



Helping people stay connected to their worlds

BORDERLESS PAYMENTS REPORT

MAY 2022



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The world makes money go around



The coronavirus pandemic transcended borders in the most literal sense.

With international travel halted and government boundaries sealed tight, cross-border payments helped keep millions of people and businesses afloat. With resources around the world stretched dangerously thin, people were able to send financial relief to loved ones, and companies were able to keep international operations running.

Mastercard's second annual borderless payments research reveals just how critical cross-border payment services have been. Of all consumers surveyed who sent a cross-border payment last year, around 40% said their family members living internationally would not have survived financially without the funds. The impact was just as striking among businesses: Approximately 70% of small and medium enterprises (SMEs) surveyed say the global payment network helped them endure the pandemic.

Our 2022 borderless payments report documents cross-border payments' essential role for individuals, businesses and economies over the past year. One of our most notable findings is how impressively digital solutions performed. As COVID-19 lockdowns forced consumers and businesses to quickly shift to digital channels, both groups have become increasingly comfortable using desktop and mobile platforms to send and receive international payments. This newfound confidence continues to transform the cross-border payment landscape.

Mastercard is driving this transformation by partnering with banks, non-banking financial institutions and businesses to make cross-border payments safer, quicker and more predictable. Mastercard Cross-Border Services provide consumers and businesses a secure, convenient and certain way to send money to bank accounts, mobile wallets, cards, or cash payout locations around the world.

Seamless international payment services will no doubt remain crucial for keeping families and businesses financially connected to one another – and keeping the global economy moving.

Stephen Grainger

Executive vice president for Cross-Border Services at Mastercard

Find out more about Cross-Border Services

www.mastercard.com/crossborder



A barometer on the global cross-border payments ecosystem



International trade in money, goods and services is an enabler of prosperity for consumers and small businesses around the world.

From migrant workers remitting money home to businesses paying international suppliers, these account-based payment transactions are a vital function of the global economy.

To understand how — and how much — cross-border payments have impacted consumers and businesses during the coronavirus pandemic, we surveyed 7,586 consumers and 3,074 small and medium business owners across 15 global markets between December 2021 and January 2022.

All respondents had either sent money to someone in another country, received money from someone outside their country, or both, over the preceding year.

Before the pandemic, international workers were a major driver of cross-border payments, using these networks to share their pay with families and loved ones elsewhere

in the world. In some regions, these payments comprise an important segment of the economy. In 2020 and 2021, hardships from COVID-19 escalated worries for many about their families' and friends' financial stability in countries around the world. Consumers' desire and means to help loved ones in other countries fueled a rise in the number of cross-border payments sent and received. Half of the survey respondents say they sent larger sums of money overall during the pandemic.

Cross-border payments have been equally important to businesses. Almost three-quarters (72%) of small and medium enterprise (SME) respondents say the continued viability of the global payments network throughout the pandemic was key to their businesses' survival. Nearly 60% of SMEs say they increased their use of cross-border payments during the pandemic.



Consumers and businesses also suggest that this could be a lasting change. Both groups say they plan to maintain this new, higher level of payment activity for the foreseeable future. While the global economy has begun to recover from the worst damage of the pandemic, concern for loved ones' financial well-being in other countries remains. Forty percent of consumer survey respondents say family members living in other countries lost jobs during the pandemic. Nearly half (45%) say family members outside their countries are still struggling financially from COVID-19 and need continued support.

Businesses also say the changes they made to survive the pandemic will remain in place. A large majority of SMEs say they were forced to adjust business strategies during the crisis. Many shifted their focus to international sales to compensate for business lost closer to home. This

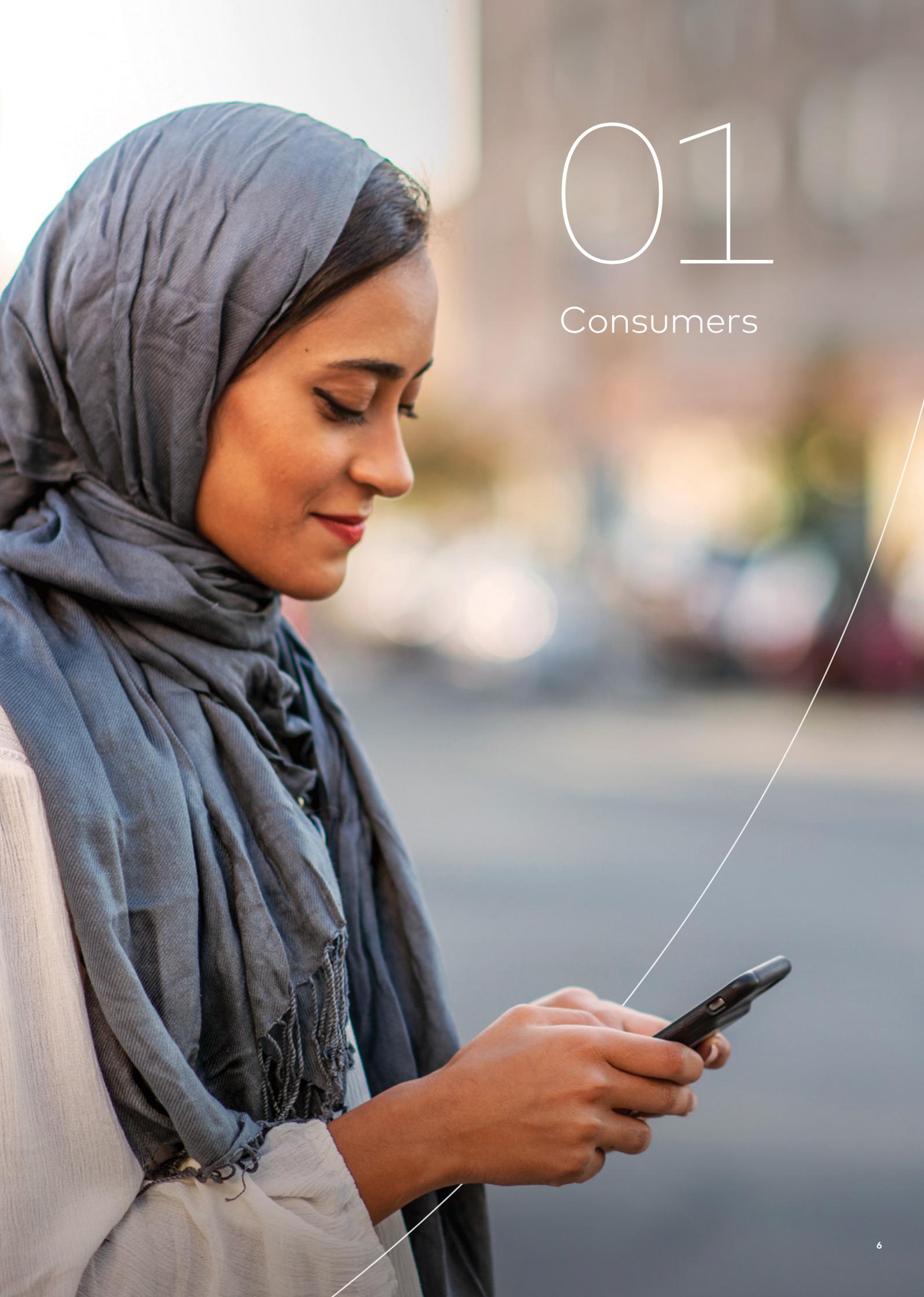
often meant onboarding suppliers in other countries, a tactic that helped companies expand in new areas and eased tension on businesses' supply chains overall. Now that the pandemic is receding in many areas, SMEs aren't giving up their new cross-border customers, or the suppliers who've helped them build and maintain their businesses. Cross-border payments will be critical to supporting both.

