

Trade Finance Market is Anticipated to Grow USD 10987510 Million by 2027, at a CAGR of 5.4% | Valuates Reports

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BANGALORE, INDIA, January 13, 2022 /EINPresswire.com/ -- According to a recent report published by Valuates Reports, titled, The global [Trade Finance market](#) size is projected to reach US\$ 10987510 million by 2027, from US\$ 7616520 million in 2020 at a CAGR of 5.4% during 2021-2027. Key drivers of the trade finance market include rapid globalization and

increasing trade volume leading to the growing need for safety and security of trading activities for mitigating payment and supply risk related to export, import activities.

In addition to it, the covid 19 crisis has led to the emergence of new platforms into the trade finance sector such as Artificial Intelligence(AI), Blockchain, Machine Learning (ML), and IoT which is expected to drive the growth of the trade finance market in the coming years. Further, digitization and increasing utilization of electronic systems such as QR codes, RFID readers, and increasing trade agreements is also inducing the growth of the market

Moreover, the growing adoption of trade finance by Small and Medium Enterprises(SMEs) in developing countries will provide huge scope for the growth of the market in the coming years.

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TRENDS INFLUENCING THE GLOBAL TRADE FINANCE MARKET

Globalization and more trade activities leading to safety and security concerns

Rapid globalization has increased the trade volume leading to growing complexities of



international trade practices. Importers and exporters face a range of problems related to the payment and supply of goods. Exporters are never sure whether they will receive any payment or not and importers are afraid to make payments prior to receiving the goods. Herein trade finance enables an easy transaction process by offering an easy credit facility for making upfront payments and providing a certain time period for settling the final balance. On the other hand, the undertaking of payment by a financial provider on behalf of the buyer instills courage and peace of mind to the seller, and goods are shipped safely covering risks related to receiving payments. Moreover, trade finance also helps in protecting from currency exchange risks. Thus safety and security benefit offered is expected to drive the growth of the trade finance market during the forecast period.

Covid 19 impact and emergence of advanced technologies

Covid 19 has impacted the trade finance market during a transformative period. The emergence of advanced technologies such as AI, ML, blockchain, and DLT technology has reduced operational costs and improved the overall customer experience. Automation of compliance check process, identity management, and cross-channel marketing opportunities are just some promising benefits of AI and blockchain technology. On the other hand, Distributed ledger technology(DLT) allows stakeholders to share accurate, reliable trade information digitally and smart contracts based on DLT allow automated execution of payments on meeting predefined conditions in the contracts. This makes the reconciliation process easier for banks as the ledger is shared and updated in real-time. Thus in a pandemic world, banks and financial institutions are adopting emerging technologies for saving cost, increasing efficiency, and raking in new business ultimately accelerating the growth of the trade finance market during the forecast period.

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Increasing trade agreements, digitization, and growing usage of electronic systems

Growing competition amongst key market players and increasing trade agreements are leading to huge physical paper documentation which forms a bulk of the trade finance costs. Digitization enables banks to automate financial and transactional information exchange through DLT and smart contracts. Further electrical systems such as Optical Character Recognition(OCR), Radio Frequency Identification(RFID) tags, and Quick Response(QR) codes read container numbers, identify and track shipments which also enhances the digitization process of trading documents making it flexible, cost-effective, and fast ultimately creating value for customers. Thus increasing digitization and growing usage of electrical systems is expected to drive the growth of the trade finance market during the forecast period.

Adoption of trade finance activities by SMEs

Small and Medium-scale Enterprises(SMEs) contribute significantly towards global trade growth but face a lot of barriers related to scalability, cash flow obligations, and payment risks. Trade finance companies and banks can help provide trade credit solutions, insurance, mitigate payment risk and simplify the complex documentation process. Further banks can act as intermediaries for providing trade credits and insurance to purchasers, sellers, and other trade parties. Thus SMEs provide huge potential for trade finance growth especially in developing countries which will create lucrative opportunities for the trade finance market in the coming years.

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TRADE FINANCE MARKET SHARE ANALYSIS

Based on type, letters of credit dominated the market in 2019 with a share of 39%. On the other hand, the Supply Chain Finance segment is expected to provide lucrative opportunities for growth in the trade finance market share and will grow the highest during the forecast period as corporations benefit from SCF's efficient working capital and cash conversion period advantages. Further banks form long-term partnerships and cross-sell goods.

Based on region, the APAC segment is expected to provide lucrative opportunities for growth in the trade finance market share due to growing government funding for improving trade finance and increasing exports. On the other hand, Europe will grow the fastest during the forecast period due to strong government policy facilitating trade and export credit agencies conducting foreign trade. Further North America and LAMEA jointly accounted for high revenue with LAMEA dominating the market in 2018 in terms of revenue due to high oil production, large-scale exports, and presence of agency finance services.

Trade Finance Market Segment by Type

- Letters of Credit
- Guarantees
- Supply Chain Finance
- Factoring
- Documentary Collection
- Other

Trade Finance Market Segment by Application

- Finance
- Energy
- Power Generation
- Transport
- Renewables
- Metals & Non Metallic Minerals

□Other

Trade Finance Market Segment by Regions/Countries

□North America

□Europe

□China

□Japan

□Southeast Asia

□India

□Central & South America

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