

THE CURRENCY TO SUCCESS FOR BUSINESS OWNERS

A Guide to Avoiding Costly Mistakes
in Cross-Border Transactions



WALLEX

by M-DAQ



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Executive Summary

The landscape of small and medium-sized enterprises (SMEs) is evolving rapidly, particularly as cross-border trade becomes an essential pillar of business growth. With digitalisation, emerging fintech solutions, and shifting economic conditions, businesses must navigate complex foreign exchange (FX) risks, compliance barriers, and cost challenges to remain competitive globally.

The eBook highlights key challenges and trends shaping the SME space, with rising costs, cash flow constraints, and digital integration difficulties standing out as pressing concerns. At the same time, businesses are embracing innovative solutions, from hedging against FX volatility to leveraging fintech-driven payment platforms. This eBook serves as a practical guide for business owners seeking to optimise cross-border payments and manage financial risks efficiently.

2025 BUSINESS LANDSCAPE

The business environment in 2025 is brimming with opportunities for SMEs to thrive and innovate. Advances in digital trade, regional economic integration, and sector-specific growth trends are opening new doors for growth.

We begin with exploring the unique opportunities in this dynamic landscape that have the potential to drive SME growth.

Opportunities

Expanding Digital Trade Channels

This trend is particularly pronounced in Southeast Asia, where digital trade is expected to contribute significantly to regional GDP growth.

By 2025, digital trade is expected to contribute up to \$1 trillion annually to ASEAN's GDP, largely driven by the proliferation of e-commerce platforms and cashless payment systems.

The rise of regional digital marketplaces has significantly lowered entry barriers, allowing SMEs to compete globally without requiring extensive physical infrastructure.

In Singapore, the government's Grow Digital Scheme further supports SMEs by providing them with resources for cross-border e-commerce expansion. This initiative has already enabled hundreds of SMEs to tap into new revenue streams across high-growth regions like China and ASEAN.

With over 60% of SMEs planning international expansion in 2025, digital trade remains a cornerstone of regional economic integration.



Cashless transactions have grown **80%** from 2020 to 2025.





Trade Agreements Unlocking Market Access

Trade agreements such as the Regional Comprehensive Economic Partnership (RCEP) and the EU-Singapore Free Trade Agreement (EUSFTA) are transforming the SME landscape by reducing tariffs and simplifying regulatory compliance. RCEP, which encompasses 15 Asia-Pacific nations, offers access to a consumer base of over 2.2 billion people and accounts for nearly 30% of global GDP. For SMEs, this translates into reduced costs for exports and streamlined processes for entering new markets.

For instance, under EUSFTA, Singaporean SMEs exporting goods to the EU benefit from tariff eliminations on over 84% of products, with plans to extend this coverage further. These agreements also facilitate smoother supply chain operations, enabling SMEs to diversify sourcing and mitigate risks associated with geopolitical tensions. The recently announced Johor-Singapore Special Economic Zone (JS-SEZ) is another game-changer, offering tax incentives and flexible labour policies that encourage cross-border collaboration between Singapore and Malaysia.

Positive Sentiment Among the SME Community

Despite challenges like inflation and rising costs, SME leaders remain optimistic about growth prospects. In Singapore, 82% of SME owners expressed confidence in their business outlook for 2025, with many citing digital transformation as a key driver of resilience (NBS Annual Business Sentiment).

This optimism is further bolstered by government initiatives such as the Productivity Solutions Grant and SkillsFuture Enterprise Credit, which provide financial support for technology adoption and workforce upskilling.



82% of SME owners
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Sector-Specific Growth Trends

As SMEs navigate the evolving business landscape of 2025, certain sectors are emerging as key drivers of growth and innovation.

These industries are uniquely positioned to capitalise on global trends, offering SMEs opportunities to thrive in an increasingly interconnected economy.



