Electronic Payments Play an Important Role in Economic Development

- A study by SCL Partners Consulting showcases the economic benefits associated with electronic payment methods, which can have a positive impact on GDP.

- Electronic payments are also an alternative for reducing “costs” related to payment methods such as cash and checks.

Bogota, 5 June 2013 – In recent years, the world has witnessed growth in the use of electronic payment methods. This trend is particularly significant, not only in Colombia, but also in other emerging economies, some of which have exhibited characteristics that demonstrate the correlation between the technological and the economic development of a country.

With the objective of examining this correlation and the benefits associated with adopting electronic methods of payment, SCL Partners presented a comprehensive economic study on the benefits associated with them.

"Electronic payment methods, e-commerce and economic activity: Theory and new evidence for developing and emerging countries” led by the research team of Luis Céspedes, PhD in Economics from New York University, is a work that reviews, analyzes and presents new evidence on the benefits associated with the adoption of electronic payment methods on an economy.

The study shows that electronic payments are not only an alternative for reducing costs with respect to other payment methods, such as cash and checks, but can also generate significant benefits for increasing economic development.

“The evidence shows that making payments by cash or check not only comprises ‘costs’ which include not only costs to produce it, but also costs for handling, printing, transporting and securing it. In this sense, electronic payments have become a more efficient process and contributes to the improvement in the economic growth and market development in both developed and emerging countries,” assured Céspedes.

In this region, credit and debit card transactions increased 80 percent between 2004 and 2009 in emerging countries, while it increased 20 percent in developed countries during that same period.

Moreover, transactions made using credit and debit cards have a positive relationship to economic growth, so much so that the relationship in statistical terms has demonstrated that an increase of one percentage point in the penetration of electronic payments could generate an increase of between 0.035 percent and 0.045 percent in per capita GDP. If emerging economies begin to move towards higher levels of penetration of electronic payments, the impact on GDP could be quite significant.
The study further indicates that the emergence of secure and reliable electronic payment instruments is an essential element for expanding electronic commerce. This can increase productivity and economic growth as a result of a more efficient management of supply and distribution, reduced transaction costs, an increased level of competency, reduced entry barriers and improved access to information. This development can be very important for developing economies.

Accordingly, MasterCard, which steadfastly believes in a world beyond cash, supports the findings of this recent study and, as a company, is convinced that electronic payments are an essential part of various solutions that can support the countries in their effort to become more developed, create efficiencies and grow their economies.

About MasterCard

MasterCard (NYSE: MA), www.mastercard.com, is a technology company in the global payments industry. We operate the world’s fastest payments processing network, connecting consumers, financial institutions, merchants, governments and businesses in more than 210 countries and territories. MasterCard’s products and solutions make everyday commerce activities – such as shopping, traveling, running a business and managing finances – easier, more secure and more efficient for everyone. Follow us on Twitter @MasterCardNews, join the discussion on the Cashless Conversations Blog and subscribe for the latest news.

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