For consumers and businesses using cross-border payments, the move to digital services was well underway before COVID-19. The pandemic greatly accelerated that shift and pushed the global payments landscape years ahead, practically overnight.

As digital payments become increasingly critical for consumers and SMEs, providers must keep innovating to ensure their payments experiences are seamless and their

platforms are secure. Despite widespread adoption, more than 40% of businesses and consumers say they are worried about potential fraud. Survey respondents also express concerns about fees and various service issues, including a lack of transparency and geographic restrictions on payments.

Most digital payments users who first tried these services during the crisis say digital channels are faster and easier, and they will not go back to traditional payments.



01

Consumers

Remittance payments surge amid recovery in consumer earnings

Despite continued pandemic-related disruptions, 2021 was a year of recovery for many countries and communities around the world.

As fatalities lessened and virus transmission dropped, societies and economies began to reopen. The recovery was slow and followed the changing tide of COVID-19 test rates and hospitalizations. But over the course of the year, economic activity picked up.

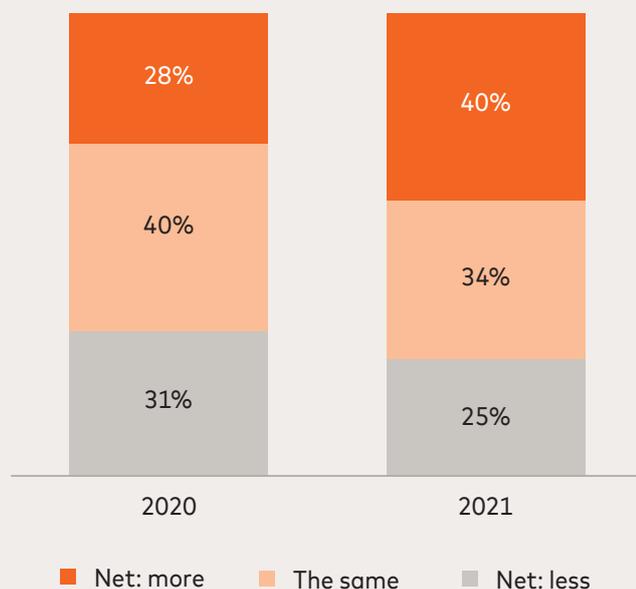
For some consumers, that meant more pay. Around the world, 40% of workers surveyed in 2021 said they were making more money than before the pandemic, up from 28% the prior year.

This robust growth in consumer earnings was driven mainly by two trends: the reopening of the economy, including employees' return to work; and pandemic-induced labor shortages that drove up wages in many markets. Another contributing factor: More workers around the world are reporting side hustles, gig work and freelance income. Almost 6 in 10 survey respondents (57%) do work outside their main jobs.

40%

of workers surveyed in 2021 said they were making more money than before the pandemic

Figure 1: Earning more or less, compared to before the pandemic



Pickup in payments

The global earnings recovery has left many consumers better positioned to help relatives and friends in other countries who are still experiencing the pandemic's financial hardships.

In many countries, remittance payments from citizens working abroad represent a significant portion of annual earnings for families and individuals, as well as the national gross domestic product.

Global remittance flow to low- and middle-income countries increased 7.3% to a total of \$589 billion in 2021, according to a World Bank report. The five most common destinations for those remittances were India, China, Mexico, the Philippines and the Arab Republic of Egypt, according to the report.

