Visa Economic Empowerment Institute

THE STATE OF FINANCIAL CONNECTIVITY:

Introducing the Financial Connectivity Indicator

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Oxford Economics in partnership with the Visa Economic Empowerment Institute

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About the Authors

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Visa Economic Empowerment Institute (VEEI) is a non-partisan center of excellence for research and public-private dialogue established by Visa. VEEI's overarching mission is to promote public policies that empower individuals, small businesses, and economies. It produces research and insights that inform long-term policy within the global payments ecosystem. Visa established VEEI as the next step in its ongoing work to remove barriers to economic empowerment and to create more inclusive, equitable economic opportunities for everyone, everywhere.

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WHY FINANCIAL CONNECTIVITY MATTERS

Cross-border connectivity and interoperable rules and standards shape access to capital, payment solutions, and international money movement. Geopolitical tensions, trade disputes, and diverging regulatory approaches can strain these connections; a dynamic often described as financial fragmentation.

Analyzing fragmentation is important but challenging because it spans several dimensions: structural disconnection, policy divergence, and technical incompatibility. Each can limit cross-border flows of capital, payments, and information. Understanding how these dimensions interact can help governments identify the policy conditions associated with friction in cross-border financial flows and clarify the areas in which the public and the private sector may influence connectivity.

To assess the factors that strengthen or constrain financial connectivity across economies, Oxford Economics and the Visa Economic Empowerment Institute (VEEI) developed the Financial Connectivity Indicator (FCI). The FCI is designed to take a holistic view of the financial system, moving beyond a narrow focus on retail payments to examine how trade, investment, remittances, and consumer payments flow between economies. By bringing together indicators that capture policy environments, digital foundations, and economic linkages, the FCI provides a broader, multidimensional view of the global financial ecosystem.

The objective is not simply to identify where friction exists, but to understand the specific sources of that friction. By disaggregating connectivity into its underlying components, the FCI helps identify the conditions in which measured frictions are concentrated but does not assess the effectiveness of policy interventions.

Taking a broader view also provides important context for understanding the role of payment systems. Retail payments are one component of a much larger financial architecture, and changes in connectivity often reflect influences well beyond payments alone. Examining the full ecosystem allows for a more nuanced understanding of how economies engage with global financial networks and how policy choices can either facilitate or constrain those connections.

HOW THE FCI WORKS

The FCI is a data-driven assessment of cross-border financial connections in 42 economies between 2023 and 2025. It captures the momentum and diversity of cross-border financial flows by looking at two main aspects of connectivity: realized connectivity (i.e., actual financial flows), and the conditions that enable it.

Cross-border flows (pillar A) measures cross-border financial flows through two sub-pillars. The first measures the scale of flows of trade, investment, remittances, and retail payments (collectively referred to as financial flows). The second sub-pillar looks at partner diversification, measuring how financial flows are spread across partners.

The enabling environment (pillar B) captures the conditions that support financial flows across three sub-pillars: the policy environment, payment acceptance environment, and the institutional and digital foundations.

The realized side maps to outcomes, while the enabling side maps to the potential frictions that policy may most directly influence. Together, the two pillars show measured flows based on the changes in the enabling conditions included in the index, which allows discussions on whether connectivity is built on sustainable strong foundations.

Index construction. The FCI is built from a sample of 42 economies across Africa, Asia-Pacific, Europe, Latin America, North America, and the Middle East, with the full economy breakdown shown in Figure 1. Each economy receives an overall connectivity score built from a total of 19 indicators, organized into two pillars and five sub-pillars, shown in Figure 2. Each indicator is scored and averaged, providing input into the overall score of connectivity. The two pillars are equally weighted, and the sub-pillars are weighted uniformly. The accompanying methodology paper provides a comprehensive overview of the index construction.

