



THE EVOLUTION OF PREPAID CROSS-BORDER TRANSFERS

Explore Prepay Nation's Pioneering White Paper on the
Future of Cross-Border Transfers in the Middle East



prepaynation.com

ABBREVIATIONS

LMIC	Low-and Middle-Income Countries
CAGR	Compound Annual Growth Rate
MENA	Middle East and North Africa
MENAP	Middle East, North Africa and Pakistan
IP	Internet Protocol
CBN	Correspondent Banking Network
API	Application Programming Interfaces
BNPL	Buy Now Pay Later



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A. INTRODUCTION

Mobile phones and mobile technology have played a fundamental role in transforming customers' behaviors and reshaping their preferences and needs when it comes to exchanging value with others and businesses. The impact of this transformation, particularly in the cross-border transfers sector, has been enormous, especially in the post-COVID-19 era. We are witnessing a clear shift from cash to digital transactions, from traditional methods to more sophisticated approaches, and from traditional monetary cross-border transfers to purpose-driven, productized cross-border transfers.

Today, there are 1.35 billion registered mobile money accounts facilitating \$1 trillion in transactions annually. That is an astonishing level of transactional activity—almost \$2 million per minute of transactions, 24 hours a day, seven days a week, 365 days a year.

Source: GSMA

Mobile money and productized cross-border transfers have become essential in providing financial support to our loved ones in ways that are more defined and cost-effective than ever before. Today, there are 1.35 billion (1) registered mobile money accounts facilitating \$1 trillion in transactions annually. That is an astonishing level of transactional activity—almost \$2 million per minute of transactions, 24 hours a day, seven days a week, 365 days a year. Additionally, according to the World Bank's estimation in the first half of 2022, cross-border transfers to low- and middle-income countries (LMICs) were projected to increase by 4.2% (2) by year-end, reaching \$630 billion. This growth follows the remarkable recovery of 8.6% witnessed in 2021. These numbers gain even greater significance as mobile money expands and evolves within the customer landscape.

In recent times, there has been a rising demand for productized cross-border transfers from immigrants and the diaspora, who seek greater control over the money they send back home. This demand has given rise to a diverse range of prepaid top-ups for airtime, data, bundles, eGift cards, and utilities. Such diversity in value transfers has tremendous potential for inclusivity, especially for the financially underserved, and it represents a revolutionary solution for the diaspora scattered across the globe, enabling them to maintain connections to their homelands. This white paper focuses on the productized cross-border transfers of prepaid products, as they are widely utilized globally and continue to grow each year.

B.A GLOBAL SNAPSHOT OF CROSS-BORDER TRANSFERS

Cross-border transfers are financial transactions involving parties located in different countries. This term encompasses both large-and small-scale transfers, including remittances. There are various methods of conducting cross-border transfers with bank transfers, exchange houses, credit card payments, and alternative payment solutions (such as electronic wallets, kiosks, and mobile payments) being the most widely used means of moving money across international boundaries.













Traditionally, cross-border payments have relied on Correspondent Banking Networks (CBNs), which most suppliers utilize to make their payments. However, in recent years, new advanced networks have emerged, facilitating optimized cross-border payments and establishing interoperability among diverse payment methods. These networks also empower recipients to send funds themselves. Funds operate within “closed-loop” systems. Domestic payment systems are typically not directly connected to systems in other countries. Hence, during a transfer between two entities, the currency itself is not physically transported overseas. Instead, international banks offer accounts to their foreign counterparts to execute foreign currency payments. Thus, funds do not actually cross borders; rather, accounts are credited in one jurisdiction and debited for an equivalent amount in another. Money transfer agents and fintech companies are increasingly embracing these new back-end networks to expedite the movement of funds for both businesses and individuals.

Currently, there are two distinct categories of cross-border payments:

- **Wholesale Cross-Border Payments:** This type is primarily utilized by financial institutions to facilitate their own operations and support customer activities, such as borrowing, lending, currency exchange, and share trading. Additionally, it is the preferred method of conducting large-scale transactions related to the import and export of goods and services.
- **Retail Cross-Border Payments:** These payments involve transactions between individuals and businesses. They comprise of various types, including Business-to-business (B2B), Consumer-to-Business (C2B), Business-to-Consumer (B2C), and Consumer-to-Consumer (C2C) Cross-Border payments.