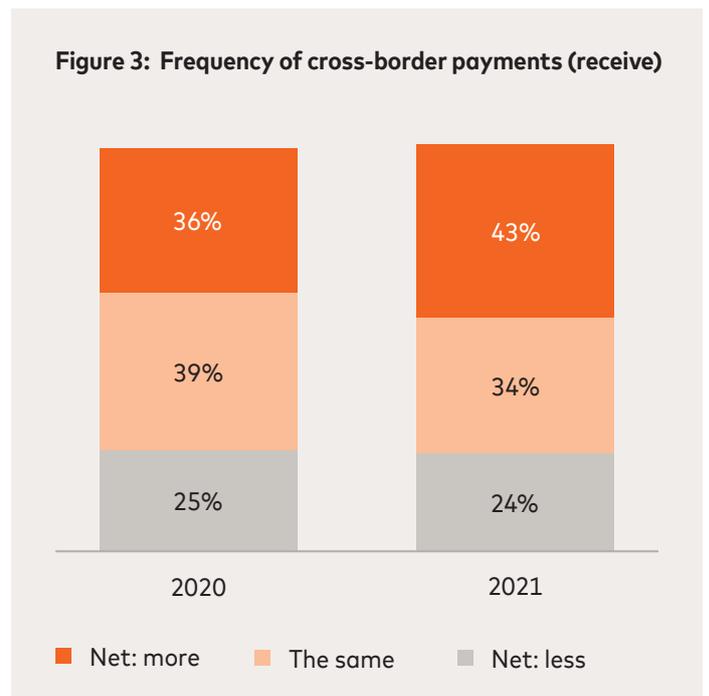
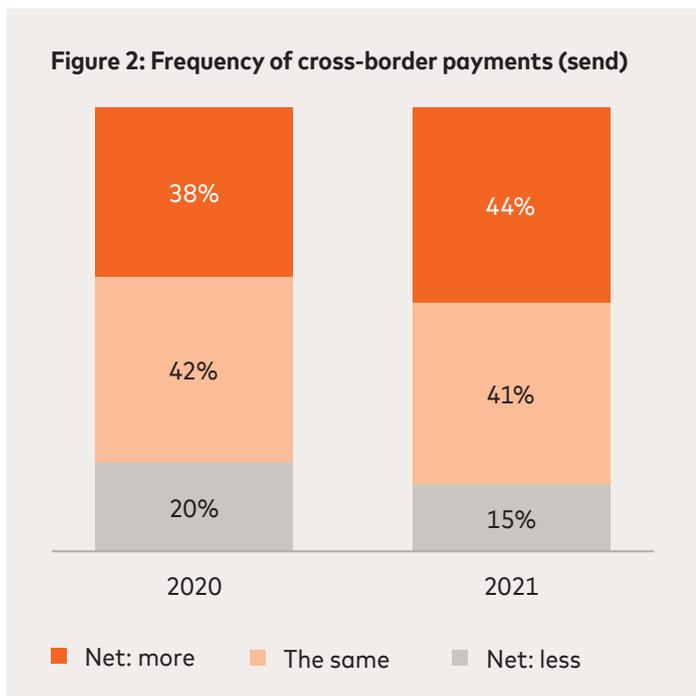
Driving that trend has been an increase in the use of cross-border payments.

In 2020 and 2021, the share of consumers sending and receiving cross-border payments held steady at 70% and 55%, respectively. In both years, however, users increased the number of payments sent and received. In 2020, 38% of consumers said they increased the number of cross-border payments sent and received in the prior year. In 2021, that share jumped again to 44%. Meanwhile, the share of consumers who report an increase in cross-border payments received climbed to 43% in 2021 from 35% in 2020.

The pace of cross-border payments didn't increase everywhere. A drop in the use of cross-border payments in major Gulf Cooperation Council (GCC) nations could be attributable to a reduction in the number of foreign workers in those countries. In Saudi Arabia, for example, the number of expatriate workers in the country shrunk by 8.6% from 2020 to 2021, according to the World Bank¹. Based at least in part on those

reductions, the share of consumers sending cross-border payments dipped to 69% in 2021 from 71% in 2020 in the United Arab Emirates and dropped to 62% from 69% in Saudi Arabia.

Despite any localized trends, the use of cross-border payments by consumers at a global level remains on a sharply upward trajectory. As we will see in the next sections of this report, that steady increase in usage can be attributed in large part to consumers who are increasingly confident and comfortable using digital cross-border payment solutions to send money to relatives and friends in other countries who badly need their financial support.



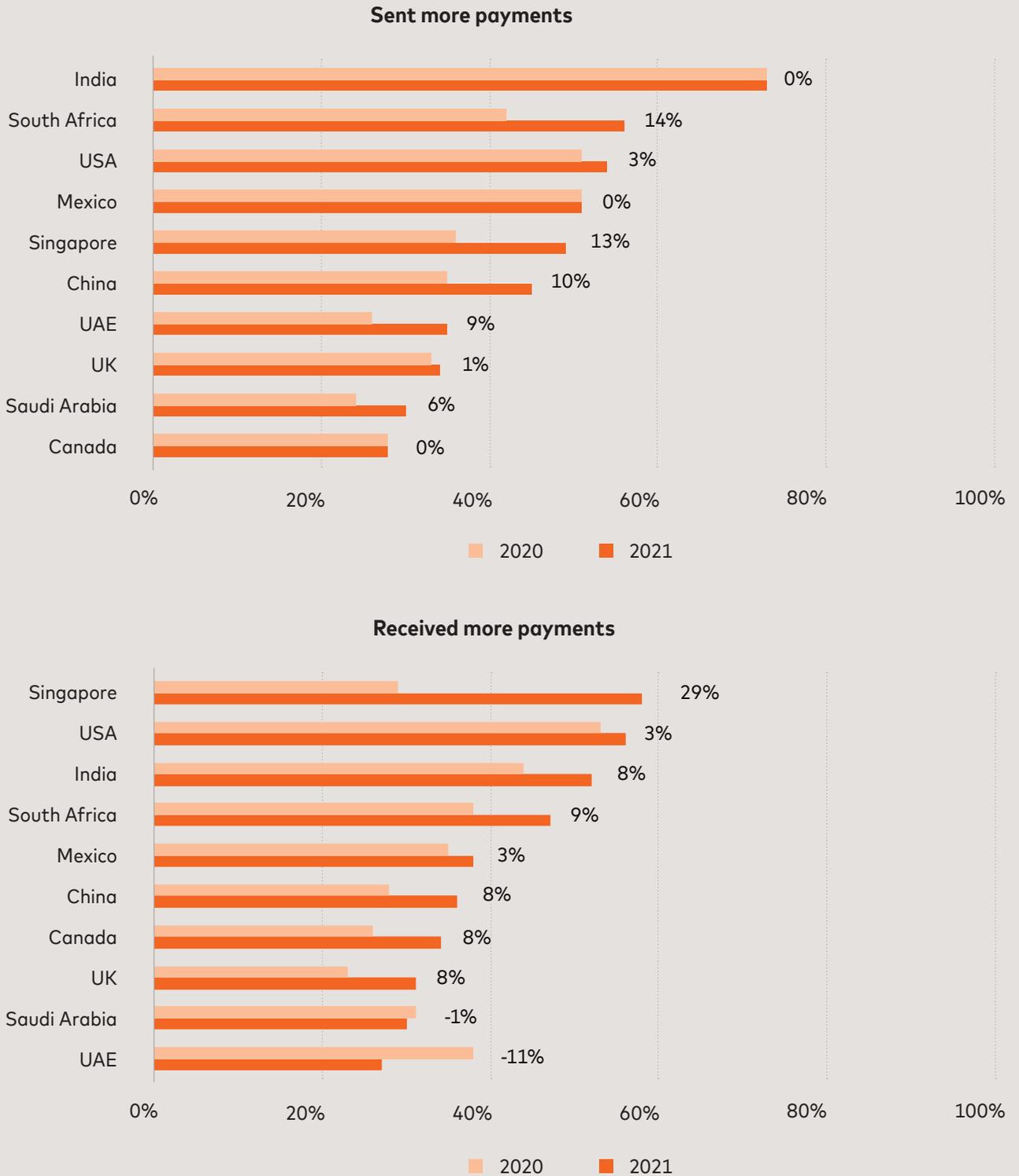
1. 'Recovery: COVID-19 crisis through a migration lens', World Bank Group and Knomad, 2021