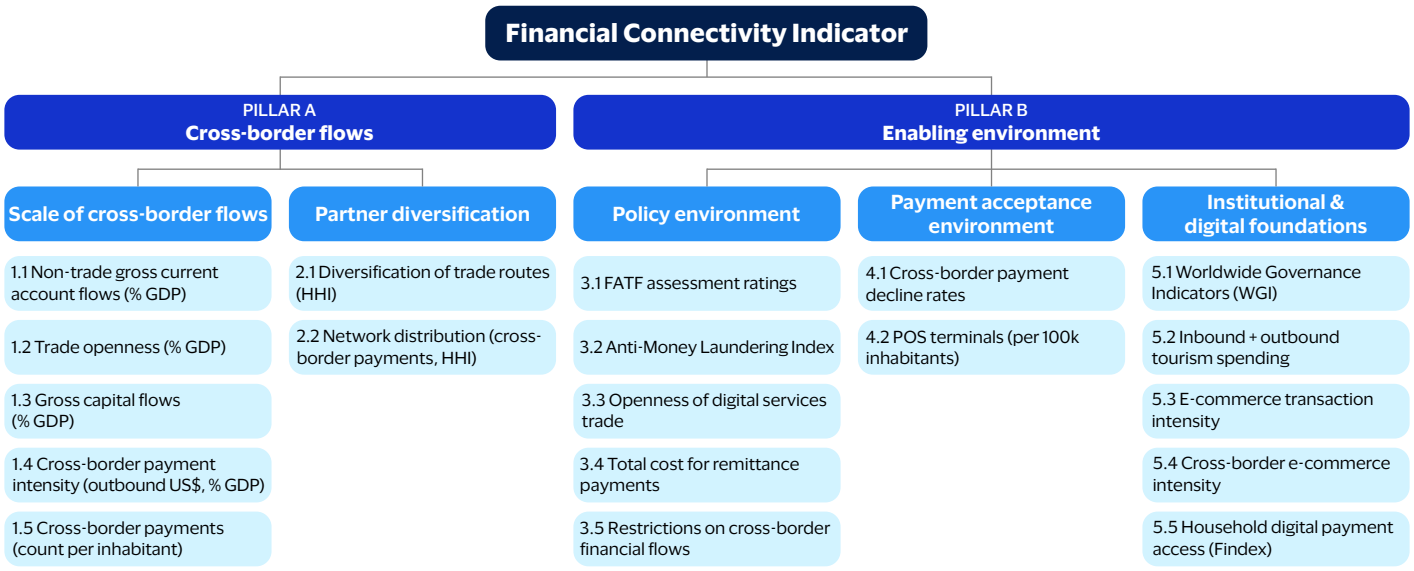


Figure 1. The 42 economies in the FCI, by region and income group

Economy	Region	Income group[1]
Algeria	Middle East & Africa	Emerging
Argentina	South America	Emerging
Australia	East Asia & Pacific	Advanced
Bangladesh	South Asia	Developing
Brazil	South America	Emerging
Canada	North America	Advanced
Chile	South America	Emerging
China	East Asia & Pacific	Emerging
Colombia	South America	Emerging
Czech Republic	Europe	Advanced
Egypt	Middle East & Africa	Emerging
Finland	Europe	Advanced
France	Europe	Advanced
Germany	Europe	Advanced
Ghana	Middle East & Africa	Developing
Hong Kong, China	East Asia & Pacific	Advanced
Hungary	Europe	Emerging
India	South Asia	Emerging
Italy	Europe	Advanced
Japan	East Asia & Pacific	Advanced
Kenya	Middle East & Africa	Developing
Malaysia	East Asia & Pacific	Emerging
Mexico	North America	Emerging
New Zealand	East Asia & Pacific	Advanced
Pakistan	South Asia	Emerging
Peru	South America	Emerging
Philippines	East Asia & Pacific	Emerging
Poland	Europe	Emerging
Portugal	Europe	Advanced
Romania	Europe	Emerging
Saudi Arabia	Middle East & Africa	Emerging
Singapore	East Asia & Pacific	Advanced
South Africa	Middle East & Africa	Emerging
South Korea	East Asia & Pacific	Advanced
Spain	Europe	Advanced
Switzerland	Europe	Advanced
Tanzania	Middle East & Africa	Developing
Thailand	East Asia & Pacific	Emerging
Turkey	Europe	Emerging
United Kingdom	Europe	Advanced
United States	North America	Advanced
Vietnam	East Asia & Pacific	Emerging

[1] Income groups follow the IMF's three-way classification (advanced economies; emerging market and middle-income economies; low-income developing countries), IMF Fiscal Monitor, April 2026, Table A, https://www.imf.org/en/Publications/FM.

Figure 2. The Financial Connectivity Indicator Pillar Structure



Reading the scores. Scores are normalized so that 100 represents the 2025 index average. Scores above 100 indicate measured connectivity above the index average, while scores below 100 indicate measured connectivity below the index average. Because the benchmark is fixed to the 2025 reference period, changes in an economy's score over time reflect changes in its underlying indicators rather than changes in the comparison group.

Index scores rise when conditions improve. Throughout the index, a higher score indicates stronger connectivity or more robust enabling conditions. However, in some cases a higher raw value indicates a lower connectivity outcome, and therefore these indicators are inverted in the index calculations. For example, Pillar B includes risk measures such as the Basel Anti-Money Laundering Index[2] where a lower score (i.e., less risk) would be seen as a positive and something that would facilitate greater cross-border flows and therefore overall connectivity. Other indicators signal increasing restrictions. Higher remittance costs and data localization requirements (as measured by the OECD's Digital Services Trade Restrictiveness Index[3]) reduce the score because they impede cross-border flows. Therefore, a lower score on the policy environment may indicate a more challenging enabling environment or higher barriers to cross-border financial activity. A higher score reflects a more open enabling environment and fewer barriers to cross-border flows.