Logistics and Transportation:

With ASEAN emerging as a hub for supply chain are capitalising on increased demand for cross-border shipping solutions.



Professional Services:

Digitalisation has enabled consultancy firms to offer remote services globally, expanding their client base without significant overhead increases.



Retail & E-Commerce:

The rise of direct-to-consumer (DTC) models has allowed small retailers to bypass traditional distribution channels, enhancing profitability.



The SME landscape in 2025 is marked by a dynamic interplay of opportunities and challenges, particularly in the realm of cross-border business. As globalisation continues to redefine trade, SMEs are increasingly leveraging cross-border payments to access international markets, diversify revenue streams, and tap into global supply chains.

However, navigating this interconnected business environment also brings complexities such as regulatory compliance, currency volatility, and rising operational costs.

Understanding this balance is crucial for SMEs aiming to optimise their strategies and seize growth opportunities. The following sections explore these dynamics in detail.



Key Challenges

Rising Operational Costs Remains a Primary Concern

One of the most pressing challenges for SMEs globally is the escalating cost of operations. A significant 66% of SMEs have identified rising expenses as their primary concern, with profitability taking a hit as a result. In Singapore, manpower costs have surged by an average of 14.9%, closely followed by rental costs at 14.7% and logistics costs at 14.3%. These increases place considerable strain on SME budgets, particularly for businesses operating on thin margins.

Despite these pressures, some SMEs have managed to sustain or improve profitability by implementing cost-saving measures such as renegotiating supplier terms or adjusting product prices.

SMEs in Southeast Asia are particularly vulnerable to inflationary pressures, with 70% of Singaporean SMEs citing rising operating costs as a major economic risk. This trend underscores the need for businesses to adopt proactive strategies to manage expenses while maintaining competitiveness.

Reduced Customer Spending Signals Alarm for Sales Growth

Declining consumer confidence has emerged as another key challenge, directly impacting sales growth for SMEs. In Singapore, 56% of SMEs reported reduced customer spending as a significant concern in 2025, up from 40% in the previous year.

Broader economic uncertainties and inflation-driven reductions in disposable income have dampened consumer purchasing power, with only 55% of SMEs expecting sales to improve this year – down from 62% in 2024. This decline highlights the importance of diversifying revenue streams and exploring new market opportunities to offset domestic demand fluctuations.



“Switching to Wallex helped us save up to **80%** on transfer fees.

Those savings have made a real difference to our business, cutting down our costs and boosting our bottom line.”

Mrs Dina

Finance Accounting Manager, HMNS



Cash Flow Crunch Affecting Operations

Managing cash flow and securing affordable financing remain critical hurdles for SMEs. Approximately 51% of businesses report difficulties in accessing funding or managing liquidity, with one-quarter experiencing severe credit crunches.

Among those facing liquidity challenges, 40% lack sufficient funds to sustain operations beyond three to six months. To address these constraints, many SMEs are turning to credit facilities, delaying investments, or prioritising essential expenditures over discretionary spending.

Digitalisation Gaps and Workforce Shortages Resulting in Operational Inefficiency

While digital transformation is widely recognised as essential for growth, many SMEs face barriers such as high implementation costs, lack of expertise, and an overwhelming array of technological options.

Although three in four SMEs have adopted digital banking solutions, integrating advanced technologies like artificial intelligence (AI) remains a challenge due to resource constraints. The rise of generative AI is pushing businesses toward intelligence-driven decision-making; however, only 52% of SMEs feel adequately prepared to adopt these innovations.

Workforce shortages further compound operational inefficiencies. Many SMEs struggle to attract and retain skilled employees amidst rising salary expectations and evolving job roles. Upskilling initiatives and government support programmes can play a crucial role in bridging these gaps.

