

Latin America Mobile Payments Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

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Report description:

Latin America Mobile Payment Market is expected to register a CAGR of 24.5% during the forecast period (2023 - 2028). The stores and services worldwide are rapidly moving towards adopting mobile payment applications, such as Mercado Pay, PayPal, Rappi and PicPay, amongst others to accept and transfer payments. With increasing internet penetration and rapid growth in online retailing, this trend is expected to continue over the forecast period.

Key Highlights

In recent times, mobile payment has been gaining traction in the Latin American region after the pandemic because of the increasing number of users of smartphones and the increasing penetration of the internet. Mobile payment is more convenient, secure, and easy to use than other modes of payment. This, along with the rising trend of mobile-based payment solutions, represents one of the major factors bolstering the market growth in Latin America.

Rise of e-commerce in the region for Latin Americans, shopping online is a two-step process of buying items from a merchant online and then paying for them through cash-based alternative methods, such as boleto bancario (a type of bank slip) in Brazil or a voucher system handled through local convenience stores such as OXXO and 7-Eleven in Mexico, among others. As alternative payment methods gained traction over traditional modes, mobile payments became incredibly significant in the region.

The market players are integrating mobile payment solutions with advanced technologies and biometrics, to enhance security and efficiency, which, in turn, influences the market growth. In addition, the growing number of online transactions due to the sudden spread of the coronavirus disease (COVID-19) and the thriving e-commerce sector is anticipated to strengthen the market growth. Despite many opportunities for vendors in Latin America, the region is still struggling with post-pandemic effects. Inflation was at 38% in Argentina in 2021 and is projected to go even higher in 2022 to 45%. Peru, Brazil, and Colombia have all experienced currency devaluations. However, GDP is projected to grow projections for 2022 in Argentina (3%), Colombia (4.2%), Peru (2.3%), and Chile (also 3%).

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The pandemic had a positive impact on Latin America's mobile payment industry, with increasing trends toward contactless payment positively influencing the market. For instance, during a survey conducted in Colombia, Brazil, Costa Rica, and the Dominican Republic in April 2020 by Mastercard, amidst the COVID-19 pandemic, around 84% of respondents said the contactless payment was a cleaner way to pay.

Despite the benefits of Mobile payments growth, security is still a major concern. It's been estimated that as many as 20% of digital accounts created in Latin America were fake. Along with that, regulators face COVID-19-related staffing shortages and tremendous uncertainty. Mexico and Brazil are still trying to push through landmark fintech and open banking regulations, delayed by the pandemic. And the cost of infrastructure that comes with implementing mobile payment infrastructure has also posed as a challenge.

Latin America Mobile Payments Market Trends

NFC (Near-field communication) will Hold Major Market Share

(NFC) Near-field communication has become a common term in Latin American payments. NFC is a method of wireless data transfer that allows laptops, smartphones, tablets, and other devices to share data when nearby. NFC technology powers contactless payments via mobile wallets like Google Pay and Apple Pay, as well as contactless cards.

NFC mobile payment technology is stable, safe, and secure. As EMV chip cards, mobile wallets are more secure than magnetic strip cards. Making the device useless for thieves as they need a passcode or biometric authentication to process the transaction in an NFC-enabled device has contributed to the rapid adoption of mobile payments.

With the rise of the E-commerce industry in the region, the future is contactless payments. The smartphone makes e-commerce transactions easier and more convenient. Most retailers in the area are switching to adopting cashless transactions as the primary mode of payment.

With the increased rate of adaptation among mobile phone makers towards NFC technology, NFC payments are reaching the state of an "honor-all-wallets" scenario. Businesses With the rush toward accepting mobile payments, there have been rumblings from the card networks about an "honor-all-wallet" policy.

As per the data published by FIS, More than 67 million contactless POS terminals were shipped in 2020, and NFC payment terminals will grow from 80 million in 2020 to a projected 127 million by 2025. NFC readers and terminals are usually priced right for small business merchants. Costs range from as little as USD 49 for a simple NFC reader to USD 149 or more for a terminal that reads the chip and magnetic stripe cards.

Increasing Smartphone User is aiding the growth of the market

The mobile industry plays a key role in Latin America in response to the Covid-19 pandemic. Mobile networks have enabled economic and social activities to continue. People have relied on the internet to stay connected to family and friends, access educational, financial, and health services, and work remotely.

As per the report by GSMA, smartphone connections in Latin America reached 500 million at the end of 2021, with an adoption rate of 74%. In addition, the next four years will see almost 100 million additional smartphone connections in the region, taking the adoption rate up to 80%. This will spur mobile internet adoption, enabling more people to access digital services and access to mobile banking for the first time.

With the introduction of 5G technology, the connectivity and advancement in the technology will propel the mobile payment market in the region; however, 4G will remain the foundation of the mobile industry in Latin America over the near term, accounting for almost 70% of total connections at the end of 2025. But most businesses will try to take advantage of 5 G-enabled

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devices as increased speed of data transfer and connectivity will attract more users to rely on smartphones for mobile payment transactions.

As per the GSMA report on Mobile Economy, by 2025, the economic contribution of the Latin American mobile ecosystem will grow by more than USD 30 billion as countries in the region increasingly benefit from the improvements in efficiency and productivity brought about by the increased take-up of mobile services.

Latin America Mobile Payments Market Competitor Analysis

The Latin America Mobile Payments Market is highly competitive and fragmented with the presence of significant market players such as Mercado Pay, PIX, Rappi and PicPay. The companies are introducing new offerings and continuously investing in making partnerships and acquisitions along with product development to increase the market share. A few of the recent developments by the companies are listed below.

June 2022 - Zippi, a Brazilian fintech that came to market in 2021 with a credit solution via PIX (Brazil's real-time payment system) for self-employed people and micro-entrepreneurs, announced a USD 16 million (about BRL 82 million) funding round. Series A was led by US fund Tiger Global and followed by Volpe Capital, Y Combinator, Globo Ventures, Rainfall Ventures, Mantis, MSA Capital, Hummingbird, Soma Capital, and founders of companies such as Robinhood, Faire, Plaid, Kavak, Credits, Gojek, and Cobli.

November 2021 - Mastercard acquired Arcus FI to support the real-time payment applications and delivery of bill pay solutions across Latin America. With offices in Mexico City and New York, Arcus helps enable cash-in, cash-out services, and bill pay for some of the biggest retailers, billers, fintechs, and traditional financial institutions in the U.S. and Mexico, with expansion into Latin America. Its flagship solution, the Arcus Pay Network, has access and connection to the largest retailers.

Additional Benefits:

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

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