

# 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

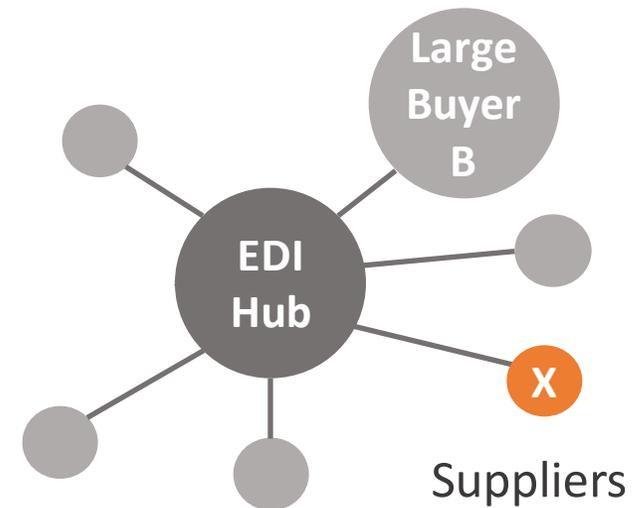
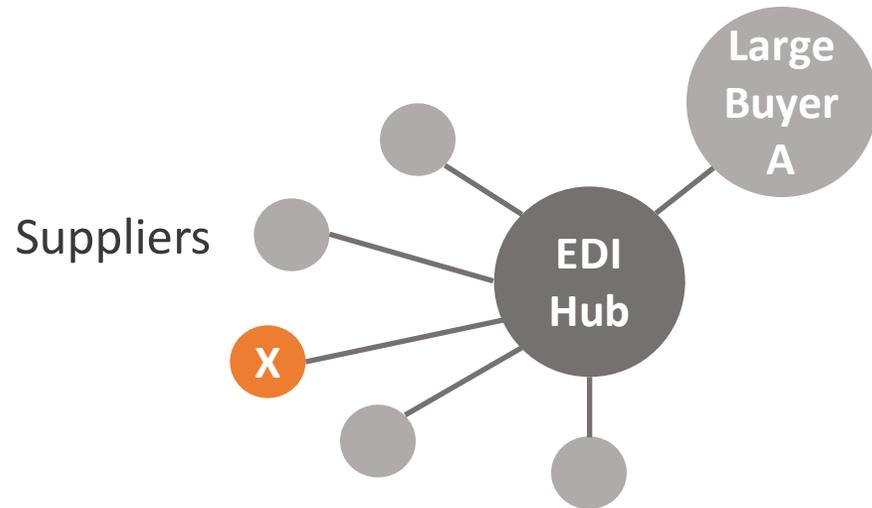
**So**