38%

of consumers said they increased the number of cross-border payments sent and received in the prior year

Figure 4: Change in volume of transactions in previous 12 months by country

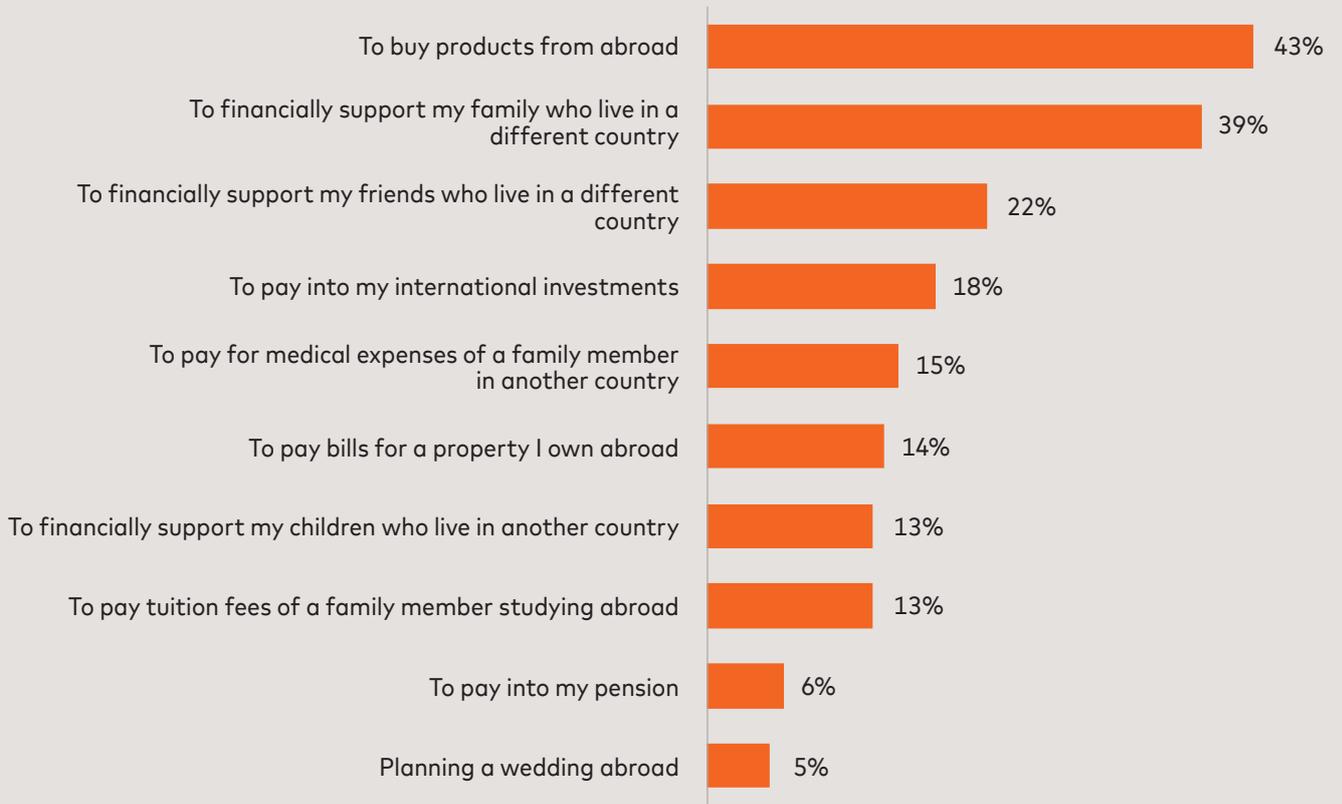




63%

of consumers sent money internationally to financially support their family or friends who live abroad

Figure 5: Reasons for making cross-border payments



Supporting family, across borders and around the world

By far the biggest reason consumers send cross-border payments is to support family and friends living in a different country.

Figure 5 shows the top 10 reasons consumers give for making a cross-border payment. In addition to providing general financial support to family members living abroad, reasons for sending money also include paying specific expenses for recipients including child support, medical expenses, tuition and even wedding costs.

Motivations vary, to some extent, from country to country. For example, Indian respondents are more than twice as likely as consumers in other countries to use cross-border payments to support children living abroad, (33% vs. 13% overall) or pay for their children's education abroad (35% vs. 13% global average).

More than half of cross-border payment users, including almost 80% of survey respondents in India increased the amount of money they sent last year due to concerns about family living in other countries. About 40% of consumers surveyed say they have family in other countries who lost jobs due to the coronavirus pandemic and need more financial support. As noted previously, 40% of those who sent payments last year say their families abroad would not have been able to survive financially without that support.

For many, these hardships continue. Approximately 45% of consumers say their family members in other countries are still struggling and in need of financial support because of the pandemic. Concerns about these family members are one of the main reasons the number of cross-border payments continues to increase – especially in countries with large numbers of migrant workers, who traditionally send remittances to their families back home. In the United States, for example, the

share of cross-border payment users saying they send money to financially support family or friends living in another country increased to 67% in 2021 from 54% in 2020. In the UAE, the share climbed to 83% in 2021 from 79% in 2020.

At the opposite end of the spectrum, some workers haven't been able to maintain the flow of remittance payments supporting their families. About 40% say they have had to reduce the payments they sent home during the pandemic, and their family members are struggling financially as a result.

49%

of consumers say 'I have sent more money internationally because I have been concerned about my family living abroad'

40%

of consumers say 'If I couldn't have sent money back to my family during this time, they wouldn't have been able to survive financially'



Consumers increasingly opt for digital payments

The global pandemic sped the switch from traditional channels to digital payments. Fifty-seven percent of cross-border payment users say they increased their use of online payments due to COVID-19, including nearly 80% in Mexico and India.

