

The digital wallet opportunity in the Middle East and Africa.



It's no secret that over the past few years, the adoption of digital wallets has exploded worldwide.

This trend is expected to grow well into the future.

The number of unique digital wallet users stood at 2.6 billion [in 2020](#), a figure that is expected to surpass 4.4 billion globally in 2025. Separately, the total spend via digital wallets is expected to double to \$10 trillion in 2025. This explosive growth reflects the value that digital wallets offer to both consumers and businesses. By 2026, 60% of the global population will be using digital wallets, largely fuelled by emerging markets, making this a key strategic enabler in high-growth regions such as the Middle East and Africa.

Despite high internet adoption and smartphone penetration, the Middle East remains a largely cash-dominant society, with only about one-third of payments happening electronically. However, preferences and behaviours are rapidly changing and the future will look very different.

In a recent [McKinsey](#) study, 58% of consumers in the Middle East indicated a strong preference for digital payment methods; in addition, 60% of experts surveyed expect digital wallets to be the most preferred payment method over the next 5 years. Africa also looks set to follow a similar trajectory - on average only 5-7% of financial transactions today are conducted through digital channels, while electronic payments are projected to grow 150%+ between 2020-2025 according to estimates from McKinsey.

Digital wallets in Africa are anticipated to experience the fastest growth of any digital payment medium, reaching \$15 billion in revenue by 2025 and growing at 24% CAGR (2020-2025).

With changing consumer preferences, improved technology infrastructure, fast-growing young populations and large segments of unbanked and underbanked individuals, the opportunity for digital wallets in the Middle East and Africa cannot be ignored.

In this report, Mambu and [Paymentology](#) outline the benefits, key use cases and primary technology enablers for the growth of digital wallets, based on our combined market track record and industry experience.

What is a digital wallet and what are its benefits?

A digital wallet is an application used to make payments electronically. Fuelled by the rise of smartphones and contactless payments, digital wallets have migrated from alternative to mainstream.

Two distinct types of digital wallets:

Pass through wallets



Pass through wallets are stored accounts linked securely to existing payment cards via tokens, such as ApplePay or AndroidPay. These can also be used to store other items such as loyalty and rewards.

Stored value wallets



Stored value wallets are loaded with e-money so users can pay for goods and services using prepaid facilities. They are easier, lighter, and contactless, and can be funded in many ways - by bank transfer, direct debit or P2P payment.

Benefits of digital wallets for consumers include:

Increased convenience

Digital wallets enable customers to enjoy a more simplified shopping experience, meaning no need to count cash, manage change, etc. Also, digital wallets allow for more simplified onboarding and verification processes than traditional financial services providers, making it more convenient to use basic financial services.