The top Four countries in terms of the receipt and sending of cross-border transfers are shown below.(3)

Countries receiving the largest number of inward cross-border transfers (2023)		Countries sending the largest number of outward cross-border transfers (2022)	
1  India	125 billion	1  The United States	81 billion
2  Mexico	67 billion	2  United Arab Emirates	39.6 billion
3  China	49.5 billion	3  Saudi Arabia	39.3 billion
4  The Philippines	40 billion	4  Switzerland	33.5 billion

Source: Knomad, The World Bank

When discussing cross-border transfers, it is worth mentioning that the United States, the UAE and Saudi Arabia, three of the world's largest remittance hubs, handled \$160 billion in payments in 2022, accounting for approximately 11.7% of the GDP of the three nations combined.



According to a World Bank report, a large percentage of cross-border transfers received in 2023 were directed towards LMIC countries. Many of these countries are those from which a substantial percentage of the population has migrated to more developed economies in search of employment opportunities or a better standard of living.

An impressive 69% of Middle East payments are expected to go cashless in 2023, and similar trends are observed worldwide.

Despite the economic repercussions of the COVID-19 outbreak, the flow of cross-border transfers, both in terms of cash and productized transfers, either increased or remained stable. One possible explanation for this is the global shift from physical stores to digital platforms brought about by the pandemic. People started seeking new ways to make purchases and perform necessary fund transfers through the internet when running to a nearby shop became inconvenient. Consequently, the acceleration of the digital revolution became inevitable. Notably, an impressive 69% of Middle East payments are expected to go cashless in 2023, and similar trends are observed worldwide. (5)

Fintech is burgeoning in the MENAP (Middle East, North Africa, and Pakistan) region, thanks to funding increases and revised licensing regimes. Moreover, it is estimated that MENAP fintech revenue could increase almost threefold, from \$1.5 billion in 2022 to between \$3.5 billion and \$4.5 billion in 2025. (6)

This white paper highlights improved economic conditions and the shift from cash to digital and informal to formal channels as major drivers contributing to this development.

C. EVOLUTIONARY JOURNEY OF PREPAID CROSS-BORDER TRANSFERS

Prepaid cross-border transfers extend beyond the traditional concept of cash transfers. They encompass the entire money value chain, enabling the transfer of value through the exchange of tangible products instead of physical currency. Unlike conventional remittances, cross-border transfers consider situations where the desired transfer is not in the form of cash, but rather involves actual products or services. This process involves the development and delivery of specific products, where remittances are directly transformed into the intended value for which the money is remitted.

According to the Bank of England, the value of cross-border payments could reach over 250 trillion dollars by 2027.

During the last few decades, the increased international mobility of goods, services, capital, and people has contributed to the growing economic importance of cross-border payments. According to the Bank of England, the value of cross-border payments could reach over 250 trillion dollars by 2027. (7)



Historically, banks have been at the centre of the cross-border payment market. However, end-consumers and businesses have encountered various problems with banks, such as a lack of transparency, long settlement periods, high transaction costs, and limited accessibility. This means that a transaction from a French bank account to Senegal could incur more than €100 of charges depending on the transaction value and could take up to seven days to be settled. Moreover, the sender may not even receive an acknowledgment that the transaction has been completed.

These conditions are ripe for competition, and new players have entered the market to allow end-consumers to have access to efficient, reliable cross-border payment services. The landscape has become more fragmented and competitive as companies focus on different geographic zones, transaction sizes, and payment segments.

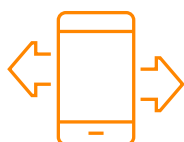
Although many new entrants aim to change the underlying nature and dynamic of the cross-border payment market, most are focusing on low-value transactions in the C2C, B2C, and B2B segments, which are underserved by banks and traditional service providers. These low-value transactions from, to, and between emerging markets have the highest disruption potential, driven by consumer behavior, increased trading with emerging markets, and the need for greater financial inclusion.

The global prepaid eGift cards market is expected to witness a compound annual growth rate (CAGR) of approximately 8.8%, reaching over \$16.32 billion by the end of 2023.



Airtime Top-ups:

This feature enables customers to send airtime top-ups as cross-border transfers to their friends and family members. According to the World Bank, there are still over 1.9 billion (8) unbanked individuals globally, mainly due to factors such as high costs and limited accessibility. Airtime transfers provide an easy and accessible alternative to traditional cross-border transfers, making them particularly suitable for the unbanked population. Additionally, businesses can utilize airtime top-ups to drive customer engagement or offer rewards within loyalty programs.



Data Recharges:

Productized cross-border transfers also include data top-ups, allowing individuals to send data recharges as part of cross-border transfers. This facilitates easier connectivity for the unbanked and underbanked populations worldwide, and receiving cross-border transfers in the form of data top-ups is much more convenient.