Supply Chain Disruptions Derailing Expansion Plans

Geopolitical tensions and trade uncertainties continue to disrupt supply chains, forcing businesses to seek alternative sourcing hubs or adjust production timelines. Over 60% of Singaporean SMEs are planning international expansion to mitigate supply chain risks, with ASEAN markets emerging as key targets for growth opportunities. However, navigating regulatory complexities and establishing local partnerships remain significant challenges for businesses venturing into new territories.



“With Wallex, we are now able to pay our vendors and partners within **24 hours**, which means no more long waits. It’s really helped us keep our supply chain moving without delays.

Mr. Budy Sulistriono

Owner, PT Intralab Ekatama

These challenges highlight the multifaceted pressures faced by SMEs in an increasingly volatile business environment. By adopting innovative solutions and leveraging government support programmes, businesses can navigate these obstacles while positioning themselves for growth.



UNDERSTANDING CROSS-BORDER PAYMENTS

Following the challenges outlined in the previous section, it is clear that SMEs must navigate a complex business landscape in 2025. Amid rising costs, reduced customer spending, and cash flow constraints, emerging trends in cross-border payments offer both opportunities and solutions for SMEs to optimise operations and expand globally.

This section highlights key trends shaping the future of cross-border payments and how they can empower SMEs to overcome barriers and thrive in international markets.

Emerging Trends

Interoperability of Real-Time Payments

Real-time cross-border payment systems are moving towards a new level of interoperability. The ASEAN region has already made notable strides through bilateral payment linkages, supported by initiatives like the Bank for International Settlements' Project Nexus. These developments aim to reduce friction and improve the efficiency of money movement between countries.

What makes this trend particularly interesting in 2025 is the convergence of regional efforts, as seen in the G20 cross-border payments program, aimed at enhancing the speed, transparency, accessibility, and affordability of cross-border payment services, is expected to show significant progress by 2025.

This global push, combined with the maturing of regional initiatives, is creating a more cohesive and interoperable global payments landscape.





FX Volatility Management

Foreign exchange volatility continues to pose a major challenge for SMEs handling multiple currencies, but the tools to manage this risk are becoming increasingly sophisticated. AI-driven predictive analytics are now helping businesses anticipate currency movements and make informed decisions on when to execute transactions or hedge exposure.

Automated hedging tools are also gaining traction, enabling companies to apply pre-defined currency management rules triggered by market shifts—improving both cost efficiency and control. Additionally, real-time FX conversion at the point of transaction is becoming more widespread, allowing businesses to lock in rates instantly and eliminate settlement-period risks. These innovations are giving SMEs more stability and predictability in their international financial operations.

Wallet-to-Wallet Payments

Wallet-to-wallet payments offer several potential benefits for businesses engaged in cross-border transactions. First, they can enable potentially faster settlement times, as funds can be transferred directly between digital wallets without the need for intermediary banks. This speed is particularly advantageous for businesses that require quick access to funds or need to make time-sensitive payments.

These transactions often come with lower costs compared to traditional international wire transfers. By bypassing the traditional banking system, wallet-to-wallet payments can reduce or eliminate many of the fees associated with cross-border transactions.

As digital wallet domestic adoption increases among different countries, this trend could lead to a more direct and efficient method of cross-border payments, potentially disrupting the traditional model of international money transfers.



Artificial Intelligence in Payment Processing

Artificial Intelligence (AI) is set to play an increasingly important role in cross-border payments, with applications ranging from fraud detection to payment routing optimisation. The integration of AI into payment systems could lead to more secure, efficient, and cost-effective cross-border transactions for businesses of all sizes.

AI algorithms can analyse vast amounts of transaction data in real-time, identifying patterns and anomalies that may indicate fraudulent activity. Machine learning algorithms can automate many aspects of know-your-business (KYB) and anti-money laundering (AML) checks, reducing the time and resources required for these essential tasks while improving accuracy.

Digitalisation of B2B Payments

The shift toward end-to-end digitalisation of B2B payments is set to accelerate beyond 2025. Digital invoicing and reconciliation are key components of this trend. By digitising these processes, businesses can reduce errors, speed up payment cycles, and improve cash flow management.