What the scores do and do not show. Since the two pillars are weighted equally, the index does not show whether the cross-border flows or the enabling conditions are more vital to connectivity. The three-year period observed is too short to establish direction of causation between flows and structure, and no such claim is made. Rather, the results and movement in scores are described in associational terms. The FCI shows where economies sit relative to their peers and income group, and how they are moving. The FCI is also limited in coverage. For example, the payment acceptance environment sub-pillar covers aspects of retail payments such as POS terminal density, payment decline rates, and transaction volume but it does not capture wholesale elements such as correspondent-banking access, SWIFT dependency, dollar clearing, or wholesale settlement architecture.

[2] Basel Institute on Governance, "Basel AML Index," https://index.baselgovernance.org/.
[3] OECD, "Digital Services Trade Restrictiveness Index," https://www.oecd.org/en/topics/sub-issues/services-trade-restrictiveness-index/digital-stri.html.

KEY INSIGHTS FROM THE FCI

1. Overall FCI scores increased between 2023 and 2025

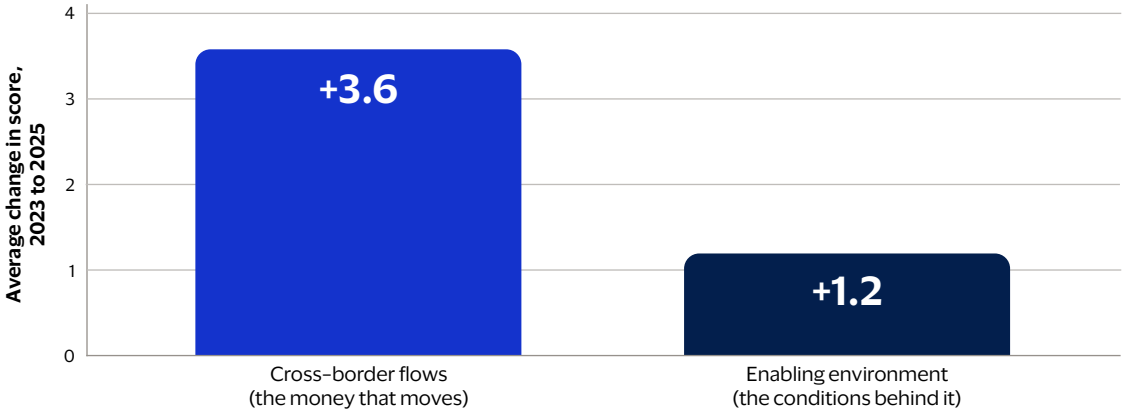
Between 2023 and 2025, 34 of the 42 economies saw increased FCI scores, and the overall FCI average increased by 2.4 points. However, the rising score is narrower than it looks. Only 18 of those 34 economies improved by more than the index average. Their scores rose an average of 2.6 points above that benchmark, indicating that relative gains were concentrated in a smaller group than the overall increase suggests.

Disaggregating the score into its sub-pillars we see the scale of flows decreased in only three of the measured economies, but partner diversification decreased in 23 of the measured economies, indicating that activity is expanding even as many economies are relying on a narrower set of partners. Earlier VEEI research also documented concentration in global trade: economies that spread their trade across more partners proved more resilient than those with fewer partners.[4]