Two years into the pandemic, mobile apps have become by far the most common payments platform. Almost three-quarters of consumers who send and receive cross-border payments do so through mobile apps. Digital wallets are heavily used by consumers in Mexico and Brazil.

Nearly half of senders (46%) and about one-third of receivers (32%) use website-based platforms from banks, money transfer companies or other providers. Only about 1

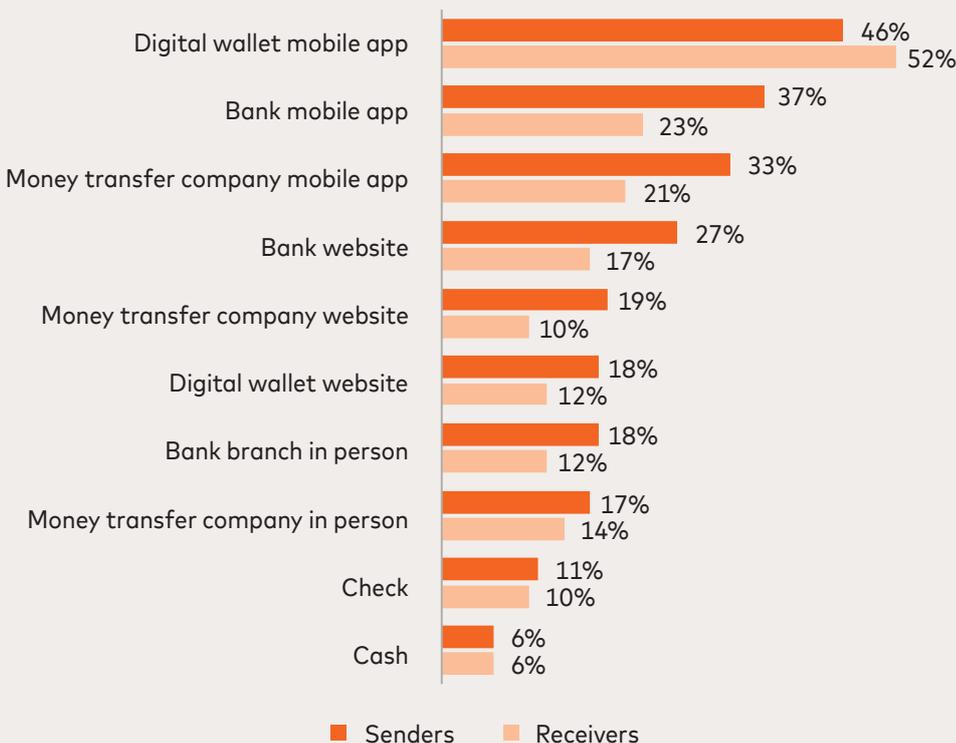
in 3 consumers worldwide sent or received a cross-border payment in person last year, at either a bank branch or money transfer company, due at least in part to COVID-19 restrictions and fears. Consumers in Colombia and India are more likely than their peers in other countries to send payments from bank branches, while consumers in UAE and Chile are more likely to send in person through a money transfer operator.

While some will revert to pre-pandemic habits with more in-person interactions, almost three-quarters of cross-border payments users say they will continue to send and receive payments digitally. After the central role digital payments played in helping consumers weather financial hardships during COVID-19, 90% of survey respondents say they feel confident using digital cross-border payments services.

71%

of consumers agree although they can now travel home, they would still go to online payments for ease

Figure 6: Methods for making cross-border payments (consumers)



73%

of consumers send money using an app

46%

of consumers send money using a website

30%

of consumers send money in person



02

Small businesses

Enabling international expansion, fueling renewed business growth

As many countries emerged last year from the worst of the pandemic's financial effects, businesses began to regain their footing and return to growth.

In 2021, 46% of small and medium-sized enterprises were earning higher revenues than they were when the pandemic started. That's up from just 39% in 2020. In India, 63% of SMEs now report earnings that top pre-pandemic levels, as do more than half of those in the U.S., China and South Africa. Around the world, two-thirds of SMEs have recovered to at least pre-pandemic earnings.

The strong recovery has surprised many SMEs. More than half say their businesses grew more than expected over the past two years.

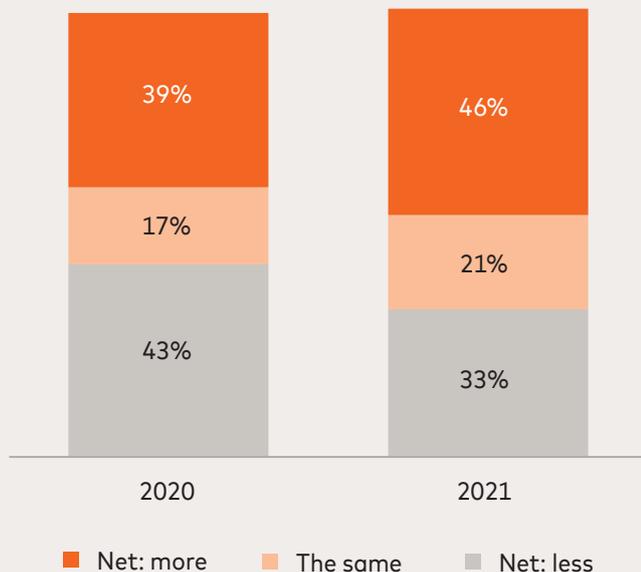
How did these businesses grow at such surprising rates? Quick thinking and decisive action played a large part. SMEs say successfully pivoting to e-commerce and international

sales helped them maintain and grow their businesses during the pandemic.

Three-quarters of SMEs say the pandemic forced them to seek growth opportunities beyond their national borders. The results: 6 in 10 say international sales allowed them to grow their businesses during the pandemic. In China, India and Mexico, this was true for more than three-fourths of SMEs responding. Most of these companies believe the new international focus will be permanent.

Most SMEs would not have been able to achieve that international growth without online sales. Nearly 7 in 10 say they increased e-commerce sales during the pandemic. In India and Mexico, that share is more than 8 in 10.

Figure 7. Business earnings compared to before the pandemic



Whether through online or traditional channels, expanding international businesses often entails onboarding international suppliers. Companies also did this to help alleviate the widespread supply chain disruptions that plagued businesses and industries all over the world. Almost half of SMEs report using more international suppliers and services than they did before the pandemic, led by businesses in Saudi Arabia, Brazil, South Africa and India. Survey respondents say working with international suppliers has helped them remain competitive and reduce business risk.