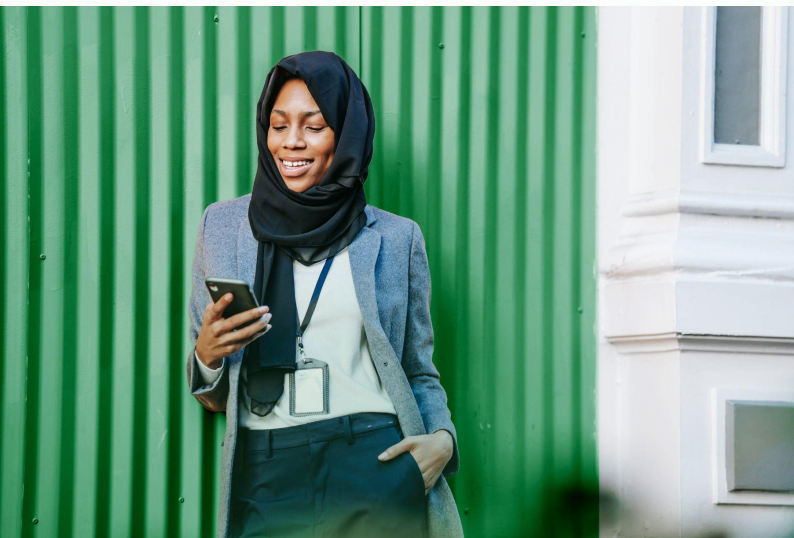
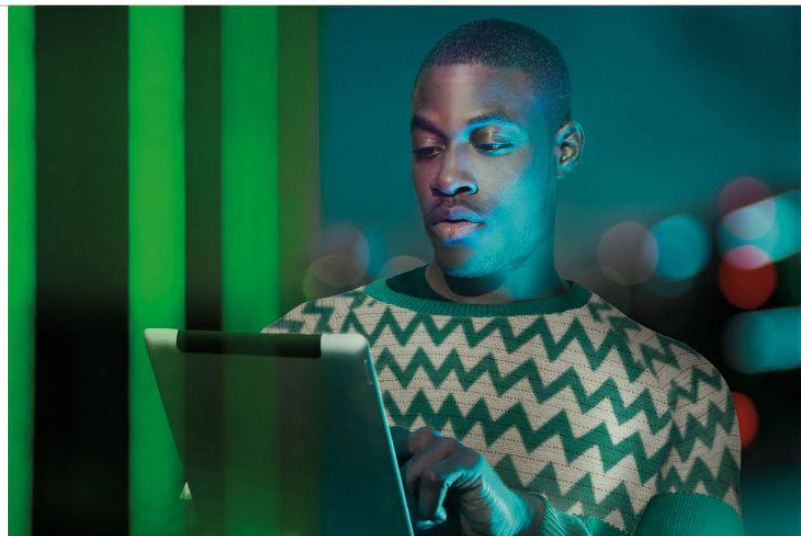
Financial access and inclusion

Globally, about 1.7 billion adults remain unbanked, in addition to the 1.3 billion minors. Wallets provide a form of electronic money to those who otherwise cannot access traditional bank accounts. Additionally, wallets can act as a gateway to more complex financial products for its users, such as building credit scores for loan approvals, remittance or investments.

Benefits of digital wallets for businesses include:

Improved sales conversion:

Digital wallets help provide better buying experiences to customers. Companies can use data collected by wallets to draw more insights about customer trends and improve their targeting. For instance, Amazon Pay's one-click-buy helped decrease shopping cart abandonment by ~17%.

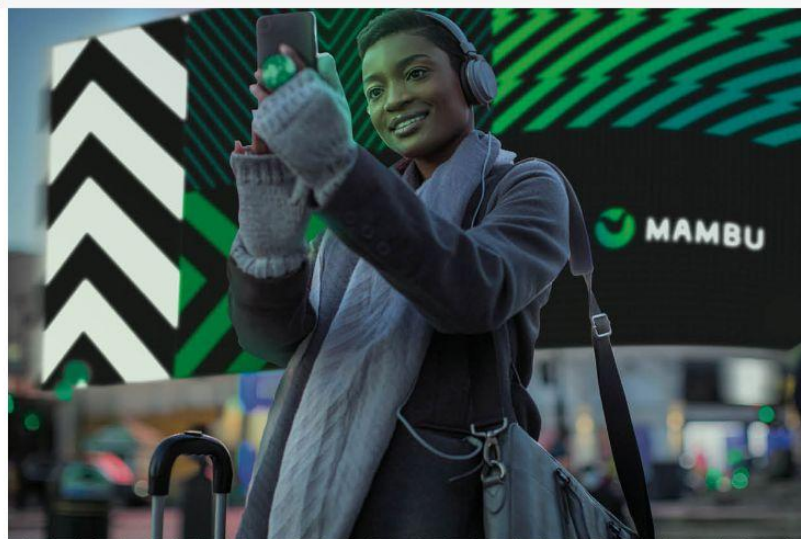


Low-cost customer acquisition:

Because of their low risk to deploy and high frequency interaction, wallets are a good first entry point to acquire customers, many of whom can later be monetized via other services such as loans or insurance. A good example of this is from MACH, a Chilean digital bank which acquired customers by offering e-wallets and later employed the data acquired from the wallet to offer BNPL financing to the customers.





