

Small business invoice financing innovation using blockchain

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Development Dimensions of Digital Platforms

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Background

2015

Research into the state of invoicing & payments in Australia



~2 Million businesses exchange
~1 Billion invoices /yr valued at
~\$4 Trillion /yr paid after average of
~60 days which means
~\$600 Bn cashflow locked up. Also
~20% e-invoicing uptake means
~\$10 Bn avoidable costs/yr

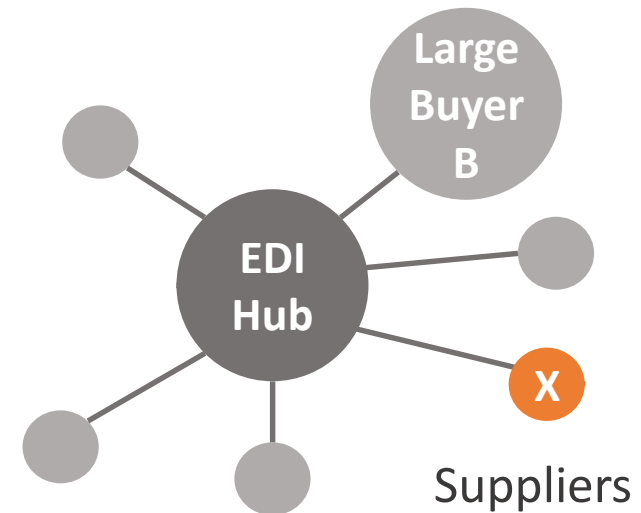
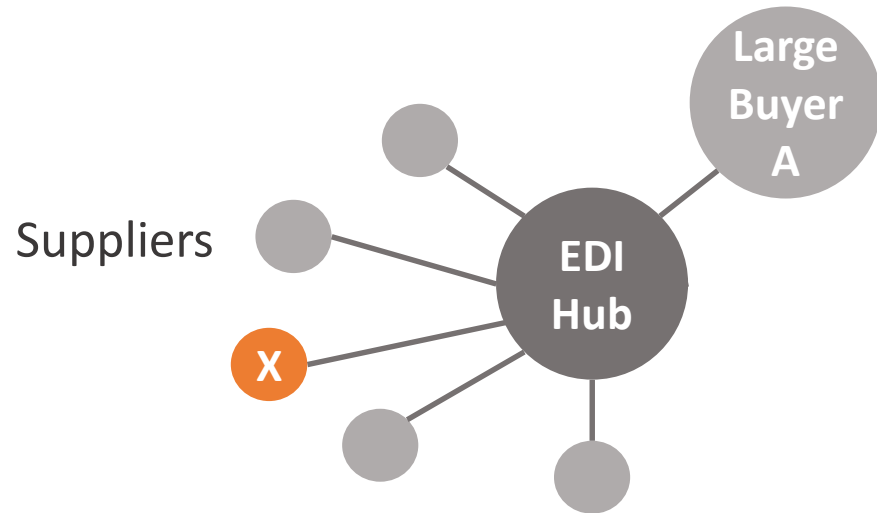
So

There's some strong motivators to improve! And Australia is only a small economy.

The EDI approach

Feb 2016

Australian Government establishes the “digital business council”, an industry working group charged with developing a national e-invoicing standard following the EU e-Invoicing model



