Innovative Trade Finance:

Promoting Inclusivity, Resilience and Interoperability Through Digitalisation

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Introduction

The increasing digitalisation of global commerce fundamentally transforms how Trade Finance is deployed and accessed by businesses. The International Chamber of Commerce ("the ICC") defines Trade Finance as the invisible bridge that makes global trade flow.[1] Trade Finance connects entities across continents, mitigates payment risks and is enzymatic to market progression and economic stability. However, certain categories of traders such as Small and Medium Enterprises (SMEs), youth and women-owned businesses struggle with access, resulting in underutilisation of available opportunities.

The Asian Development Bank estimates the global Trade Finance gap at a staggering US$2.5 trillion. Challenges and risks such as limited credit history, insufficient collateral, information asymmetries and the compliance cost of onboarding smaller counterparties have been identified as causative factors creating and perpetuating the gap. This has driven the development of technological advancements aimed at supplementing existing Trade Finance products and rebuilding the underlying architecture.

Digital platforms, distributed ledger and artificial intelligence applications, electronic documentation and digital identity systems are emerging to reshape how trade transactions are financed, documented and settled. Global legal frameworks are evolving in tandem, led in great part by the UNCITRAL Model Law on Electronic Transferable Records (MLETR) and the ICC's Digital Standards Initiative. The efficacy of these systems depends largely on the availability of reliable infrastructure, interoperability between platforms, the enforceability of electronic instruments and sound operational risk management.

Consequently, questions around how commercial and personal data will be exchanged and managed in compliance with applicable data protection regimes, data localisation rues and lawful basis, cybersecurity and allocation of liability among banks, platforms and traders become apposite as we will explore further in the rest of this Article.

Legal and Regulatory Framework

Instruments of finance such as letters of credit, bank guarantees, and documentary collections to buyers and sellers are traditional iterations of Trade Finance designed to reduce the rate of default in payments and lost goods, rife in cross-border trade historically. These and other Trade Finance instruments have critically mitigated omnipresent risks associated with cross-border trade and continue to evolve with trading patterns. Legal and regulatory developments have followed the discovery of gaps and the need to bolster the underlying regulatory architecture to keep pace with the dynamism of modern cross-border trade.

For example, reliance on the physical verification of documents, receipts, and contracts has mostly given way to digitalised processes that can significantly reduce transaction timelines and costs for large corporates but simultaneously limits less formal players. Analog processes require quite a different set of rules to address fraud, counterfeiting, and other risk factors pertinent to institutionalised Trade Finance. Digitalisation therefore modifies the key questions and the legal framework underpinning same must be bespoke and robust.

In Nigeria, the Central Bank of Nigeria ("the CBN") set up by the Central Bank of Nigeria Act 2007 is the apex regulator for banking and other financial institutions in Nigeria and oversees the finance industry in Nigeria. The primary legislation in that regulates the activities of financial institutions is the Banking and Other Financial Institutions Act (BOFIA) 2020. The CBN also regularly publishes policies and regulations, like the Foreign Exchange Manual ("the FX Manual") as revised in June 2026 which provides for repatriation of proceeds from exports, electronic disbursement of travel allowance, procedures to be followed by importers, and much more.

The Investment and Securities Act 2025 sets up the Securities and Exchange Commission (SEC). If a Trade Finance platform relies on capital market instruments, digital asset/tokenized trade assets, crowdfunding, or matching corporate investors with trade receivables (e.g., invoice factoring marketplaces), it falls under the purview of SEC's digital sub-broker or digital asset regulations.

[1] *International Chamber of Commerce (ICC), "Global Insights, Trade Finance." Last accessed here. on 17 August 2026.*

Generally, Information Technology frameworks, software standardisation, and the digital infrastructure security guidelines that financial platforms must embed into their tech stacks are regulated by National Information Technology Development Agency (NITDA). Cross-border Trade Finance platforms necessarily process sensitive supply chain logs, corporate information, financial histories and personal identity data. The Nigeria Data Protection Commission (NDPC) administers the Nigeria Data Protection Act 2023 ("the NDPA") to ensure platforms securely process and transmit user data and comply with data protection obligations in respect of cross-border data transfer.

Importantly, while no specific legislation is applicable to electronic transferable records in Nigeria, the Evidence Act 2023 recognises electronic evidence which, in theory, guarantees the enforceability of electronic records of any cross-border transaction in Nigeria.

It is important to note that international regulations are equally significant in regulating Trade Finance. The ICC regulations such as the UCP 600 for physical paper-based transactions and the eUCP 2019 for electronic transactions attempt to ease legal and regulatory transitions across jurisdictions by providing uniform terms and conditions for international transactions. Nigeria has also ratified the AfCFTA Digital Trade Protocol which seeks to promote the safe, ethical and responsible adoption of emerging technologies in digital trade, and to encourage the development of digital skills, innovation, entrepreneurship and industrialisation, geared towards the digital transformation of State Parties.[2]

From the foregoing, it is evident that the legal and regulatory framework is quite developed, so what then are the challenges still to be surmounted?

Challenges and Prospects

With an estimated US$74 billion to US$94 billion in unmet demand in 2024, the Trade Finance credit gap in Africa continues to widen.[1] The continent sits on unexplored potential as businesses that ought to contribute to global trade numbers are restricted to local trading opportunities due to capital inadequacies. The conspicuous explanation is that businesses are unable to provide the documentary and other requirements to access available opportunities.