Throughout the pandemic, cross-border payments were a key facilitator of these three critical

initiatives: international expansion, online growth, and onboarding new international suppliers and services.

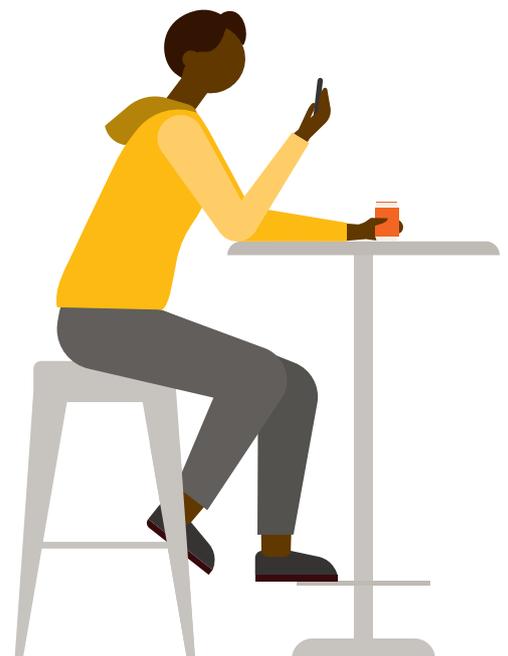
Three-fifths (58%) of SMEs say they are sending and receiving more cross-border payments now than they were before the pandemic. That's a significant increase from 2020, when 38% surveyed said they had increased their use of cross-border payments since the pandemic began. That trend is consistent in every country in the study. In India, almost three-quarters of companies have increased their use of cross-border payments, as have 70% in Mexico, two-thirds in Saudi Arabia and more than 60% in China and the United States.

53%

of SMEs agree their business has grown more than anticipated during the pandemic

72%

of SMEs agree: 'The pandemic has forced us to look at new opportunities for the business globally'



SMEs tend to feel positive toward working with international suppliers



say 'The pandemic has opened up options for new international suppliers'



say 'The pandemic has allowed us to source suppliers more competitively across borders'



say 'Using international suppliers reduces the level of risk for our business'



say 'We would always look globally now to source suppliers'

But paying suppliers in different countries brings challenges



say 'Cross-border payments slow down our supply chain'



say there's 'No transparency about how much money we lose in foreign exchange/transfers'



say they're 'Unsure how long it will take for suppliers to receive our money'



say suppliers 'Refused to work with us because of uncertainty over payment times'

Spanning borders with digital solutions

Like consumers, companies around the world were using digital platforms for cross-border payments long before COVID-19 struck.

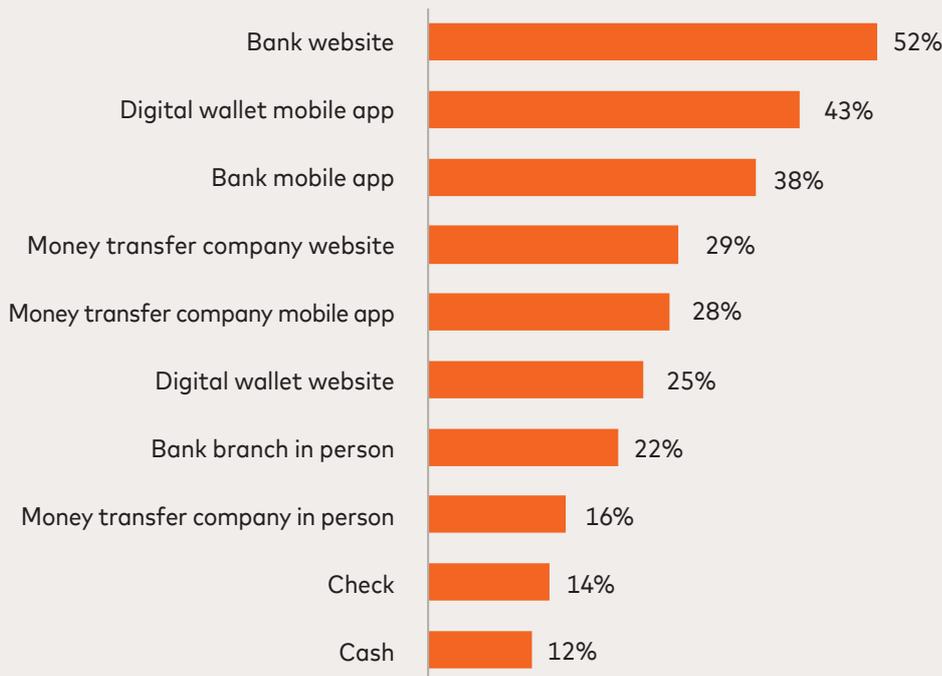
But pandemic lockdowns amplified the urgent need for these services, and digital adoption rose dramatically. Today, nearly three-quarters (72%) of SMEs are using web-based payment platforms from banks, money transfer companies and other providers, and approximately two-thirds are using mobile apps.

Because SMEs find web-based and mobile payment systems easier to use than in-person payments, it's likely that these patterns will outlast our need to socially distance. More than 80% of SMEs say they feel comfortable using online cross-border solutions to send payments. Approximately 80% of SMEs say that cross-border payments apps and websites help improve their business efficiency, and most agree that these platforms have helped them grow, improved cash flow and ultimately helped them survive.

Regardless of channel, the trends pushing SMEs to step up their use of cross-border payments aren't

going away. More than two-thirds of SMEs expect to continue doing more business internationally than they did before the pandemic, and 63% plan to continue sourcing more suppliers across multiple countries to spread risk. Those shifts — and the continued adoption of faster and more efficient digital solutions — mean that cross-border payments among businesses will remain an essential element of a growing global economy.

