

Middle East & North Africa Digital Payments Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

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Report description:

The Middle East & North Africa Digital Payments Market is expected to grow at a CAGR of 15.39% over the forecast period. The region's market growth is driven by the increasing prevalence of smartphones, social interactions, and enablement programs by necessary merchants to close the gap between the physical and digital worlds.

Key Highlights

The adoption of digital payments in MENA has been relatively slow compared to other regions worldwide. This is due to the population's inclination to use cash and the banking industry's gradual modernization. However, favorable conditions in the area can spur the take-up of digital payments and disrupt the traditional payment value chain.

Moreover, the policymakers in both developed and developing MENA countries are getting involved in providing the necessary regulatory framework and infrastructure to support the growth of digital payments in the region. The central banks of Egypt, Bahrain, the United Arab Emirates, and Saudi Arabia have adopted specific initiatives to deregulate digital payment services. Further, mobile financial services' transformation has been witnessed in the region through payment methods, such as Careem Pay in the United Arab Emirates. A digital wallet app launched by Saudi Arabia's telecommunications company, STC Pay, allows people to send money to other users and digitally pay for restaurants and stores.

Despite the rapid rise of digital payments, the sector faces challenges related to data security and increased fraud in online payments. A relative lack of digital literacy in crucial emerging countries may hinder the growth of the digital payments market in the region.

The shift in consumer habits caused by the pandemic is expected to boost digital payments in the region. Further, the acceptance of digital payment methods is expected to improve post-COVID-19, and it will play a more substantial role in the long term. With cash being seen as a potential carrier for the virus, governments and regulatory bodies discourage its use. These factors are influencing the growth of the market.

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MENA Digital Payments Market Trends

High Proliferation of Smartphones and Social Interactions to Drive the Market Growth

The Middle East and North Africa Digital Payments market is heavily driven by the region's high internet and mobile penetration. This digital ecosystem in the region supports the latest technologies, and increased mobile and internet penetration is further encouraging consumers to shift towards mobile wallets as they provide ease and convenience with the best global standards of security.

Moreover, many carriers have released inexpensive smartphones with financing options to encourage mobile broadband use. By the end of 2025, there will be 565 million smartphone connections in MENA. This is an increase of almost 200 million connections over the next five years, and it means that nearly 80% of the population will have a smartphone.

The remarkable smartphone adoption rate in Saudi Arabia is one significant factor driving the region's digital revolution. With around 21 million smartphone users (in 2019, about 80.7% of the population used a smartphone), the nation has the third-highest smartphone penetration rate in the world. That number is expected to rise to almost 24 million by the end of the current year. According to the World Bank, the country is one of the wealthiest in the world in terms of purchasing power, and this combination of circumstances has contributed to the high penetration.

Additionally, the area offers fast internet access, allowing instant money transfers via digital payments. For instance, according to information made available by Ookla, internet users in Saudi Arabia may have anticipated the following connection speeds by the beginning of this year: The average fixed internet connection speed is 80.39 Mbps, and the average mobile internet connection speed over cellular networks is 91.06 Mbps.

The region's social media platforms built their massive audiences on the promise of connecting people with their friends and family, meeting new people, and strengthening relationships. These platforms enable online purchases where user cash can be jointly spent with a friend on social media and they no longer require a request for an account number, which is a revolution in digital payment and drives market growth.

Egypt to Drive the Market Growth

Egypt, a country commonly known for government employees collecting cash payments for utility bills, such as gas and electricity, is gradually shifting toward more digital transactions. This is spurred by the strategy set up by the North African Central Bank to ensure all citizens of the country focus on digital payments and mobile wallets by having access to financial services.

The adoption of digital payment methods by numerous businesses and customers in the region is anticipated as their popularity continues to rise. Therefore, the area needs a real-time infrastructure to support these payments and make them efficient.

Citizens in these regions have relied on cashless or digital payment more than ever since the outbreak of the COVID-19 pandemic. The country had witnessed a progressive change in its legislative systems, such as the promulgation of a regulatory framework within the new Central Bank Law and the executive regulations of the E-Payment Law, to keep up with the global changes in the digital payment and banking sectors.

Additionally, the Egyptian government intends to make New Administrative Capital a cashless city starting in February last year. In order to implement this, the nation is presently in talks with Mastercard, a leading provider of global payment systems. Mastercard plans to invest in the payment and collection infrastructure of Egypt's government ministries. By next year, more than half of Egypt's population is expected to subscribe to mobile internet services, and by 2025, there will be about 700 million mobile connections.

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Additionally, quick payment systems provide both consumers and organizations with several advantages. Mobile apps that enable users to send money to recipients specified by their mobile phone numbers rather than their bank account data are frequently used to access such payment systems. Customers who want quick, straightforward ways to shop online and those who use their mobile devices to pay for friends or brick-and-mortar merchants can benefit from such services. These methods allow customers to avoid carrying cash or credit cards.

MENA Digital Payments Market Competitor Analysis

The Middle East and North Africa digital payments market is moderately concentrated and dominated by a few major players like Paypal Holdings Inc., Alphabet Inc., ACI Worldwide Inc., Samsung Electronics Inc., and CIB Bank. These significant firms, holding a sizable market share, are concentrating on growing their international consumer base. These businesses are utilizing strategic collaboration projects to expand their market share and profitability. Mid-size and smaller businesses are, however, expanding their market presence by gaining new contracts and tapping into new markets due to technical improvements and product innovations.

In November 2022, Mastercard announced the introduction of Samsung Wallet, a digital wallet solution in Qatar that allows mobile payment services and more to complete secure contactless payments at several online, on-site, and in-store outlets around the world. It will be equipped with additional features shortly, including the ability to store sensitive documents such as IDs, electronic keys, and boarding passes with just one swipe.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

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