Trade Finance being primarily collateral based means informal business will suffer an access disability. Other challenges include credit risk and insufficient repayment history. Banks rely heavily on audited accounts, tax records, CAC documentation and other KYC processes.
Also, the costs in export business such as logistics, customs, and tariff costs are quite prohibitive. The attendant foreign exchange risk creates an additional layer of worry as exporters may face delays in converting export proceeds. Smaller businesses and the informal sector are perceived to have a higher default risk and less diversified customer base.[4]

Women-owned businesses especially fall through the Trade Finance credit gap as they battle unique issues such as gender bias and lack of access to educational programmes and facilities which could improve their processes, pricing, and general business strategy.[5]

Prospects emerging from analysing these challenges are rife, including a strong case to move away from collateral based finance to transaction based finance. Credit guarantees, factoring/receivables finance, purchase-order finance, warehouse-receipt finance, movable-asset lending, digital lending, credit insurance, supply-chain finance, fintech-enabled credit scoring, pre-export finance, confirmed LCs, FX-linked facilities and trade guarantees, and digital trade platforms.

Several institutions provide innovative solutions designed around some of these prospects with a view to solving the access gap challenge. Other challenges stemming from these innovations, especially the use to technology, receivables and transaction-based lending and guarantees as include interoperability challenges and data governance challenges.

Innovative Trends in Trade Finance

Concerns stemming from the scale of unmet demand has incentivised institutions like the Nigerian Export Import Bank (NEXIM) and International Finance Corporation to create innovative solutions targeted at specific demographics. For example, these two institutions have respectively introduced Export Credit Guarantees[6] and the Global Trade Liquidity Program,[7] both operating to reduce the exposure of lenders, especially banks providing financing options to SMEs at critical stages.

[2] *Protocol to the Agreement Establishing the African Continental Free Trade Area on Digital Trade (adopted 18 February 2024)https://au.int/en/treaties/protocol-agreement-establishing-african-continental-free-trade-area-digital-trade (the "Protocol")*
[3] *African Development Bank Group, " Trade Finance Supply in Nigeria: Post COVID Trends and Emerging Opportunities," May 2026. Accessed here.*

Short-term financing options featuring non-traditional requirements are now more available. Drip Capital, for instance, offers a working capital solution that pays SMEs' vendor invoices on their behalf after assessing their cash flow, allowing the SME to defer repayment for up to 90 days.[8] This approach has increasingly been adopted by the financial institutions slowly embracing credit scoring methods that rely on alternative data to assess otherwise disadvantaged traders.[9] Similarly, Coronation Merchant Bank ensures business owners can access financing facilities through debt-factoring and invoice discounting options.[10]

To keep up with the rate at which digital innovations disrupt industries worldwide, Trade Finance systems, aided by Web3, blockchain, Artificial Intelligence (AI) etc, keep recalibrating to provide unconventional but bespoke and impactful solutions. AI-powered systems are utilised to perform automated credit scoring based on the organisation's preferred alternative data source.

For instance, RiskSeal, a Nigerian company, provides predictive credit scoring based on non-traditional information to credit risk teams.[11] Lendsqr also offers an array of decision models to businesses including SMS data models and Whitelist to prequalify potential lenders.[12] While alternative credit scoring is yet to replace traditional credit parameters, it lowers the access barrier for SMEs and women-owned businesses.

The African Export Import (Afrexim) Bank has also positioned itself as a pioneer of digital innovations in Trade Finance through the creation of the Pan-African Payments and Settlement System (PAPSS) under the African Continental Free Trade Area (AfCFTA). PAPSS provides near-instant international payment settlements by helping traders bypass manual conversion of currencies provided the user has pre-funded their account. This solution significantly increases the speed and ease of intra-African trade while significantly reducing foreign exchange risk.[13]

Conclusion

Over-reliance on traditional records and documentary requirements in traditional finance systems presents an artificial ceiling impeding access to Trade Finance for SMEs, women and youth led businesses. As local businesses attempt to navigate increasingly complex international transactions, Trade Finance must evolve at a similar pace to ensure easier access to finance options.

Innovation in Trade Finance is accelerating, but not fast enough. The gap between what is available and what is accessible continues to leave the informal sector behind, placing transformative opportunities consistently out of reach for SMEs and women-owned businesses. Bridging that gap must be a deliberate priority that demands broader adoption of existing tools, more targeted innovation, and regulatory frameworks designed to enable rather than constrain progress. With greater interoperability between banks, businesses, and regulators, Trade Finance can evolve into what it has always had the potential to be: faster, more resilient, and truly inclusive.

At AELEX, we are committed to conversations that drive sectors to a more accessible, reliable and efficient future for Trade Finance. We believe that solutions should not only address immediate challenges but also be replicable and adaptable to emerging issues.

This conversation will be expanded upon in our upcoming webinar discussing the journey towards sustainable digital innovation in Trade Finance.

[8] Drip Capital, "Vendor Financing." Accessed here.
[9] International Finance Corporation, World Bank Group, "Cracking the Credit Code: Alternative Data and AI for Financial Inclusion," May 2026. Accessed here.
[10] Coronation Merchant Bank, "Financing." Accessed here.
[11] Risk Seal, "About Us." Accessed here.
[12] Lendsqr, "Decision Models." Accessed here.
[13] Beyond PAPSS, Afrexim Bank provides other Trade Finance programs such as the Structured Trade Finance Scheme and Receivable Purchase Discounting program which supports SMEs and exporters with liquidity pending payment of invoices.

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