2. Movement in the FCI score is driven mainly by cross-border flows

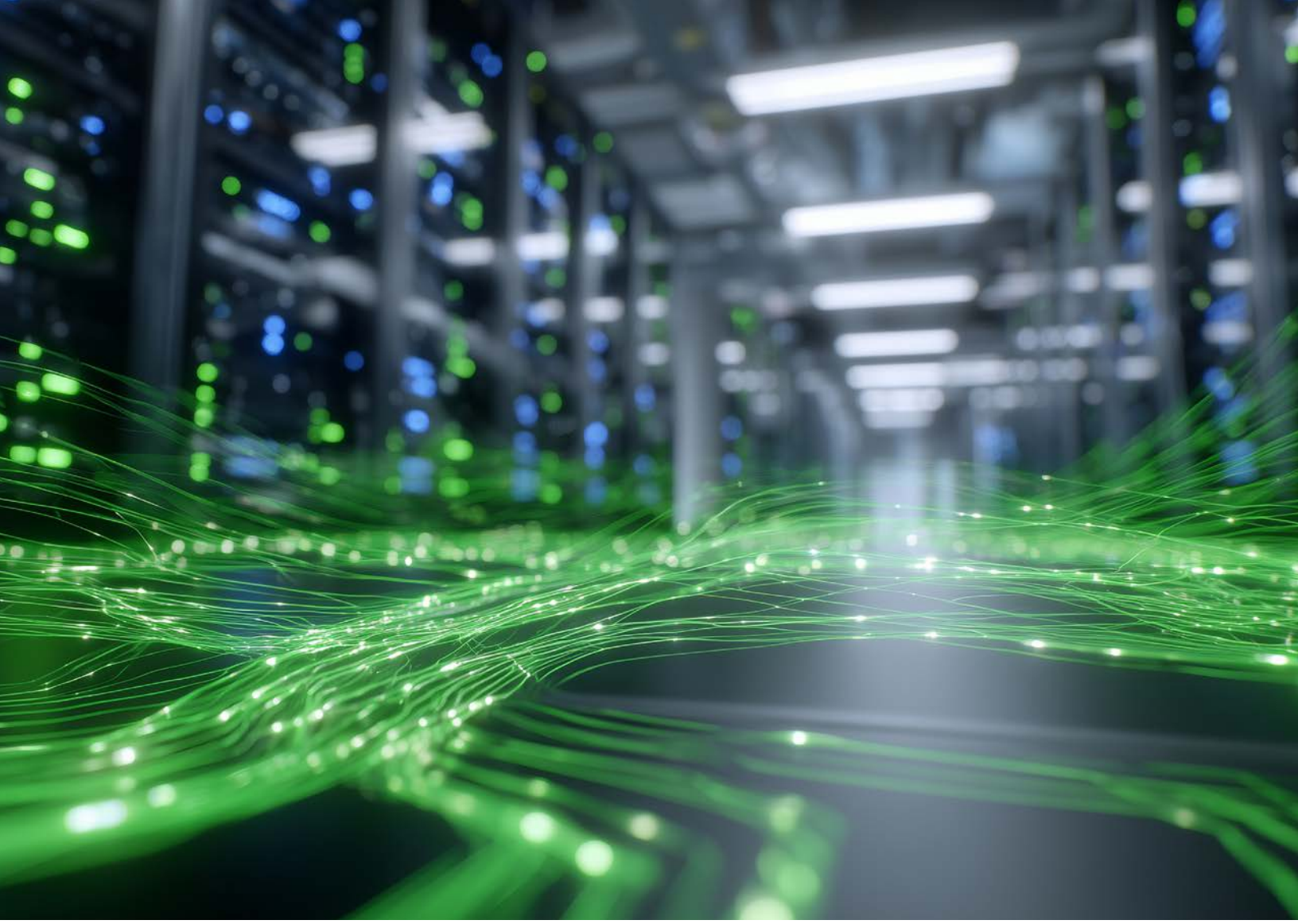
Almost all the movement came from the cross-border flows pillar, which rose faster than the enabling environment, up 3.6 points on average compared to 1.2. In 15 of the 42 economies, the cross-border flows pillar score increased while the enabling environment score decreased. Looking into the data shows that the policy environment sub-pillar is driving a lot of that change. For example, in several of the highest income countries the policy environment score declined even as their cross-border flows generally increased. This divergence, where realized flows broadly increased while policy sub-pillar scores declined, is the main pattern to note from this initial analysis.

Figure 3. Cross-border flow scores increased more than enabling environment scores.



In its first version, the index covers 2023 to 2025, too short of a time series to test causation between the enabling environment conditions and the flows. Future updates and expansions of the index may allow further discussion of causality.

[4] Visa Economic Empowerment Institute, "Fragmentation on the Rise? Evidence from Trade Data," 2026, https://corporate.visa.com/en/sites/visa-economic-empowerment-institute/fragmentation-trade.html.



3. FCI scores move mostly in line with income

The aggregate FCI scores tend to increase alongside GDP per capita, reflecting the relationship between income and many of the factors that support financial connectivity. On average, the aggregate score for advanced economies in 2025 was 117, 90 for emerging economies, and 81 for developing. Regional averages range from 113 in Europe and 108 in East Asia and the Pacific, to 85 in the Middle East and Africa and 78 in South Asia. North America's average (92) sits below what its flow and policy performance alone would suggest. This reflects the region's high trade and network concentration, which leaves its otherwise strong realized connectivity more vulnerable to shocks.

Although GDP per capita explains a meaningful share of the variation in FCI scores, economies with similar income levels can still record different levels of financial connectivity. One important consideration is that some of the largest deviations are influenced in part by measures of network distribution, which in the FCI serves as a measure of underlying risk. Therefore, economies with highly concentrated trade corridors may record different results on those measures than economies with more diversified networks, even when those relationships are supporting significant levels of cross-border activity. Results are therefore best interpreted alongside the broader set of FCI indicators and supporting context.

