3.6	4.0
GEO	1.8	2.2
KAZ	4.7	5.4
KGZ	2.2	3.0
MON	1.2	1.8
PAK	54.8	70.8
PRC	1,050.0	1,340.0
TAJ	2.2	3.2
TKM	1.4	2.1
UZB	12.4	15.9
<b>Total CAREC</b>	<b>1,134.4</b>	<b>1,448.4</b>
<b>Total CAREC W/out PRC, AFG</b>	<b>84.4</b>	<b>108.4</b>



# CAREC Online Shoppers

- In 2019, online shoppers in Kazakhstan, Tajikistan and Georgia did not even account for a third of internet users
- CAREC internet users browse online market places but do not purchase

Table 3: Online Shoppers in CAREC, 2019

CAREC Country	Shop Online (% of population)	Shop Online (% of internet users)
AFG	Excluded in study	
AZE	4.9	6
PRC	62	79
GEO	14	21
KAZ	24	28
KGZ	6	8
MON	7	9
PAK	1	7
TAJ	10	27
TKM	3	6
UZB	2	5

# B2C E-commerce: CAREC Region vs ASEAN Region

- CAREC-9 e-commerce revenue in 2022 at US\$ 14 billion way, way behind ASEAN at US\$ 120 billion
- CAREC-9 not projected to catch up in 2027
- Remarkable growth of e-commerce revenues in ASEAN can be attributed to FinTech innovations, enabling government policies, and regional cooperation

**Table 4: ASEAN vs CAREC: E-commerce Revenue (B2C), In US\$ Million, 2022 and 2027**

	2022	2027
ASEAN	120,235	224,900
CAREC	1,319,942	2,398,772
CAREC 9	13,942	23,772

# Global Perspective - Benefits and Constraints of Cross Border B2C E-commerce

## Benefits

- MSMEs inclusion in international trade, opportunities for business expansion; gender inclusion (most MSMEs are owned by women); logistics business expansion
- Increased consumer welfare: benefits from increased empowerment through access to a broader array of choices in terms of products and prices
- Increased consumer welfare: convenience, time saving

## Constraints

- For MSMEs - insufficient working capital
- For consumers
  - missing out on the shopping experience
  - quality assurance
  - cybersecurity
  - reliability of B2C e-commerce logistics

# ASEAN Cross Border E-commerce and Regional Cooperation Initiatives

ASEAN regional cooperation initiatives that benefitted cross-border B2C e-commerce:

- e-ASEAN Framework Agreement (2000)
- ASEAN Single Window for Trade Facilitation (2005)
- Cross-Border E-Commerce Workshop: Towards Seamless Connectivity (2017)
- “De Minimis” rule, an ICC and WCO initiative

# CAREC Moving Forward

- FinTech and cross border B2C e-commerce: Horse and Carriage



# CAREC Moving Forward

- Road map for FinTech regional cooperation must include cross border B2C e-commerce
- Draw from ASEAN experience in mapping CAREC's FinTech and B2C e-commerce future
- Policy recommendations of the study “Fintech, Trade Creation and Trade Finance: Lessons for CAREC” :
  - Assessment and monitoring of CAREC B2C e-commerce progress for both domestic and cross border
  - Educate stakeholders – consumers and MSMEs – on the welfare benefits of B2C e-commerce
  - Arrive at a consensus among CAREC member countries' governments regarding the digital future of CAREC through regional cooperation agreements
  - Include both FinTech and E-commerce strategies in the CAREC Digital Future Road Map;
  - Expand areas of cooperation and collaboration in B2C e-commerce beyond CAREC