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



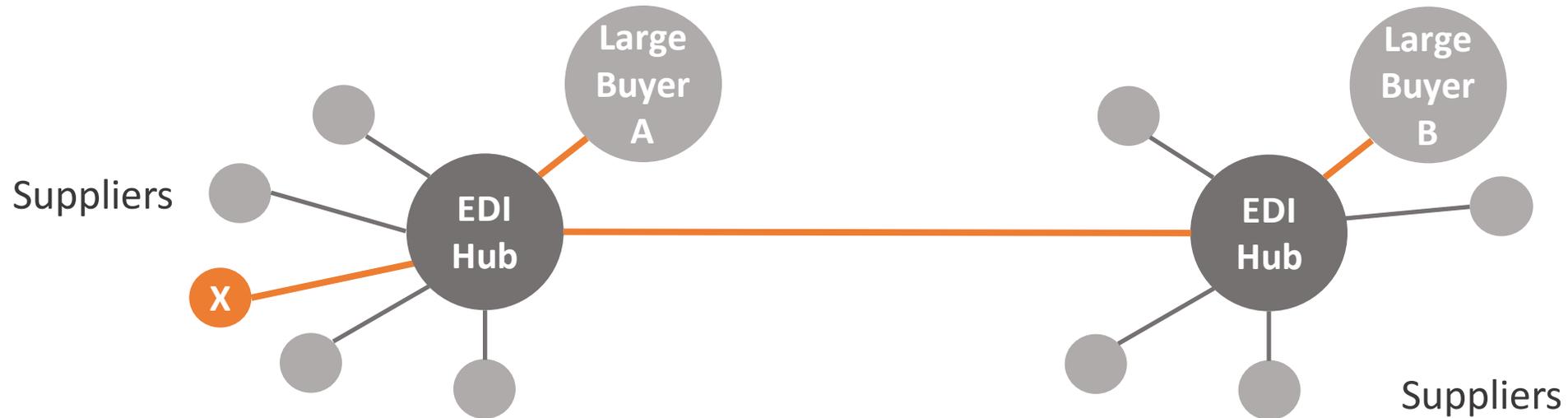
**Problem**

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

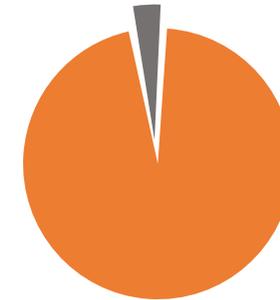
~40%



+ mandate for  
Government  
suppliers

Some EU economies

~100%



+ mandate  
for all  
sectors

Some Latin American economies

**So**

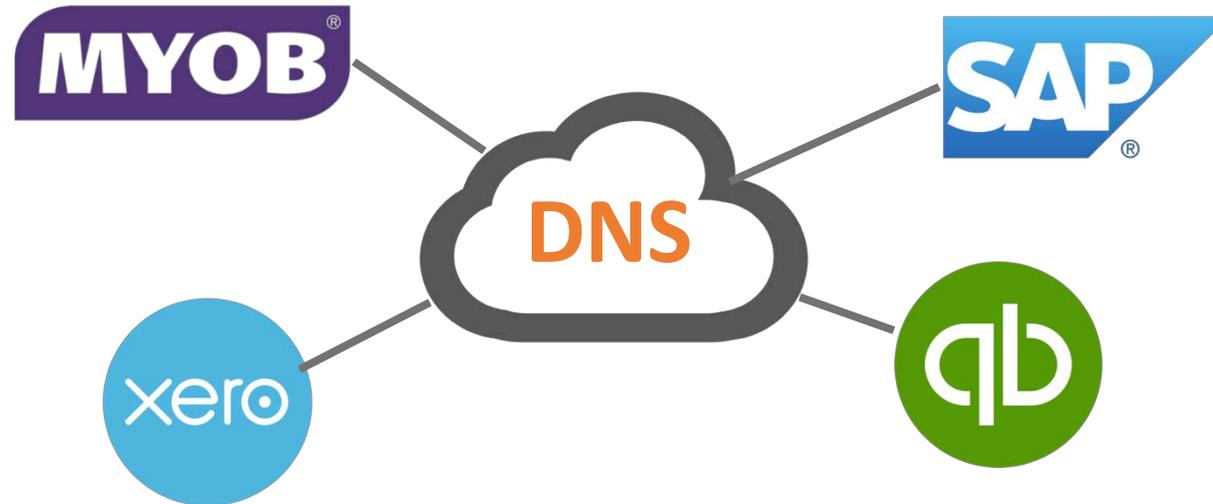
You'll get uptake if you mandate it – **but that doesn't mean there's any benefit!**