Automated reconciliation systems can match invoices with payments and purchase orders in real-time, significantly reducing the manual work involved in managing accounts payable and receivable. Integrated supply chain finance solutions are another aspect of B2B payment digitalisation. These platforms can provide visibility into the entire supply chain, allowing businesses to optimise working capital and offer early payment options to suppliers. Real-time payment tracking and reporting are becoming standard features in digital B2B payment systems. These capabilities provide businesses with greater visibility into their cash position and help with forecasting and financial planning.

As more businesses adopt fully digital payment processes, we expect to see improvements in cashflow management, reduced processing times, and enhanced visibility across the payment lifecycle. This digitalisation is particularly important for businesses engaged in cross-border trade, where traditional paper-based processes can lead to significant delays and increased costs.

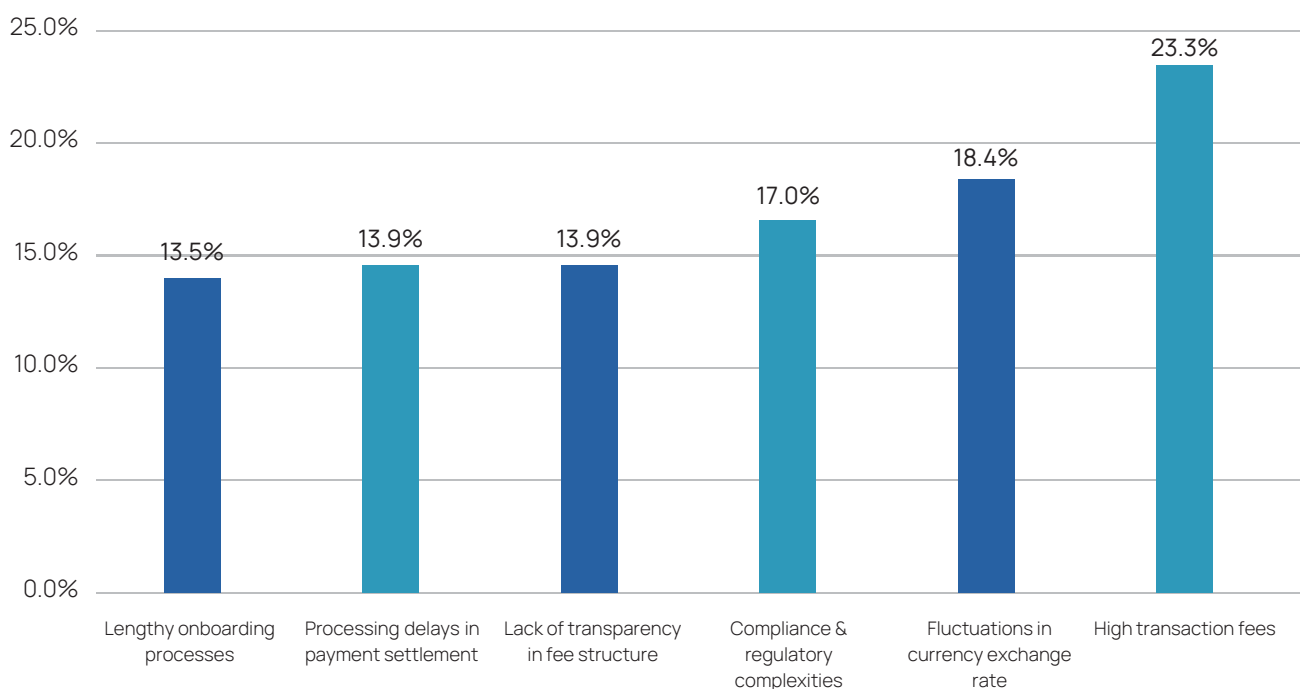


TOP CROSS-BORDER PAYMENT AND FX CHALLENGES

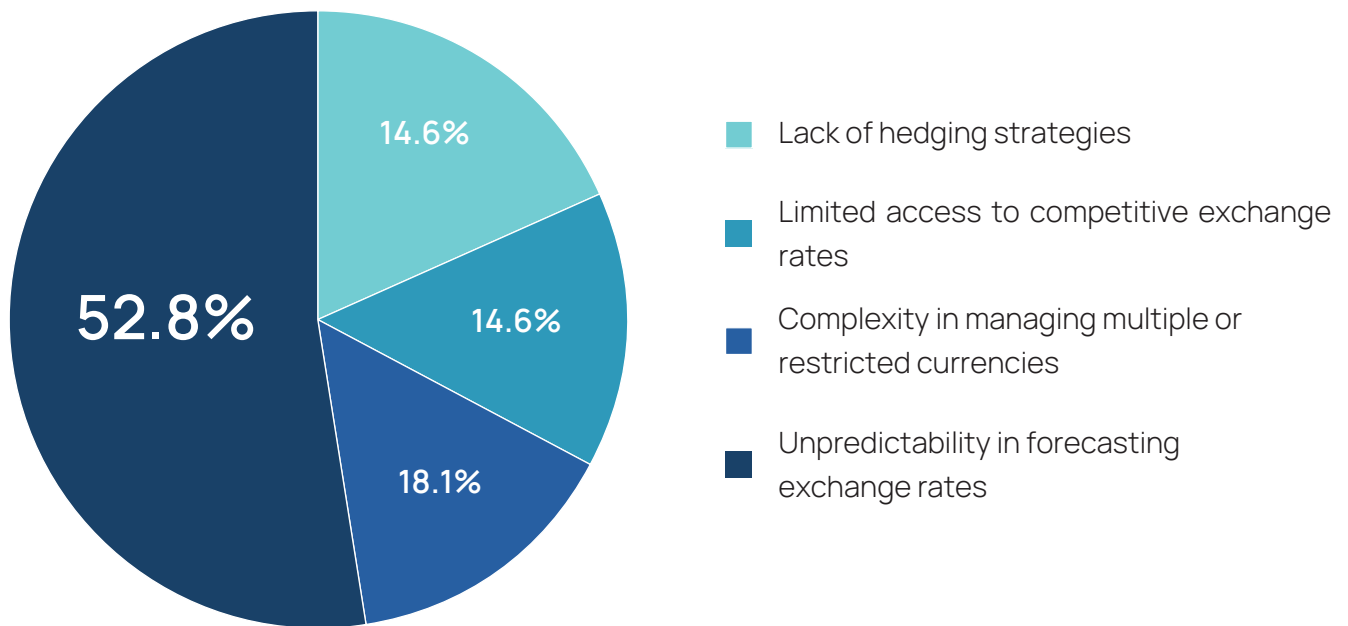
Businesses operating in global markets face significant challenges in managing cross-border payments, ranging from high transaction costs to compliance complexities.

Our latest in-house M-DAQ SME Pulse Survey highlights high transaction fees, currency fluctuations, and regulatory burdens as the most pressing concerns, affecting cash flow, profitability, and operational efficiency.

Top Cross-Border Payment Challenges



Top FX Management Challenges



Key Takeaways

- High transaction fees remain the primary challenge, with 23.3% of SMEs struggling with excessive costs from SWIFT fees, currency conversion markups, and intermediary bank charges, directly affecting profitability.
- Currency exchange rate volatility is a major risk, with 52.8% of SMEs citing difficulty in forecasting exchange rates.
- Despite that, over 70% of them lack the implementation of hedging strategies, leaving them exposed to unpredictable market shifts.

Addressing these challenges requires SMEs to adopt fintech-driven payment solutions, hedge against FX risks, and leverage digital tools to reduce costs, enhance transaction speed, and ensure greater financial visibility.