The enabling conditions: Four connectivity profiles

Economies can arrive at similar levels of financial connectivity even when their policy environment and payment acceptance environment differ. Assessing 42 economies across these two dimensions, we identify four distinct groups. Looking at the policy environment and payment acceptance environment is important because together, they capture structural conditions that may be relevant to public and private stakeholders.

The connectivity profiles describe a specific set of enabling conditions rather than the overall connectedness of the 42 economies. Because they exclude cross-border flows and their distribution, they do not provide a complete picture of connectivity. Between 2023 and 2025, economies improved more in the payment acceptance environment (+1.3), supported by expanded point-of-sale (POS) coverage, than in the policy environment (+0.7), where progress was constrained by rising financial-crime risk. Grouping the economies across these two dimensions yields four profiles, described below, reflecting a different combination of open policy frameworks and payment acceptance capabilities.

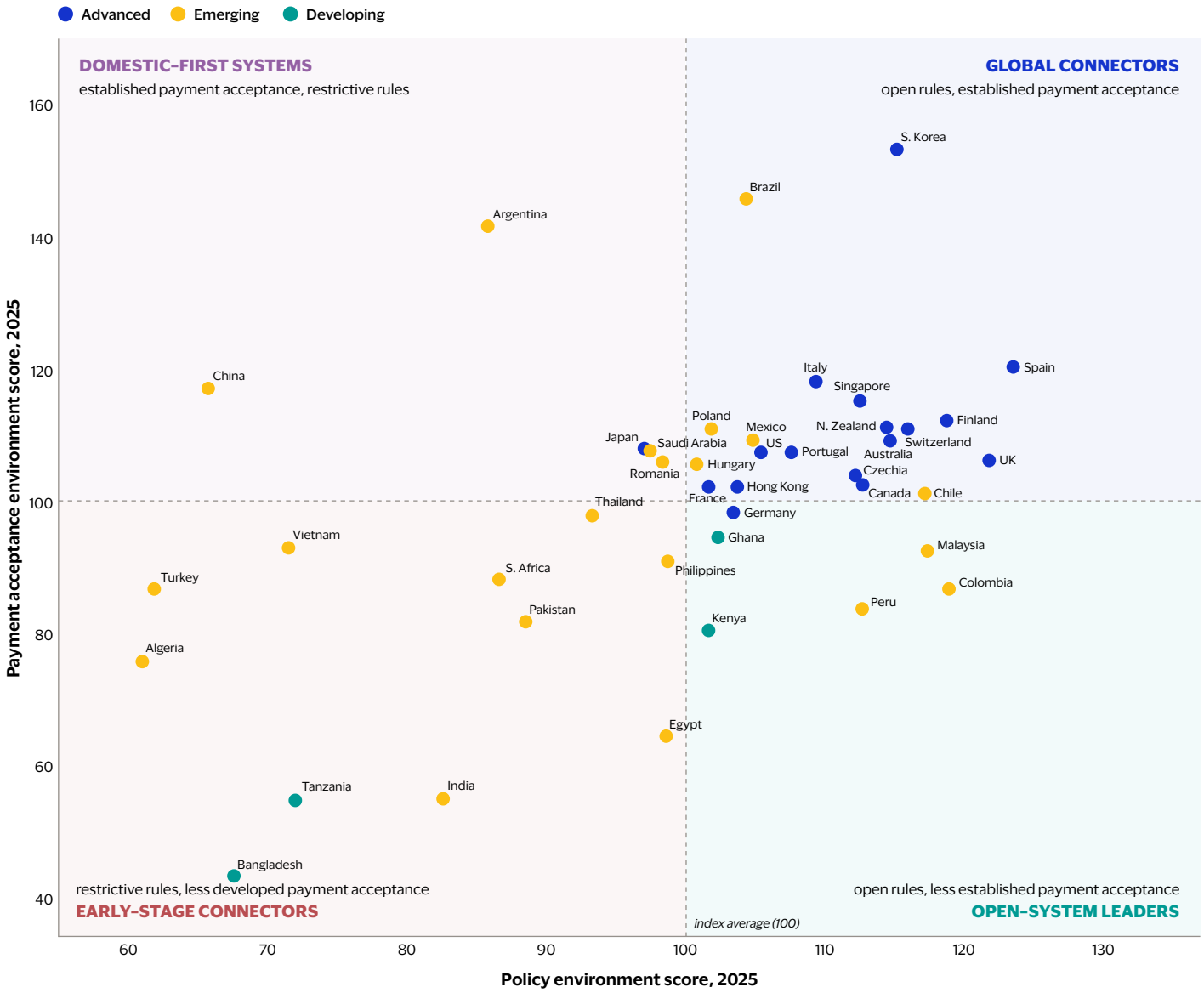
Global connectors: open rules and established infrastructure. These economies have high scores on both enabling conditions: they generally have a policy environment that facilitates cross-border financial flows, with robust financial crime controls, few restrictions on cross-border digital services trade, few controls on cross-border payments, and relatively low-cost remittance corridors. For example, Singapore, South Korea, Spain and Finland fall within this category. Crucially, the movement in scores between 2023 and 2025 appears to reflect sustained effort rather than past achievements. Finland, for example, recently strengthened its financial crime standards and crypto-asset regulation, while Spain made significant inroads through lower remittance cost and higher POS coverage.