Figure 8. Methods for cross-border payments (businesses)



65%

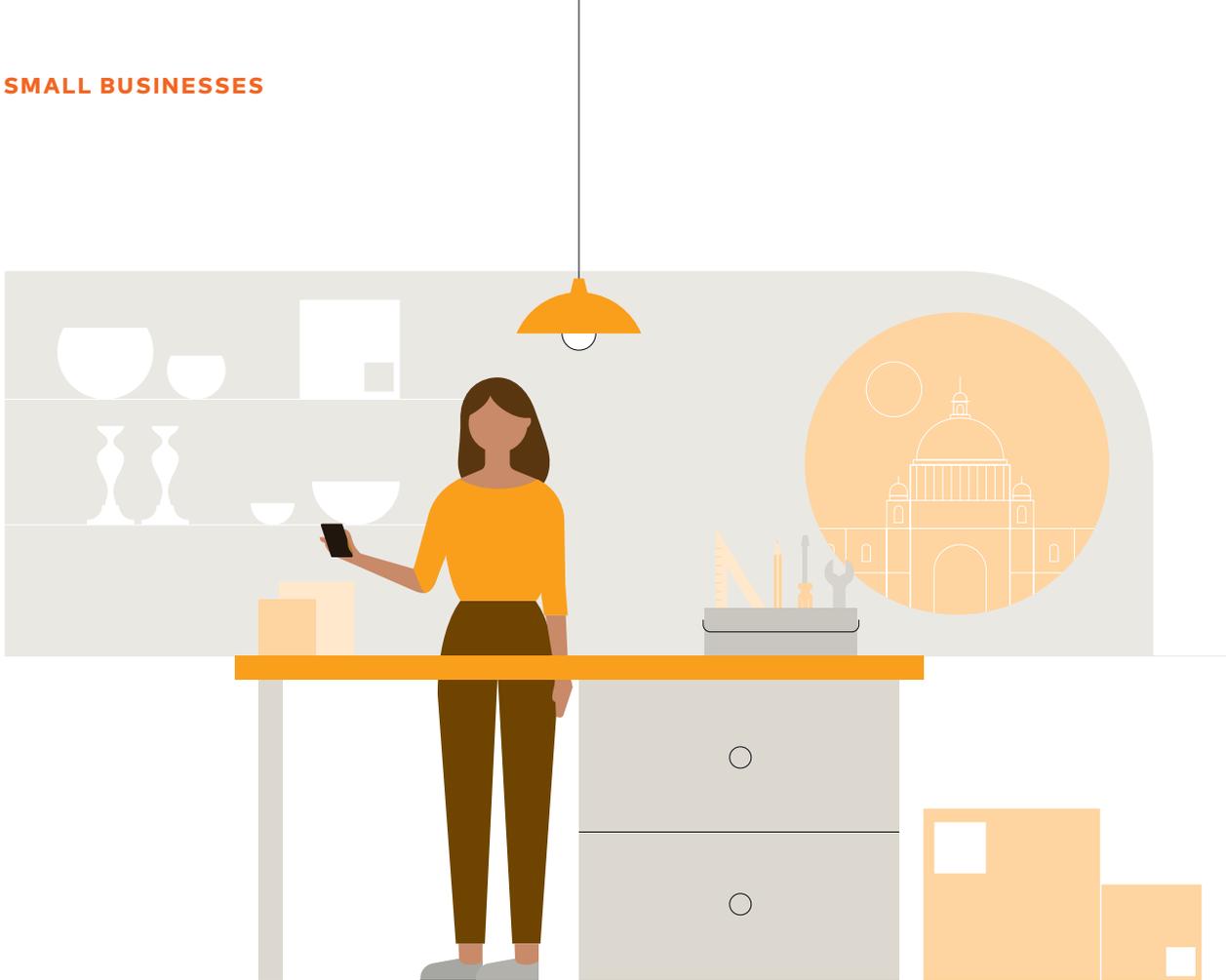
of businesses send money using an app

72%

of businesses send money using a website

32%

of businesses send money in person



A resilient system

Business owners and executives around the world were relieved that the global payment network remained resilient during the pandemic. At the outset of the COVID-19 crisis, businesses were fearful that the system they relied on for international payment processing would break down under the stress. More than 55% of businesses in the

survey feared the global payment network would be more negatively affected by the pandemic. More than half worried that governments would restrict cross-border payments as a pandemic response measure. Fortunately, none of those fears materialized. Most businesses agree that using apps and websites has helped them grow, improve cash flow and ultimately survive.

68%

of SMEs agree: 'The fact that the global payment network has been functioning throughout the pandemic has enabled the business to survive'

Businesses agree that sending digital cross-border payments...

79%

would improve the efficiency of any business

72%

has helped the business grow

69%

improved the business's cash flow

65%

allowed the business to survive

What do users want from digital cross-border payments?

Safe, fast and transparent. That's what consumers and businesses look for in an online cross-border payment solution.

As shown in the chart below, security is by far the number one priority, especially for consumers in the United Arab Emirates and SMEs in South Africa. Once users are convinced that their payments will be delivered securely, consumers and businesses look for speed. Both groups gravitate toward services that can deliver payments in 24

hours or less. Payment speed is an especially important concern for consumers in Middle East countries like the UAE and Saudi Arabia.

In addition to speed, users want the ability to track their payment status and get an estimate of when funds will be delivered. When the payment is complete, users expect timely confirmation.