Bundles Packages:

Customers have the option to send bulk top-ups for airtime, data, and more to multiple users simultaneously, leveraging a network of numerous mobile operators through airtime aggregators.



eGift Cards:

Prepaid gift cards are highly popular as gift options for both senders and receivers. The global prepaid eGift cards market is expected to witness a compound annual growth rate CAGR of approximately 8.8%, reaching over \$16.32 billion by the end of 2023, a substantial increase from the \$15 billion recorded in 2022. (9)



Gaming eCards:

These are a specific type of eGift cards that recipients can redeem for virtual currency, subscriptions, and other in-game items in various popular games such as Minecraft and Fortnite.



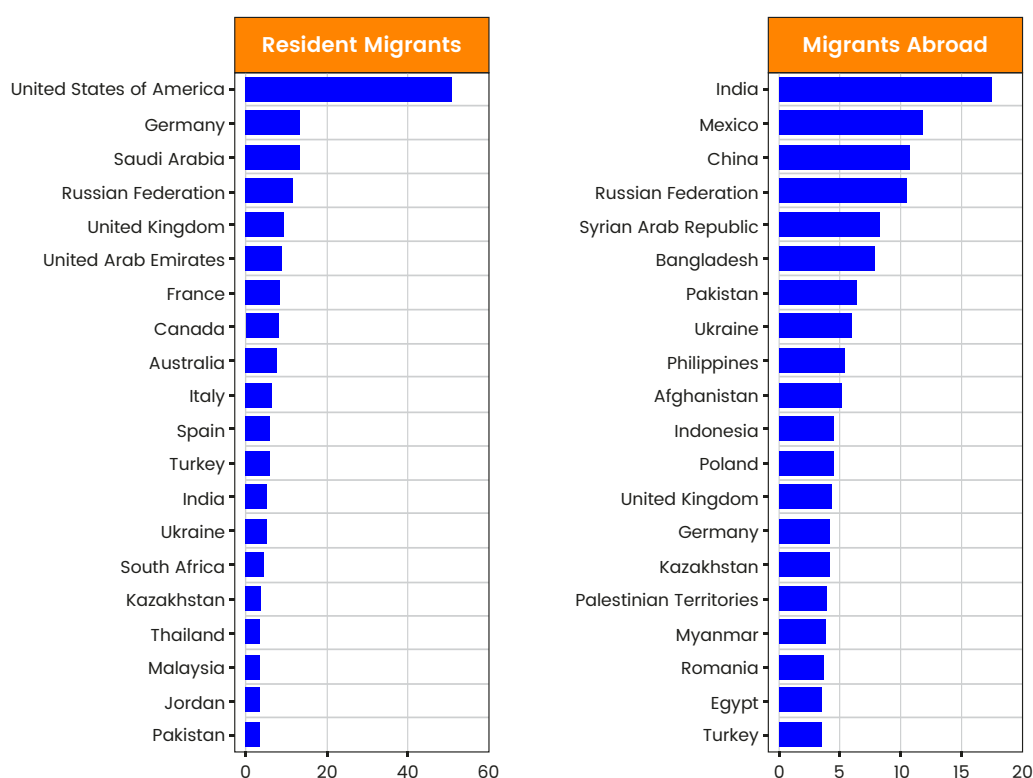
Utility Payments:

Prepaid customers can also utilize productized cross-border transfers to make utility payments, including electricity bills and other essential services, through aggregators that provide businesses with API plug-ins for seamless transactions.

D. UNLEASHING THE POWER OF GLOBAL MIGRATION

Global migration has increased significantly, and more individuals are relocating from their home countries to other nations in pursuit of employment, education, or various other objectives. Over the past two decades, the world has observed a substantial increase in the population of international migrants living outside their country of origin. In 2020, the number of migrants residing abroad reached 281 million (10), compared to 221 million in 2010 and 173 million in 2000. Currently, migrants constitute approximately 3.6% of the global population.

Top 20 destinations (left) and origins (right) of international migrants in 2019 (millions)



Source: UN DESA, 2019a (accessed 18 September 2019).



Over the past two decades, the world has observed a substantial increase in the population of international migrants living outside their country of origin.

- Remarkably, two-thirds of these migrants are concentrated in just 20 countries, including Saudi Arabia and the United Arab Emirates, among others.
- The United States of America remains the most significant destination for diaspora populations, hosting 51 million immigrants, which accounts for 18% of the immigrant population. Germany follows closely with 16 million immigrants, while Saudi Arabia accommodates 13 million, the Russian Federation houses 12 million, and the United Kingdom provides residence for 9 million immigrants.
- India holds the distinction of having the largest diaspora population residing abroad in 2020, with a staggering 18 million Indians living as immigrants in various countries. Other nations with substantial diaspora populations include Mexico, Russia, China, and Syria.