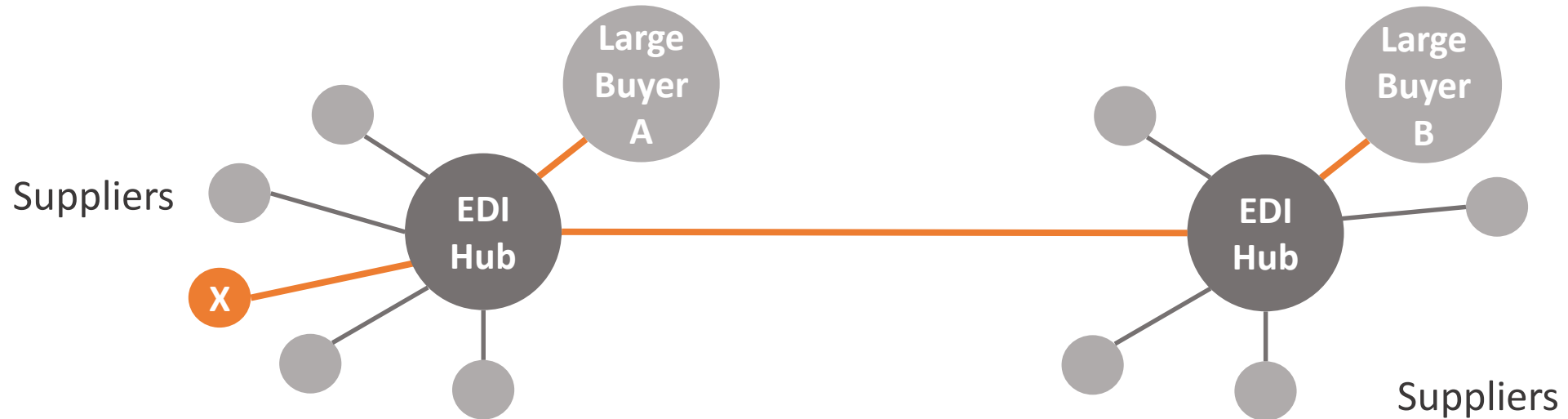
Problem

Buyer-centric EDI hubs force suppliers to connect to multiple platforms

The EDI approach

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EU Solution

“4 corner model” of hub-to-hub interoperability

The EDI approach

BUT

Supplier uptake is low because costs remain high (now two bridge-trolls to pay) and because the whole framework remains a buyer-centric accounts payable automation solution.

~20%



Commercial
buyer driven
market

Most economies

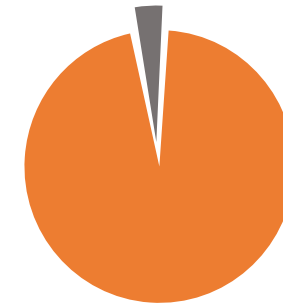
~40%



+ mandate for
Government
suppliers

Some EU economies

~100%



+ mandate
for all
sectors

Some Latin American economies

So

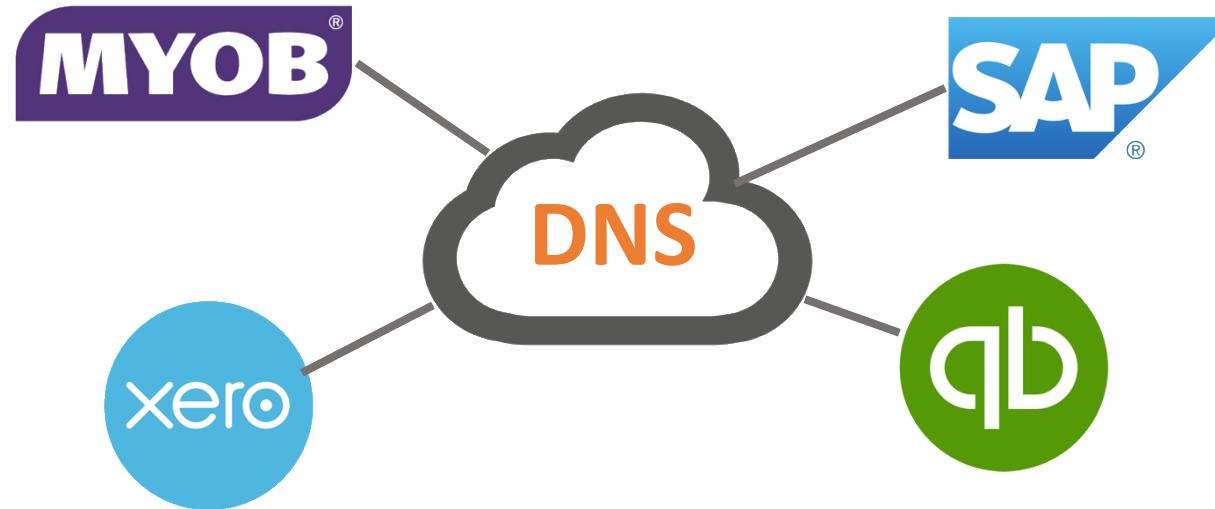
You'll get uptake if you mandate it – **but that doesn't mean there's any benefit!**

An alternative e-invoicing model

Platforms

The rise of cloud platforms with rich APIs allows a much simpler integration model where the natural aggregator is the cloud hosted finance software, not the EDI hub

Millions of businesses use just a few platforms



E-invoicing transaction costs:

\$0

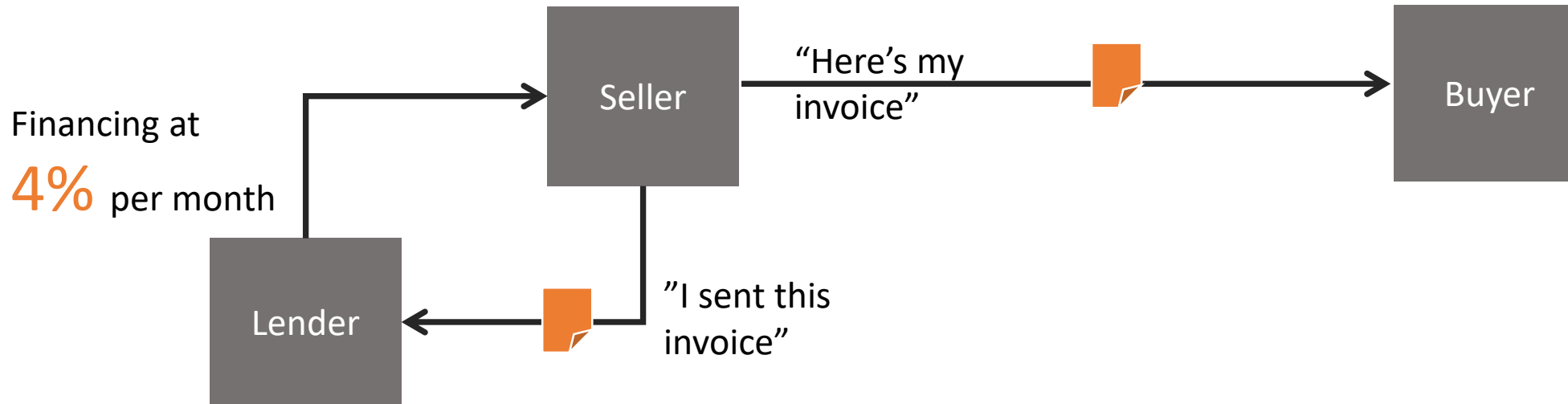
So

“Just use the web” – ride the cloud adoption wave – it’ll grow faster than traditional EDI

An alternative e-invoicing model

Cashflow

Small suppliers struggle to get invoice financing on any reasonable terms. Lenders have to trust veracity of invoices and that buyers will pay.



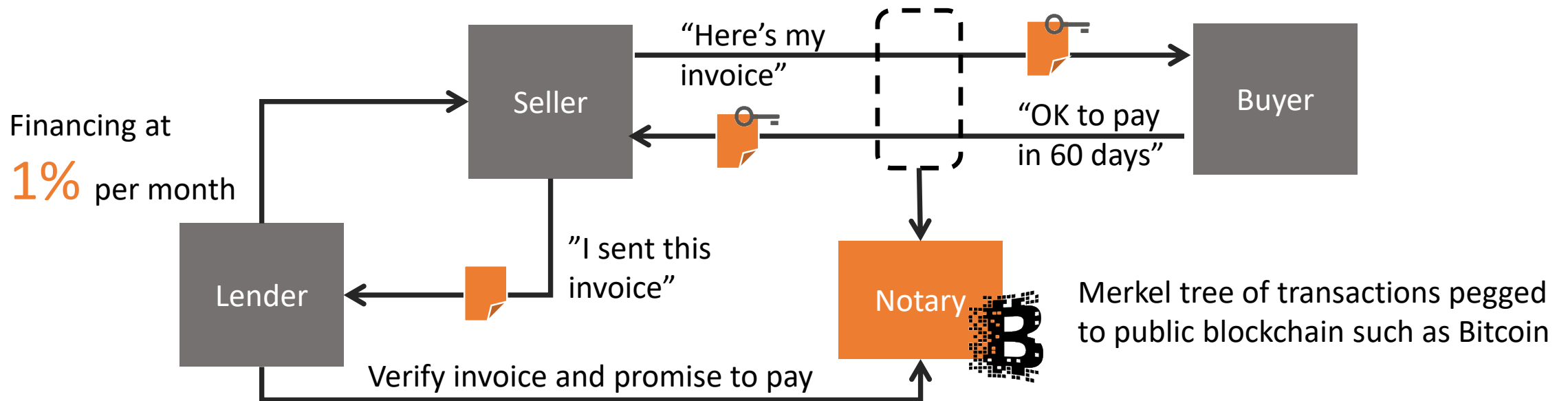
So

Many suppliers have to deliberately constrain growth in order to manage cashflow.

An alternative e-invoicing model

Blockchain

A blockchain notarised e-Invoice conversation can change the risk model for lenders and thereby dramatically reduce the cost of invoice financing for sellers.



So

Australia gets more growth supported by around \$100Bn of cashflow released (assuming 20% of invoices are financed).

Role of regulators

Standards

Copy ausdigital.org and tweak for your jurisdiction – and be the first to implement support – so government suppliers can realise benefits.

Registry

The “Digital Capability Locator” is essential national infrastructure. Uses DNS to link a business ID to a service URL. Low cost to run and open source.

Identity

OAuth2 based “sign on with government” provides the identity integrity for signed invoices and responses. Low cost to run and open source.

For low \$millions in national investment, boost your national economy by many \$billions.

Thanks

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ausdigital.org