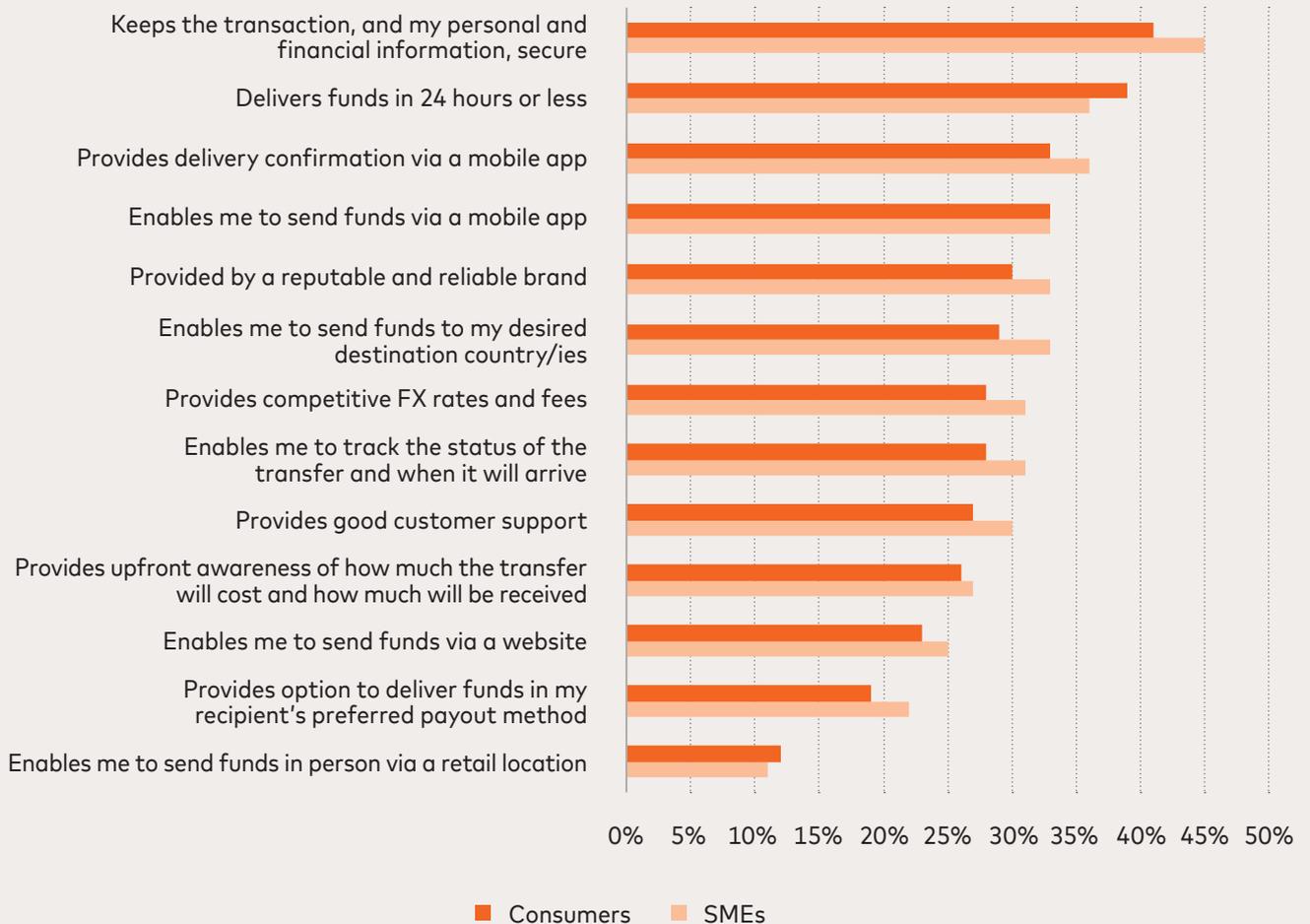
Although cost is important to users, it's not at the top of the list. In fact, at a global level it's not in the top five. That said, consumers and businesses are zeroing in on two related factors: competitive foreign exchange (FX) rates and fees, and price transparency that clearly

outlines upfront costs and final payment amounts. SMEs and, to a slightly lesser extent, consumers in Singapore are much more sensitive to FX rates and fees than their counterparts in other countries.

39%

of businesses who send money online say they don't always get a receipt notification

Figure 9. Top considerations when choosing an online payment solution



The future of borderless payments

The results of our survey show that cross-border payments will remain indispensable for people around the world.

They also make clear that the future of these payments will be digital. After relying on digital payments to survive the disruptions of the coronavirus pandemic, both

consumers and businesses recognize the many advantages electronic channels provide.

In countries around the world, consumers and businesses have strongly embraced digital payments within their domestic markets. Companies like Venmo and Alipay are building huge user bases and demonstrating that digital payments can be fast, easy, affordable and, importantly, secure.

As demonstrated by the fast growth in digital cross-border payments over the past two years, international providers have delivered many of the same benefits. However, the survey results suggest the industry still has work to do to convince consumers and businesses that digital cross-border payments are as safe and reliable as traditional payments, or even domestic digital payments.



Here are six steps cross-border payment providers can take to accelerate cross-border payments growth and meet consumers' and businesses' needs around the world:



Tighten security and educate users on why digital payments are safe

Approximately 45% of SMEs and 42% of consumers fear they might become victims of fraud when using digital cross-border payments.



Continue to improve pricing

About 40% of consumers and 45% of businesses say cross-border payment systems provide poor foreign exchange rates, high transfer fees or both. About one-third say digital platforms are not transparent enough about how much transfers will cost and how much money will be received.



Grow network reach

One-third of SMEs and 30% of consumers are frustrated by restrictions in destination countries that limit their ability to send cross-border payments.



Broaden payout options and channels

Approximately 1 in 3 consumers say cross-border payment platforms have limited options for delivering funds by the recipient's preferred method.



Enhance transparency

Almost 40% of businesses say they don't always get a receipt when they send online payments, and about 30% say they can't track their transfer status or estimated arrival.



Speed up digital payments

Three-quarters of consumers who send cross-border payments say they would be more inclined to use online platforms if they were faster.

Research methodology and references

This study was commissioned by Mastercard in 2021. Fieldwork was conducted by Yonder Consulting, a market research company, while analysis was conducted in-house. The questionnaire was designed collaboratively.

The 15-minute quantitative survey of 7,586 consumers ran in the U.K., UAE, Saudi Arabia, South Africa, China, Singapore, India, U.S., Canada, Mexico, France, Germany, Brazil, Colombia and Chile. We also surveyed 3,074 representatives of micro-, small- and medium-sized enterprises (MSMEs) in each of these markets. All respondents in our SME sample represented a business with less than 250 employees of which

55% had less than 50 employees and 30% had less than 10. We refer to these as our 'business sample' or 'MSME respondents.' All frequently or occasionally use banking or payment services on behalf of their business or the company they work for.

Fieldwork ran from Dec. 2, 2021 through Jan. 7, 2022.

We refer to findings in other proprietary Mastercard and nonproprietary studies, which are referenced where relevant throughout this report. Please see the technical notes in those reports for more information about their methodologies.



Mastercard Cross-Border Services

Through a single, secure point of access, Mastercard Cross-Border Services provide banks, non-banking financial institutions and organizations with improved speed, transparency and certainty of international transactions.

Our converged network capabilities enable payments directly to bank accounts, mobile wallets, cards and cash payout locations¹. Our network reaches 90 percent of the world's population², including un- and underbanked consumers and businesses in emerging and exotic markets.

It's one connection to reach the world.

Find out more at [mastercard.com/crossborder](https://www.mastercard.com/crossborder)

1. Payout options subject to market availability

2. Estimated based on Mastercard, UN Worldometer and World Bank data



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