GEOGRAPHIC-SPECIFIC CHALLENGES IN CROSS-BORDER PAYMENTS WITHIN ASEAN

Regional Disparities



Financial Inclusion Gaps:

Bank penetration varies dramatically across ASEAN countries. While Singapore has one of the highest rates globally, approximately 42% of the ASEAN population remains unbanked, with a significant portion being underbanked.



Regulatory Fragmentation:

Inconsistent digital payment standards across ASEAN countries complicate cross-border transactions and compliance efforts.



Infrastructure Disparities:

Several ASEAN nations, including Cambodia, Laos, Brunei, and Myanmar, face high costs in building robust digital payment systems, especially in rural areas with limited resources.

Country-Specific Challenges

Singapore:

- B2B sector still relies heavily on traditional wire and bank transfers for cross-border payments.
- Cross-border B2B payments can take several days to process, with fees ranging from US \$10 to US \$25 per transaction, excluding foreign exchange costs.

Vietnam:

- Limited financial literacy among individuals and small business owners hampers the adoption of digital financial services.
- Regulatory fragmentation leads to inconsistent digital payment standards.



Philippines:

- ◆ Cross-border payments incur high remittance fees, averaging 6%.
- ◆ Multiple validations and compliance checks increase delays and costs

Cambodia, Laos, Brunei, and Myanmar:

- ◆ Evolving regulations create uncertainty for businesses and slow the adoption of new payment technologies.
- ◆ Many citizens lack access to digital payment tools, limiting adoption despite fintech efforts.
- ◆ Underdeveloped digital payment ecosystems hamper financial innovation and accessibility.

Regional Systemic Challenges



Interoperability Issues

Limited system compatibility prevents seamless cross-border and cross-platform transactions, restricting ASEAN-wide integration.



Currency Dependence

Most cross-border payments are settled using US dollar foreign exchange reserves, creating vulnerabilities during crises.



Market Liquidity

Regional bond markets suffer from thin liquidity, sparse and costly hedging tools, and a lack of standardisation in market practices.



Technology & Business Model Differences

Varying technological preferences and business models across countries pose challenges for payment connectivity initiatives.



STRATEGIES FOR STREAMLINING CROSS-BORDER PAYMENTS

To stay competitive in global trade, SMEs must implement strategies that reduce costs, mitigate financial risks, and improve transaction efficiency.

By adopting smarter payment practices, businesses can optimise cash flow, minimise transaction fees, and safeguard against currency fluctuations. The following approaches can help SMEs navigate the complexities of cross-border payments effectively.

Cost Management

Reducing transaction costs is critical for SMEs operating internationally, as high banking fees and unfavourable exchange rates can significantly impact profitability.

Businesses should compare service providers to identify the most cost-effective options, particularly fintech platforms that offer multi-currency accounts and local payment networks. These alternatives help bypass expensive SWIFT transfers and intermediary bank fees, ensuring faster and cheaper international transactions.

Another key strategy is batch processing and bulk payments, which consolidate multiple transactions into a single payment to reduce per-transaction costs and administrative burden.

Additionally, negotiating preferential FX rates with payment providers can help businesses lock in better conversion rates and avoid hidden fees. SMEs must also factor in total landed costs, including duties and compliance fees, to gain full visibility into their payment expenses.





Hedging Against Currency Risks

Exchange rate fluctuations can erode profit margins, especially for SMEs relying on foreign suppliers or invoicing international clients. Many businesses fail to actively track FX rates, exposing them to unexpected costs when currency values shift. Implementing a hedging strategy can help protect against volatility and provide greater predictability in financial planning.

Forward contracts allow SMEs to lock in exchange rates for future transactions, ensuring they are not negatively affected by currency depreciation. Options and swaps offer flexibility, enabling businesses to benefit from favourable movements while capping potential losses.