Open-system leaders: open rules, but a less established payment acceptance environment. These economies have among the most open rules in the index, but their payment acceptance environment is less developed. Peru and Malaysia, for example, have relatively conducive policy environments but less developed payment acceptance environments with comparatively low POS penetration. One important consideration is that open rules on paper do not always translate into practice, so a high policy environment score in this pillar does not necessarily lead to greater actual flows.

Domestic-first systems: established infrastructure, more restrictive rules. These economies have established payment acceptance environments but more protective policy rules. Those rules may favor domestic systems over international ones, or otherwise limit foreign participation. Japan and Saudi Arabia share the profile. A key question is whether these systems remain interoperable with international payment networks, or whether they become more fragmented over time as payments technology evolves and scales.

Early-stage connectors: restrictive policies and a less developed payment acceptance environment. These economies are nascent in their development of the policy and payment acceptance environment. Bangladesh and Tanzania are examples. Because both areas are less developed, progress in one area may constrain progress in the other. Most economies in this group are emerging or developing, where limited fiscal and administrative capacity can make necessary financial and institutional commitments more difficult. Even so, targeted improvements can produce significant gains in connectivity. Kenya and Algeria, for example, both made significant gains in their policy environment between 2023 and 2025. Kenya's improvement was large enough to move it from early-stage connector to open-system leader; Algeria advanced on policy openness but remained an early-stage connector.

Figure 4. The four connectivity profiles



HOW TO USE THE FCI ACROSS ROLES

The FCI is a diagnostic tool. It does not rank economies nor prescribe a course of action. It shows where an economy sits relative to its peers in terms of cross-border financial flows, the conditions that enable it, and where those two are moving apart. Different users may find it helpful for different reasons and use cases.

Policymakers and standard-setting bodies. The FCI shows where an economy's enabling condition scores differ from changes in its flows scores, and any divergences may identify areas for closer examination. Because it locates friction at the level of specific conditions, the policy environment, payment acceptance environment, and the institutional and digital foundations, it can provide additive analysis alongside outcome-level monitoring such as the G20 Roadmap for Enhancing Cross-border Payments and helps identify where potential constraints are concentrated.[5] Cross-border payments are often viewed uniformly, but conditions vary significantly by corridor. Applying a single global target is difficult because economies differ in digital maturity, ecosystem development, and the constraints they face.

The FCI complements the Roadmap by identifying economy-level sources of friction in the areas it measures, rather than assessing progress against a single benchmark. Read over time, it can help illustrate whether an economy is narrowing or widening the connectivity gap.

Payment providers and financial institutions. The FCI assesses the conditions that support an economy's financial connectivity, rather than its transaction volumes alone. It identifies gaps such as limited partner diversification or where open rules lag payment acceptance capabilities, or vice versa. These insights help distinguish economies with broad-based measured connectivity from those in which activity is concentrated among a small number of participants. Providers and financial institutions may use this information as context when evaluating how their activities relate to the broader connectivity ecosystem.

Businesses and investors operating across borders. High flows supported by improving conditions signal a different outlook from equally high flows under deteriorating conditions. Some scores may also reflect a measurement effect. For example, a heavy reliance on one large, stable trading partner, rather than underlying fragility. Considering both the score and its drivers therefore provides a clearer view of an economy's direction than flow data alone.

[5] The G20 Roadmap for Enhancing Cross-border Payments is the leading international initiative in this area. Endorsed in 2021 and coordinated by the Financial Stability Board (FSB), it sets 2027 targets for cost, speed, access, and transparency.

FCI LIMITATIONS AND FUTURE RESEARCH

The initial FCI is robust but has limitations. Given the complexity of financial connectivity, its scope reflects deliberate choices as well as constraints in country-level and historical data. The limitations outlined below point to opportunities for future expansion and research.