Access to underserved segments:

Digital wallets have less stringent KYC regulations, flexible technical capabilities and lower cost of service. This enables wallets to serve the unbanked and underbanked – segments that are not often viable to serve at traditional banks because of regulation, legacy technologies and high cost of service. For instance, more than 6 in 10 Southeast Asians are unbanked or underbanked, a gap that Grab is addressing in the region through its Grab Pay Wallet offering.



What are the key use cases for digital wallets?

This dual value for both consumers and businesses has led to widespread adoption of wallets across industries and functions, creating innovative use cases. The top use cases which form the majority of wallet implementations include:

Payments and check-outs <p>These wallets securely store virtual versions of various cards (debit, credit, gift reward cards). This means that consumers no longer need to enter card details or carry a physical card to make payments.</p> <p>Walmart  Pay</p>	Super app <p>Wallets that enable payments within an e-commerce ecosystem by providing a seamless experience. These wallets also offer cashbacks.</p> <p>amazon pay paytm</p>	Banking the unbanked <p>Unbanked communities often do not meet KYC criteria, making it impossible to have a traditional bank account. These wallets help solve this problem and enable access to financial accounts for these underserved markets.</p> <p> recargapay</p>	Remittance and forex <p>Wallets that enable the storage, spend and quick exchange of multi-currencies. They also enable remittance at a low cost.</p> <p>Revolut</p>
Instant payouts <p>These are wallets that enable gig economy workers to cash out their earnings instantly. Uber drivers would have to wait up to 7 days in the past. Now it is instant.</p> <p>Uber</p>	Investments <p>Wallets can help investors get proceeds from their stock sale instantly who otherwise would need to wait up to 48 hrs.</p> <p> eToro money</p>	Banking for minors <p>These wallets are prepaid accounts for minors who can make online/offline payments. Parents are able to monitor their children's transactions and ensure safety practices with sensitive card information.</p> <p>fampay </p>	Crypto <p>Wallets that enable the buying, selling and storage of crypto currencies.</p> <p>coinbase Wallet</p>

These are not only relevant for financial institutions but also enable non-traditionals (retailers, telcos) to enter into financial services. An example of this is [Sonae](#), a Portuguese retailer, whose Universo program merges its store and partner loyalty and payment cards into one card to improve retention and provide a better financial experience.

Digital wallets in action with our customers



Reimagining remittances in Lebanon

Purpl is the technology hub between remittance and cash-out partners, promising low fees on the sender side and no cash-out fees on the beneficiary side. Users can send and receive money following a simple sign-up flow, which includes a one-time e-KYC process, before cashing out at a number of locations throughout the country (with plans to expand its partner network to 800+ cash-out points in Lebanon).



New digital proposition for 150+ year old institution

Founded in 1851, Western Union launched a new digital proposition in 2022 called WU+, to make it easier to move and manage money across borders. Mambu was selected as the banking platform for its next generation, real time multi-currency digital wallet and digital banking platform in Europe. This will enable Western Union to extend the relationship with its customers, and create a new digital banking experience.



Rapid growth for MACH

MACH, a speedboat by BCI bank, is the first neobank to provide digital bank accounts in Chile. MACH chose Mambu to replace their legacy system. The quick implementation allowed MACH to innovate and launch their first virtual prepaid card in 2017. MACH grew from 0 to more than 3 million users in just 4 years.



70,000 new users for P.F.C

P.F.C. (Personal Finance Co.) is a Swedish mobile-first service that combines a Mastercard debit programme with a personalised app. P.F.C chose Mambu as its core banking provider because of the platform's scalability and API documentation. Mambu was implemented in 6 weeks and within a year P.F.C had gained 70,000 new users.