These migrants play a crucial role as both senders and recipients of cross-border transfers, encompassing both productized and traditional forms. Rather than simply providing financial support to their families or friends in their home countries, these individuals seek greater control over their finances. As a result, they opt for purpose-driven cross-border transfers that align with their specific intentions and needs when sending funds to their home countries.

E. EMBRACING THE CASH-TO-DIGITAL WAVE ACROSS MENA

In 2022, global consumer Internet Protocol (IP) traffic is expected to reach 333 exabytes per month at a 27 percent compound annual growth rate.

Source: Statista.com (11)

The impact of the COVID-19 pandemic has significantly accelerated the transition from cash to digital payments. The MENA region has actively embraced digital payments, enabled by a supportive government focus and a strategic push towards digital or cashless economies. Around 85% (12) of fintech firms in the region operate in the payments, transfers, and remittance sectors. The emergence of cryptocurrencies and the growth of blockchain-powered ecosystems that will drive the development of Web3 have further fueled this transition. As a notable example, the retail mobile-commerce market in the UAE is projected to experience a growth rate of approximately 19% between 2020 and 2025.



In the United States, the average customer spent around 4.2 (13) hours using mobile apps in the third quarter of 2021, up from 3.9 hours in the previous quarter (Q2 2021). In the Middle East and North Africa (MENA) region, the number of mobile internet users reached 300 million (14) in the same year. As of 2023, there are already 4.5 billion (14) mobile internet subscribers worldwide, with a total of 8.5 billion mobile connections. Furthermore, it is expected that an additional 400 million new mobile subscribers will join by 2025. This widespread mobile connectivity has played a significant role in triggering the growth of cross-border transfers.

The COVID-19 pandemic acted as a catalyst for the major retail players to adopt digital payments. Online retail volumes have grown by more than 50% in the MENA region since 2019. The region, led by the UAE, Saudi Arabia, and Egypt, is also experiencing a significant boom in the fintech sector, with over 800 startups worth \$15.5 billion in the UAE. (12)

In addition, the positive economic outlook and the push from government entities for a digital economy—with agendas such as Saudi Vision 2030, Egypt Vision 2030, and the UAE's digital strategy—are driving the shift towards digital payments and reducing cash dependency.

The MENA region's predominantly young and digitally savvy population is a key factor. Internet penetration in the UAE is among the highest in the MENA, estimated at 329%, while Saudi has a 162% internet penetration and Egypt is at 68%. The region's share of younger people (comprising Gen Alpha, Gen Z, and Millennials) is estimated at 75%, which is higher than the global average; this offers a strong potential for digital payment adoption. (12)

Let's take a look at the forces driving the cash-to-digital wave:

1. CHANGING CONSUMER BEHAVIOUR

Consumer behavior remains critical in maintaining an edge in the digital payments space. With traditional banking, credit agreements for high-priced items usually require a lengthy documentation process and an extended repayment period. Today, fintech service providers have bridged the gap by enabling the consumer to expand their purchase remit with solutions such as Buy Now, Pay Later (BNPL), enabling consumers to purchase products with simple, manageable, and interest-free installments over a set period of time.

In the MENA region, BNPL accounted for 6% of online retail transactions in 2021, expected to grow steadily over the next few years. Online retail is a major pillar of the digital economy, with Saudi, Egypt, and the UAE forming 80% of the region's overall online retail sales. This has transformed the new consumer experience with new online payment methods and mediums to offer a seamless experience.

There's also a unique opportunity for digital and instant payments to onboard low-income and unbanked segments and, ultimately, reach financially disadvantaged communities and enable them to engage in the digital economy.

Online retail, travel, essentials, and leisure are the fastest-growing business verticals in digital payments. In the coming years, with an encouraging drive from MENA government entities aiming for a cashless society, categories such as essentials (including utilities, healthcare, insurance, education, bill payments, and government services) will have the largest share of digital payments, followed by travel, and online retail.





2. Governance and Innovation Go Hand-in-hand

Governments and central banks in the region have become agile with regulations around consumer finance and payments, with regulatory frameworks expanding to include new and innovative payment-related products that are consumer-centric and offer a seamless experience. The joint efforts by governments, banks, payment service providers, and fintech entities will likely drive the adoption rate.

3. Payments Everywhere – Right Now

Cross-border payments are expanding as governments develop instant payment systems through bilateral and multilateral agreements and the rise of pure-play online retailers enabling online purchases across geographies.

In the coming years, we could witness the rise of one-world payment systems, integrated everywhere, with a unified and integrated system across the MENA region, entering into an instant and borderless payments landscape.