## 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**

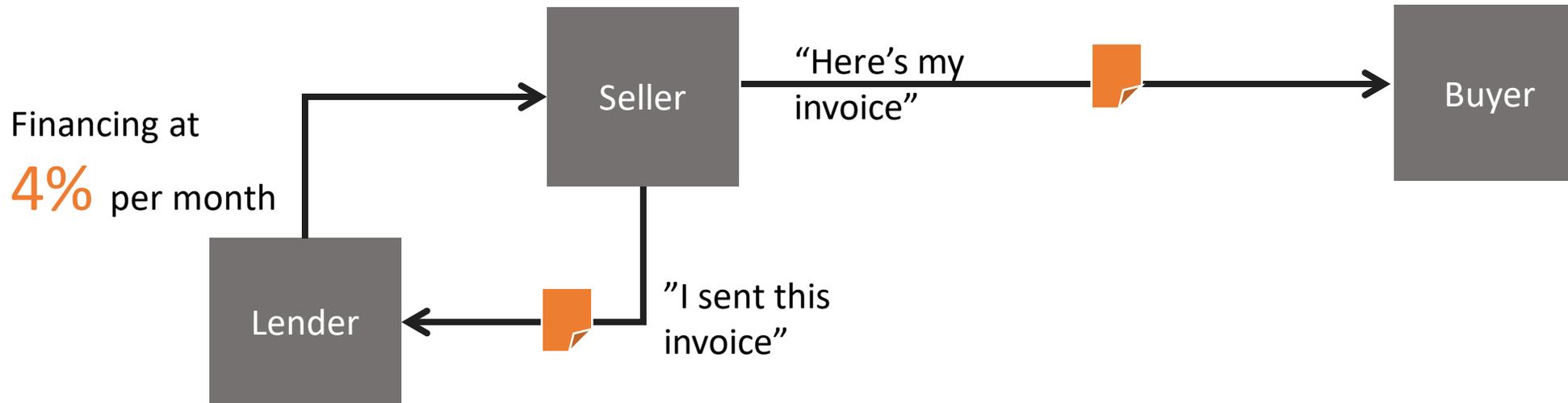
So

“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.



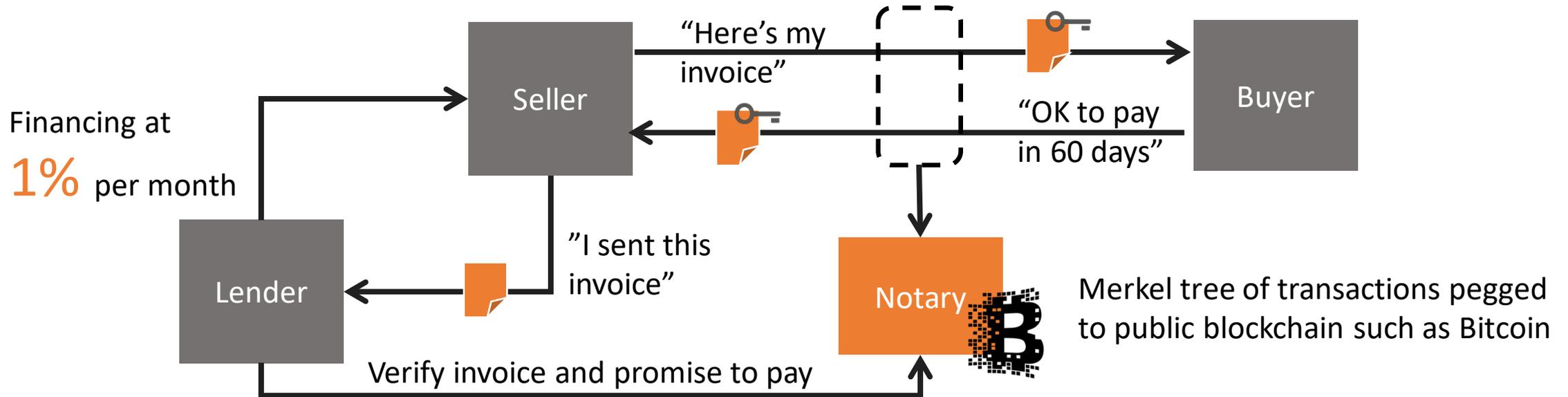
### So

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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