Orange Money Botswana

Orange Money is an innovative, mobile phone-based payment system that allows customers to carry out simple banking operations and transactions in total security. Paymentology, in partnership with Visa, launched a virtual money card solution for Orange Botswana –the first mobile Companion Card in the world. More than 1 million transactions are processed each month and although not a bank, Orange Botswana holds a market share of 24% of the debit card base in the country, competing impressively with cards issued by local banks.



M-PESA, Safaricom

Safaricom's M-PESA is Africa's most successful mobile money service and the region's largest fintech platform. It is the preferred way to make payments across the continent both for the banked and unbanked due to its safety and unmatched convenience. Thanks to its partnership with Paymentology, through M-PESA, Safaricom empowers millions of previously unbanked customers by enabling people to send and receive money safely, conveniently and affordably. To date, there has been over 30 million active wallets across the app in Kenya.



Supporting your digital wallet ambitions

The inherent flexibility provided by Mambu's banking platform enables clients to easily build and scale digital wallet use cases. This allows providers to generate faster time-to-revenue, serve new customer segments and expand across new products.

Paymentology is the first truly global issuer-processor, giving banks and fintechs the technology, team and experience to issue and process cards anywhere in the world, rapidly and at scale. It issues and processes cards for major global and local networks in over 50 countries, putting cards and payments into the hands of millions of people worldwide.

Mambu's banking platform, pre-integrated with Paymentology's card-processing platforms, enables the rapid deployment of digital wallets linked to open-loop branded digital cards. As both platforms are hosted in the cloud and offered as a managed service, joint customers can go live fast with minimal upfront investment.

The layered, real-time, easily interpretable transaction data provided by Paymentology's FAST feed also offers unparalleled customer insight enabling customised digital wallet experiences for end-users - for example, loyalty and reward offers at specific merchants or for spending patterns.

The joint proposition is incredibly timely. In a number of markets in the Middle East and Africa, in line with increasing smartphone penetration, organisations such as Mobile Network Operators (MNOs), are increasingly demanding branded digital wallets to leverage their existing distribution rivalling other digital banking solutions. In the MNO space, Paymentology proudly works with leading players, including Safaricom m-Pesa in Kenya and Orange Money in Botswana, helping bridge the digital wallets to global commerce via Visa & Mastercard rails, and several in the Middle East.

Because of their value proposition for both businesses and consumers, digital wallets today have become vital to businesses across industries. The key question is: what is your business going to do about it? Mambu and Paymentology can support your journey to building a winning digital wallet proposition through our complementary platform capabilities and proven market credentials.



How Mambu & Paymentology can get you ahead of the curve



Faster time to market

Both Mambu and Paymentology platforms are cloud-native, meaning there are no local hardware requirements and deployment can take days or weeks instead of months.

Flexibility and composability

Both platforms are API-first, which means a variety of third party solutions can be rapidly integrated, adapted and replaced depending on customer and market needs.

Lower total cost of ownership

Leverage two software-as-a-service platforms to optimize capital investment, resource requirements and maintenance cost.

[Learn more](#)

About Mambu



Mambu is the world's only true SaaS cloud banking platform. Launched in 2011, Mambu fast-tracks the design and build of nearly any type of financial offering for banks of all sizes, lenders, fintechs, retailers, telcos and more.

Our unique composable approach means that independent components, systems and connectors can be assembled in any configuration to meet business needs and end user demands. Mambu has 900 employees that support 250 customers in more

than 65 countries - including Western Union, Commonwealth Bank of Australia, N26, BancoEstado, OakNorth, Raiffeisen Bank, ABN AMRO, Bank Islam and Orange Bank.



About Paymentology



Paymentology is the first truly global issuer-processor, giving banks and fintechs the technology, team and experience to issue and process Mastercard, Visa and UnionPay cards across 50 countries.

The company currently has payments experts with deep, local market knowledge on the ground in more than 60 countries, across 14 time zones, guaranteeing 24/7, worldwide support.

Its superior multi-cloud platform, offering both shared and dedicated processing instances, vast global presence, and richer real-time data, sets it apart as a leader in payments.

Get in touch