In the MENA region, B2B payments contribute almost 97% of all cross-border payments. Results also showed that consumers are keen to explore cross-border purchases for better prices and product access. Businesses can gain an advantage by exploring fintech and payment service provider systems for multi-currency purchases across regions. Entities with a multi-country presence can also leverage pure-play online retailers to offer a unified purchase experience.

4. The Evolving Definition of Financial Inclusion

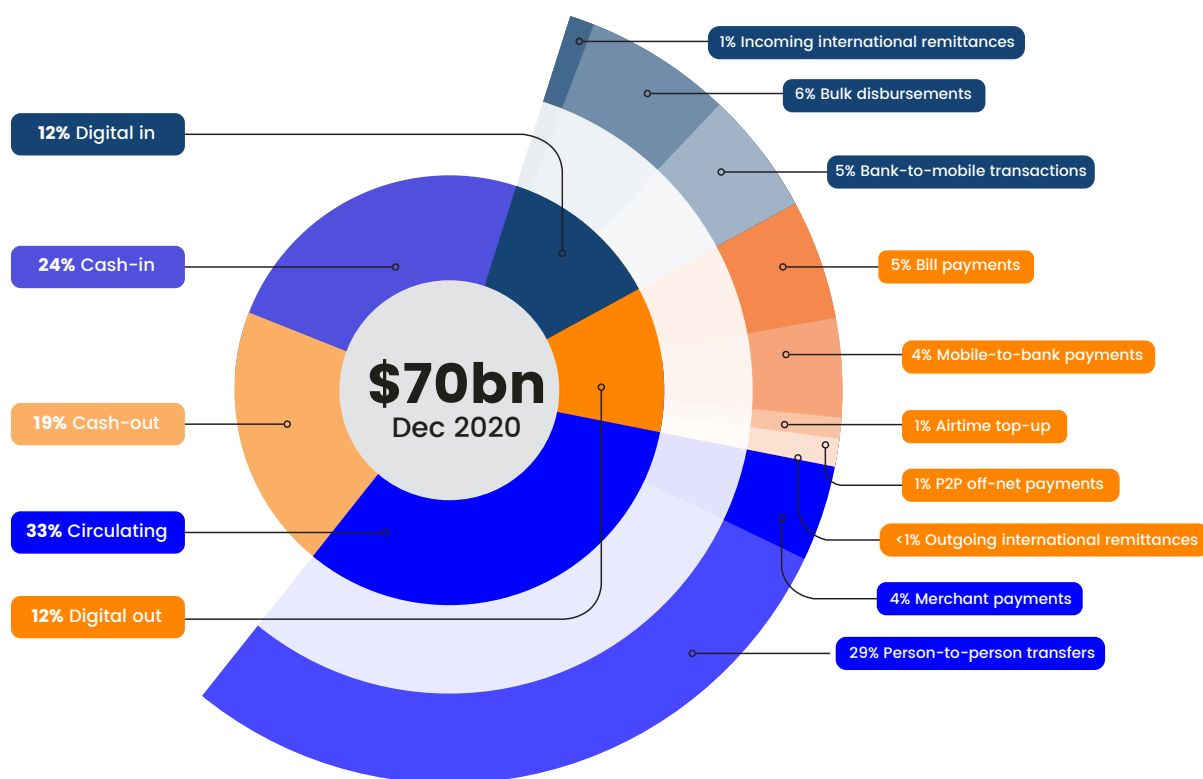
Significant strides in financial inclusion have been made in the MENA region, and stakeholders are collaborating intensively to ensure a cohesive and inclusive digital landscape. As the penetration of smart appliances and devices continues to spread, financial inclusion is likely to expand across channels, including connected devices like smart speakers and televisions.

Mobile money remains a foundation for financial inclusion. In Egypt, with an estimated unbanked population of 44 million people, improving financial inclusion is a crucial issue. Almost three-quarters of Egyptians are under 40, and the nation's young people offer an immense opportunity for digital payments. This was evidenced by a recent initiative of the Central Bank of Egypt, which waived all fees applicable to e-wallets and increased the transaction limits of e-wallets linked to mobile phones. The result? A new wave of mobile wallets now supports peer-to-peer transfers and offers easy cash conversion to digital money and vice versa. Collaboration is key as consumers and merchants alike seek a seamless experience. Besides working with the government, fintech entities and payment service providers must leverage each other's competencies. Business merchants can tap into a new consumer base by utilizing systems that offer the latest payment methods and customized solutions targeted at demographics with lower spending power.



MONTHLY VALUE SNAPSHOT

December 2020



Source: GSMA

5. Keep Up or Get Left Behind

Consumers are still the biggest driver in unravelling the potential of digital payments. In particular, the younger generation, indifferent to slow and traditional methods for day-to-day transactions, are more used to having everything they want and need just a click away.