For businesses with regular international transactions, multi-currency accounts help reduce conversion costs by allowing them to hold and pay in foreign currencies without unnecessary conversions.

By using AI-driven FX analytics, SMEs can predict market movements and make informed currency exchange decisions. This proactive approach ensures better cost control and shields businesses from revenue loss due to fluctuating exchange rates.



Leveraging Technology

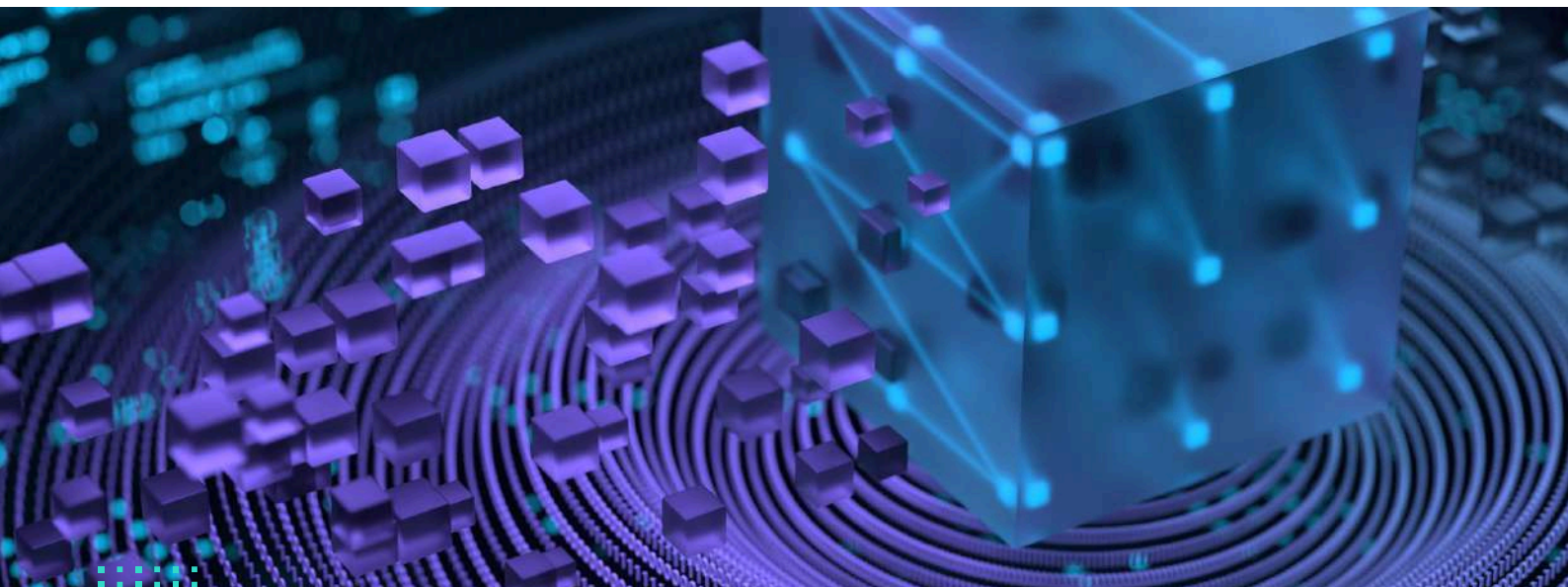
Digital solutions are transforming the way SMEs manage cross-border payments, making transactions faster, more secure, and cost-effective.

Automated payment platforms simplify international transactions by integrating real-time payment tracking, automated reconciliation, and compliance monitoring into a single system. These innovations reduce manual errors, cut processing times, and enhance financial transparency.

AI and machine learning are also enhancing fraud detection by identifying suspicious transactions and reducing false positives, ensuring greater security in cross-border trade. Blockchain-based payment networks offer decentralised alternatives that bypass traditional intermediaries, lowering costs while improving settlement speed.

