

Three major payment trends in an advancing African market

 By [Eran Feinstein](#)

18 Jan 2016

Rapidly advancing technology is not just changing the topography and demographics of East Africa - it is transforming the entire face of business, retail and financial development. What was once viewed as an untappable region is now being revisited with fresh eyes as an evolving market that is robust, viable and competitive - and should be globally recognised.

A positive population growth has led to an emerging younger consumer market, a greater interest in spending, and a stronger economy to support those desires. All these factors combined create the need for farther-reaching global financial services, and progress is quickly shifting towards Africa as a new goldmine of unharvested potential. The majority of the East African population is without a bank account or credit card, so in response to this growing need for alternative financial and payment solutions, innovations in mobile money and mobile payment methods have experienced a huge boom in recent years.

The African region is the second-fastest-growing economy to date, showing steadily increasing rates of production and economic turnaround every year. Private consumption rose a staggering \$568 billion in just 10 years, and there is a further \$410 billion projection for the next 10 years. With such a healthy rise in spending, financial services players would be ill advised not to get on board. Heeding the call, companies are quickly developing payment solutions to accommodate the growing African demand, giving rise to progressive payment technology providers, such as 3G Direct Pay.

Given the current state of the payments industry and the surprising exponential growth and direction in which it has been advancing, experts are making the following predictions:

1. Mobile operator regulations

Mobile operators will be more strictly regulated in regards to mobile payments, forcing those who fail to meet the regulations to integrate their isolated mobile money solutions into the other schemes that meet the criteria, like Visa and MasterCard.

Eighty percent of the global mobile payments are being made in Africa. Furthermore, a 2012 report by GSMA noted that mobile connections have doubled since 2008, illustrating the great need for increased investments and stronger regulations to maintain the mobile ecosystem. Twenty-sixteen should witness an influx of partnerships between mobile payment services and central banking institutions to increase the security, convenience, and legitimacy of these services and overcome barriers that new regulations may create.

2. The rise of cross-border and regional solutions

As mobile money solutions evolve, cross-border and regional options will become more prominent, creating opportunities that will bridge the gaps in financial volatility, both physically and technologically.

One of the greatest challenges that the African sector has faced to date is the inability to mainstream financial services across the wide landscape of this great continent. It has already been duly noted that many consumers will not open a bank account because of basic inaccessibility. In addition to consumers, there is a variety of merchants and suppliers that do business in multiple countries in the region who are in need of convenient cross-border financial solutions. For these and other reasons, the need for regional payment advancements has been a mounting challenge for which service providers are already developing answers. Vodacom, for example, is working towards making its

services accessible and usable from anywhere in the world. The end goal is to be able to provide a viable payment solution for every user regardless of location.

3. E-commerce takeover

E-commerce (and m-commerce) will grow significantly in 2016 in East Africa, as consumers in the region become more exposed to worldwide trends and technologies.

In a recent study, 84% of Africans projected a higher income in the coming years. Additionally, with the development of technological solutions, the general population is receiving higher levels of education and greater exposure to the internet. Combine this with an increased level of brand awareness and a mounting desire for trends and fashion items, the African economy is setting the stage for big prospects and a retail explosion.

Because of the geographical hurdles that are presently facing such a wide audience, e-commerce and mobile commerce are the obvious direction for consumer marketing to evolve towards. Customers, businesses, and financial providers can all expect to see a growth in the internet-driven commerce sector, and each one will contribute to this economic up-trend.

With such great technological advancement in the payments sphere, the prospects for businesses and consumers alike are thrilling. We have seen significant development in recent years and will surely continue to experience improvements and adaptations in 2016 as well.

ABOUT ERAN FEINSTEIN

Ernan Feinstein is the CEO of Direct Pay Online, a global e-commerce and online payments solutions provider for the travel and related industries. With over 14 years of experience leading technology, sales, marketing and operation teams, Feinstein is an authority in the East African e-commerce and payments arena.

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