By partnering with a prepaid marketplace such as Prepay Nation merchants can offer their customers seamless, secure, and convenient prepaid cross-border services anywhere, anytime.

F. The Rise Of Prepaid Customers

With prepaid services, customers can pay for goods or services in advance, even before utilizing them. Prepaid services have evolved to include various productized cross-border transfers, such as top-ups for airtime, data, bundles, eGift cards, and utility bills.

The presence of large immigrant populations is a significant factor contributing to the annual growth of the prepaid market. In addition to the United States, Latin America, and the UAE, countries like the Philippines, Indonesia, and Nigeria also boast robust prepaid segments.



The top 3 growth countries for prepaid card and digital wallets across the MENA region:

1. United Arab Emirates increased at a Compound Annual Growth Rate (CAGR) of 9.2% between 2018 and 2022. Looking ahead, it is projected that between 2023 and 2027, the market will witness a CAGR of 12.3%. This growth trajectory would result in a net market value of USD 10.30 billion by 2027, a substantial increase from the USD 5.66 billion recorded in 2022.(15)
2. Saudi Arabia increased at a CAGR of 6.8% during 2018–2022. Over the forecast period of 2023 to 2027, the market is expected to record a CAGR of 8.8%, increasing from US\$7.31 billion in 2022 to reach US\$11.30 billion by 2027.(16)
3. Egypt increased at a CAGR of 13.6% during 2018–2022. Over the forecast period of 2023 to 2027, the market is expected to record a CAGR of 15.2%, increasing from US\$2.75 billion in 2022 to reach US\$5.69 billion by 2027.(17)

G. Bridging The Economic Divide

The rapidly expanding prepaid market has facilitated the integration of billions of customers from emerging economies into the formal economy. Prepaid services have become a vital tool for inclusion, benefiting both customers and businesses. For customers, prepaid services provide access to and inclusion in the digital economy while, for businesses, they ensure a steady income flow and reduced risks.

In emerging economies, where cash is predominant, prepaid services offer a new level of financial freedom and inclusivity. For many individuals in such economies, prepaid is the only viable option for accessing telecom services and online platforms.

The prepaid economy is experiencing significant growth, with an increasing number of financially prudent customers joining the market. More than four-fifths of the customer base is now comprised of prepaid users, as it offers greater convenience, control, and transparency, particularly for those with limited financial means. In emerging economies, where cash is predominant, prepaid services offer a new level of financial freedom and inclusivity. For many individuals in such economies, prepaid is the only viable option for accessing telecom services and online platforms.

The rise of the prepaid market has played a crucial role in fostering financial inclusion, empowering individuals, and driving economic growth in emerging economies.



H. Empowering Immigrants: Prepaid Products as a Catalyst for Cross-Border Transfers

1. Airtime top-ups in the evolution of cross-border transfers

In the past, recharge cards and top-up cards were commonly used by customers worldwide to access additional minutes or airtime on mobile networks. However, digital top-ups provided by telecom networks have largely replaced these physical cards. With billions of mobile subscribers globally, representing over half of the world's population, the market for mobile plans and airtime top-ups is vast. Airtime top-ups have gained popularity, especially in emerging regions, surpassing postpaid telecom connections for several reasons. They help customers plan their monthly expenses more efficiently and provide a convenient way to support loved ones back home. To meet customer needs, network operators continually explore new technologies to offer the best-in-class products, that drive value.