Retail, not wholesale, connectivity. The payment acceptance environment sub-pillar measures POS density, payment declines, and transaction volume, not correspondent banking, SWIFT dependency, dollar clearing, or wholesale settlement. This deliberate, data-driven scope limits conclusions about sovereignty or systemic risk.

Limited observation window. The series covers 2023–2025, excluding COVID-19 and the 2022 Russia–Ukraine financial shock. A longer series, subject to data availability, would strengthen robustness.

Corridor diversification has a narrow definition. Sub-pillar 2 measures partner diversification, not broader financial-system resilience. Economies concentrated on one partner, such as Canada and Mexico with the United States, therefore score lower despite strong overall connectivity.

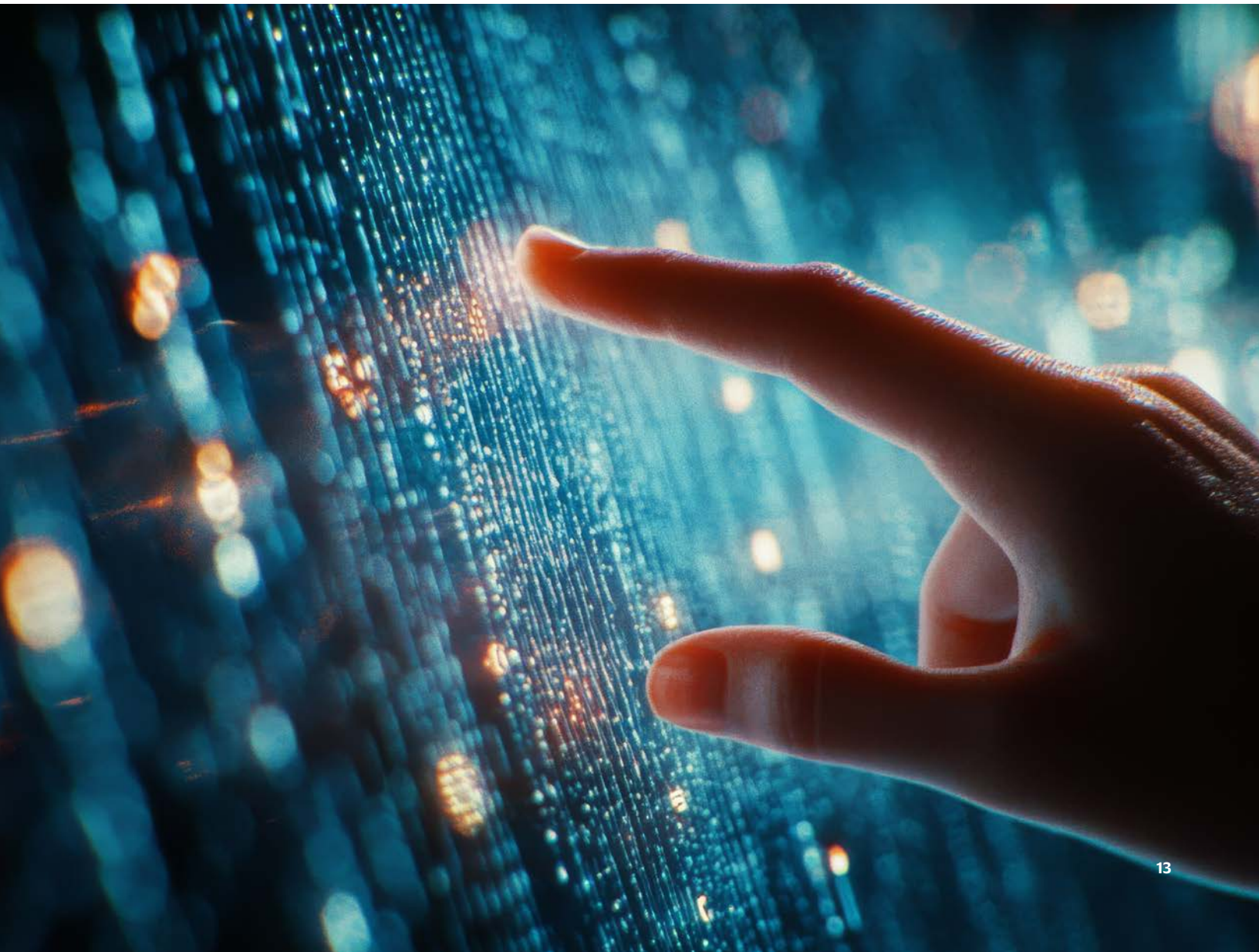
Emerging payment technologies are excluded. Future research could examine how stablecoins, central bank digital currencies, and international messaging standards relate to the dimensions of the FCI. Stablecoins can transfer value quickly and cheaply outside traditional correspondent banking, while central bank digital currencies could provide modern shared infrastructure. Standards such as ISO 20022 can help payment systems communicate and connect. These innovations could broaden access and reduce costs, but their impact depends on interoperability: if they integrate with existing systems, they can strengthen connectivity; if they operate as separate rails, they may increase fragmentation.