Moreover, integrating fintech APIs with ERP and accounting systems allows businesses to automate invoicing, reconciliation, and cash flow forecasting, giving them greater control over their financial operations.

As more SMEs adopt digital-first payment solutions, they gain a competitive edge by reducing transaction delays and increasing operational efficiency.





Building Strategic Partnerships

Collaborating with the right financial and payment service providers can help SMEs access better rates, streamline operations, and expand into new markets.

Instead of relying solely on traditional banks, businesses should partner with fintech firms that offer customised cross-border payment solutions, real-time settlement options, and risk management tools. Different regions impose varying financial regulations, including anti-money laundering (AML) laws, foreign exchange controls, and tax reporting requirements.

Partnering with a PSP that holds local licenses in each target market ensures regulatory compliance, smoother transaction processing, and reduced risk of payment disruptions. A licensed PSP has the necessary approvals from financial authorities to operate within specific jurisdictions, ensuring that payments comply with regional financial regulations.

This is particularly important for SMEs expanding into highly regulated markets, particularly ASEAN, where failure to adhere to compliance requirements can lead to frozen transactions, penalties, or account restrictions.

In addition to compliance benefits, licensed PSPs provide access to local payment networks, enabling businesses to bypass costly international wire transfers and leverage domestic payment rails for faster settlements at lower fees. They also help navigate currency exchange complexities, tax obligations, and reporting standards, reducing administrative burdens for SMEs.



USE CASE: STREAMLINING MULTI-CURRENCY PAYROLL PAYMENTS

A leading enterprise in the shipping and oil & gas sector required a scalable payroll solution to manage payments across multiple currencies. The company needed to process 200 bulk salary payments in five different currencies, including IDR and PHP, while ensuring accuracy, compliance, and efficiency.

Challenges with Traditional Banking Methods

Previously, the company relied on traditional bank transfers via SWIFT, which resulted in high transaction fees, manual processing inefficiencies, and delays. Without local payment channels, multiple transactions had to be initiated manually, increasing administrative workload and operational risks.

Implementing a Bulk Payment Solution

By adopting a bulk payment system, the enterprise streamlined its payroll processing:

Efficient Upload & Approval Process: The payroll manager uploads a pre-formatted bulk payment template, supported by an automated system.

Maker-Checker Workflow: Ensuring compliance, the client reviews and approves payments before execution.

Seamless Execution & Currency Management: Payments are processed efficiently through local channels, reducing costs and ensuring faster salary disbursement.

Impact & Business Benefits

Eliminated Processing Delays: Payroll is now completed seamlessly within designated pay cycles, improving employee satisfaction.

Reduced Costs: Local payment channels significantly lowered transaction fees compared to SWIFT.

Operational Efficiency: Automation reduced manual workload, ensuring error-free execution and compliance adherence. This case demonstrates how digital bulk payment solutions enhance efficiency, reduce costs, and optimise payroll processes for enterprises operating in global markets.



FUTURE-PROOFING YOUR SME: PREPARING FOR 2025 AND BEYOND

The future of SME growth depends on agility, strategic planning, and the right financial tools.

By leveraging technology, automation, and industry best practices, SMEs can future-proof their businesses, expand into new markets, and remain resilient amid economic shifts.

The "currency" to success lies in embracing the evolving global payments ecosystem – those who adapt will unlock new opportunities, drive growth, and thrive in the competitive landscape of 2025 and beyond.


CONNECT WITH US

Wallex, a leading FX and payments specialist for companies transacting in Asia, empowers businesses to operate overseas confidently – with powerful cross-border solutions that deliver greater speed, support, and savings. Acquired by M-DAQ Global in 2022, Wallex is licensed in Singapore, Malaysia, Indonesia and Hong Kong and have supported over 40000 customers move funds across borders.

Convert and pay in 47 currencies, collect in 35 via virtual accounts, and hold funds through the Wallex Global Business Account.

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