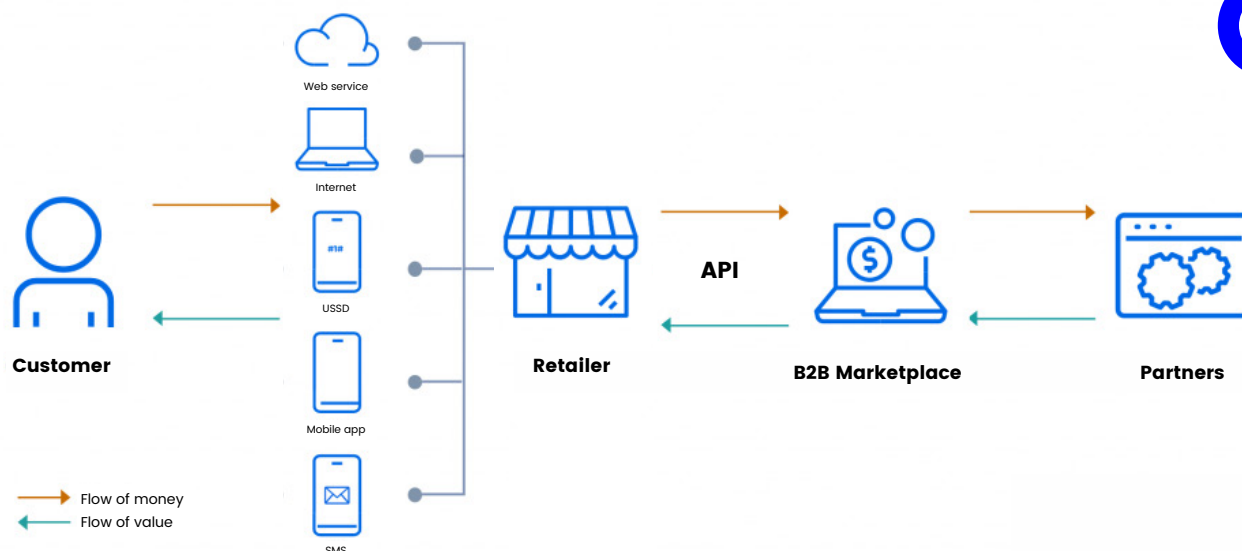
In 2021, traditional and productized global cross-border transfers, including airtime top-ups via mobile phones, reached a total of \$773 billion. Airtime top-ups and bill payments accounted for 8.3% (18) of the revenue generated by mobile transaction services by the end of 2021. Asia-Pacific and Africa together contributed 58% of the global percentage, with North America following at a significant share of 24%. With advancements in technology, increased competition, and the ongoing shift to digital platforms, this growth rate is expected to further accelerate, expanding the airtime top-up market even more.

2. Airtime Aggregators: The Driving Force

When considering the migrant population, telecom operators often face significant interoperability challenges due to the discrepancy between the payment origin and the actual usage location. For instance, a customer residing in Dubai may need to request an airtime top-up for a family member living in India. In such cases, not only is there a gap between the location where the service is needed and the payment source, but it is also possible that the specific telecom operator does not provide services in Dubai.

This interoperability issue is prominent in the telecom and communications industry, where market players typically operate within specific regions. This challenge creates a fragmented and segregated digital economy, limiting access to digital services to only those who are privileged or have specific regional affiliations. This is where the role of aggregators for cross-border transfers like Prepay Nation becomes crucial.

Prepay Nation plays a vital role in bridging the interoperability gap and overcoming these challenges, with a seamless Application Programming Interfaces (API) integration to their marketplace, businesses can enable cross-border airtime top-ups for their users between different telecom operators and countries. Users can easily send airtime top-ups to their loved ones, regardless of the geographical location or the telecom operator's reach in that area. The prepaid airtime can be utilized to access various services, including data usage, SMS, calls, and more. This helps to address the interoperability issues and ensure better access to digital services for migrant populations and individuals in need.



Through the integration of Prepay Nation's API, businesses enhance their product experience by providing users with a broader selection of operators. This fosters greater convenience, flexibility, and connectivity for customers and strengthens the global reach of telecom services.

3. Unleashing The Power of Airtime Top-Ups

Airtime top-ups have gained significant prominence in recent decades, driven by the increasing ownership of mobile phones in developing countries. These top-ups have become a popular choice for migrants seeking to financially assist their families in their home countries and better manage their budgets.

International top-up transfers have increased in the airtime market, with a growing number of intermediary service providers and higher user demand. The importance of staying connected became even more apparent during the COVID-19 pandemic, and airtime top-ups as productized cross-border transfers have played a crucial role in helping people stay connected during challenging times and natural disasters, serving as an innovative form of disaster relief. Now, let's examine the key benefits of airtime top-ups:

- **Budget Planning:** Airtime top-ups are highly favored by value-conscious customers due to their prepaid nature, enabling better budget planning and control.
- **Online Education:** Airtime top-ups serve as a means to bring seamless online education within reach, particularly for underprivileged individuals or those disconnected from traditional educational resources. These top-ups provide access to online courses from top global universities, remote job opportunities, and various employment prospects.
- **Access to Data Networks:** Airtime top-ups offer easy accessibility to data networks, granting users access to the vast knowledge available on the internet. With a single airtime top-up, users can find new connections with friends, family, and business communities through social media platforms.
- **Connectivity in Challenging Situations:** Airtime top-ups allow people situated in war zones, calamity-stricken areas, or other challenging circumstances to stay connected with their families in other countries, ensuring seamless communication during difficult times.



Airtime top-ups offer a multitude of advantages, including improved budget management, access to online education, connectivity in challenging situations, and easy access to data networks. These benefits make airtime top-ups a valuable tool for individuals seeking to stay connected, support their families, and access various opportunities in an increasingly digital world.