CONCLUSION

Financial connectivity depends not only on the volume of cross-border transactions, but also on the diversity and strength of the policy, payment acceptance, institutional, and digital foundations that support them. Across the 42 economies assessed, these two dimensions (flows and enabling conditions) appear to be diverging. Cross-border activity can continue to grow even as the foundations for its long-term sustainability weaken.

The index identifies patterns, not causes, and does not establish whether weakening conditions lead to fragmentation. Nor is the interaction between its two pillars fully understood. Even so, sustained deterioration in the foundations of connectivity may eventually put flows at risk, although the timing and scale are uncertain. For policymakers, these patterns provide an early signal of where connectivity is strengthening, weakening, or warrants closer attention.



APPENDIX: FULL LIST OF FCI INDICATORS

Overview

The Financial Connectivity Indicator (FCI), developed by Oxford Economics in collaboration with the Visa Economic Empowerment Institute (VEEI), measures the strength of a country's cross-border financial connections and its resilience to financial fragmentation. It covers 42 economies and is built from 19 indicators drawn from public and proprietary sources. The index is constructed at quarterly frequency and presented on an annual basis for 2023 to 2025, supporting both cross-country benchmarking and analysis of change over time. Scores are expressed on a common scale centered on 100, where 100 is the index average: a score above 100 indicates above-average connectivity, and a score below 100 indicates below-average connectivity.

The FCI is a three-tier hierarchy. The 19 indicators are grouped into five sub-pillars, which combine into two top-level pillars. Pillar A, cross-border flows, captures realized financial activity: the scale of a country's cross-border flows and the diversification of its partners and corridors. Pillar B, enabling environment, captures the conditions that support those flows: the policy environment, payment acceptance environment, and Institutional and digital foundations, which covers governance quality, tourism, e-commerce and household digital payment access. The two pillars are averaged into a single total score. The full indicator structure, with sources, is set out in Table A1.

Table A1. FCI pillar structure, indicators, and sources

Pillar	Sub-pillar	Indicator	Source
A — Cross-border flows	**1 Scale of cross-border flows**	1.1 Non-trade gross current account flows, % of GDP	National statistics offices / IMF Balance of Payments
		1.2 Trade openness (imports + exports, % of GDP)	National statistics offices / IMF Balance of Payments
		1.3 Gross capital flows, % of GDP	National statistics offices / IMF Balance of Payments
		1.4 Cross-border payment intensity (outbound US$ value), % of GDP	Visa
		1.5 Cross-border payments (transaction count), per inhabitant	Visa
	2 Partner diversification	2.1 Diversification of trade routes (HHI)	IMF Direction of Trade Statistics
		2.2 Network distribution (bilateral cross-border payments; Herfindahl-Hirschman Index (HHI))	Visa

Pillar	Sub-pillar	Indicator	Source
B — Enabling environment	**3 Policy environment**	3.1 FATF assessment ratings	Financial Action Task Force (FATF)
		3.2 Anti-Money Laundering Index	Basel Institute of Governance
		3.3 Openness of digital services trade	OECD
		3.4 Total cost for remittance payments	World Bank
		3.5 Restrictions on cross-border financial flows	IMF (AREAER)
	4 Payment acceptance environment	4.1 Cross-border payment decline rates	Visa
		4.2 Number of POS terminals, per 100k inhabitants	Euromonitor
	5 Institutional and digital foundations	5.1 Worldwide Governance Indicators (WGI)	World Bank
		5.2 Inbound + outbound tourism spending	UN Tourism
		5.3 E-commerce transaction intensity	Visa
		5.4 Cross-border e-commerce intensity	Visa
		5.5 Household digital payment access (Findex)	World Bank Findex

Note: The total score is the equal-weighted average of Pillar A and Pillar B. Indicators are equal-weighted within each sub-pillar; Visa proprietary data is capped at 50% of the weight within any sub-pillar.



About Visa Inc.

Visa Inc. (NYSE: V) is the world's leader in digital payments. Our mission is to connect the world through the most innovative, reliable, and secure payment network–enabling individuals, businesses, and economies to thrive. Our advanced global processing network, VisaNet, provides secure and reliable payments around the world, and is capable of handling more than 65,000 transaction messages a second. The company's relentless focus on innovation is a catalyst for the rapid growth of digital commerce on any device for everyone, everywhere. As the world moves from analog to digital, Visa is applying our brand, products, people, network, and scale to reshape the future of commerce.

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