Airtime top-ups serve as easy entry points and are among the fastest-growing tools for productized cross-border transfers.



The shift from recharge scratch cards to direct top-ups has brought significant benefits for telecom operators and other businesses, leading to new subscriber acquisition and increased revenue. Additionally, businesses can leverage airtime top-ups as rewards to foster customer loyalty and expand their reach. Here is a summary of the benefits:

- **Supply Chain Efficiency:** Digital top-ups as productized cross-border transfers eliminate the need for supply chain management and reduce production and distribution costs associated with maintaining physical scratch card inventories.
- **Data Insights:** The digitization of airtime top-ups enables data operators and businesses to gather valuable customer insights and preferences. This data can be used to predict future trends and enhance decision-making processes.
- **Market Expansion:** Access to new markets and operational modes through airtime aggregators can drive up demand and revenue for operators. Additionally, the emergence of peer-to-peer airtime transfers provides an additional revenue stream.
- **Transaction Efficiency:** Airtime top-ups offer ease, comfort, and flexibility in recharging, making transactions more time-efficient. Furthermore, the digital nature of these transactions allows for better tracking and reduces the risk of theft and misuse through database records.
- **Inclusive Services:** Operators can scale their operations and offer more affordable services to financially prudent individuals. The availability of small denominations in airtime top-ups allows low to no-income groups to join the customer base, enabling even those without bank accounts to participate in the formal economy. Airtime top-ups serve as easy entry points and are among the fastest-growing tools for productized cross-border transfers.

Overall, the shift to digital top-ups brings efficiency, data-driven insights, market expansion, transactional benefits, and inclusive services, making airtime top-ups a valuable tool for businesses operating in telecoms and related industries.

I. Gift Card Growth

The global gift card market, valued at \$835.2 billion in 2022, is set to skyrocket to \$4.2 trillion by 2032 (19), driven by the increasing number of internet users worldwide, currently totalling 5.07 billion people. The key factors contributing to the growth of the gift card industry include the rise of digital gifting options, the use of gift cards as rewards and incentives, a consumer preference for experiences over tangible gifts, limited acceptance of gift cards, and security concerns surrounding their use. Let's explore these factors further.



1. Increased demand for digital gifting options

The rise of digital and mobile technology has sparked increased demand for digital gift cards, which are convenient and easy to purchase and redeem. With the ability to be instantly purchased and redeemed without the need for shipping or handling, digital gift cards offer greater flexibility and convenience. They can be easily stored on mobile devices and provide additional features like balance tracking and reloading options, enhancing their appeal and driving their growing popularity.

2. Gift cards as rewards and incentives

Gift cards aren't just rewards; they're catalysts for loyalty, recognition, and motivation. With the freedom to choose their own rewards and shop at their favourite retailers, recipients experience a surge of delight and value. But the magic doesn't stop there. Customizable with your brand's logo and message, gift cards become formidable marketing tools. Plus, their cost-effectiveness compared to cash or merchandise incentives empowers companies to control costs while delivering valuable rewards.

3. Gifting an Experience

In a world shifting towards the experience economy, gift cards have emerged as the perfect gateway to unforgettable dining, entertainment, and other services. People crave moments that create lasting memories, shared with loved ones, more than possessions that fade away. This shift in consumer behavior is rooted in the power of social media, where experiences can be shared and celebrated with the world. But it doesn't stop there. As global environmental consciousness grows, individuals are drawn to the sustainability of experiences over material goods. Gift cards empower recipients to choose their own adventure—such as a sumptuous meal at a favourite restaurant, an electrifying concert, or a blissful spa retreat. By tailoring the experience to the customer's unique interests and preferences, gift cards become cherished tokens of thoughtfulness. The trend towards experiences over tangible gifts signals increased meaningful connections and shared moments in our lives.

4. Unrestricted Gifting the Ideal Option

While gift cards hold immense appeal, their limited acceptance can pose a challenge for consumers seeking flexibility in their gifting options. Typically tied to a specific retailer or brand, these cards restrict recipients to a narrow selection of stores or online shops. Visa or Mastercard gift cards offer unparalleled versatility, as they are accepted by a wide range of businesses. By granting the freedom to choose, these cards provide a more inclusive and adaptable gifting experience. However, it's essential to note that gift cards often come with expiration dates. This time constraint can be perceived as a drawback for individuals who prefer gifts without a limited lifespan. As a result, the limited acceptance of gift cards remains a significant factor that restrains the growth of the gift card market. Nonetheless, the journey continues towards expanding acceptance and enhancing the gifting experience, ensuring that the joy of giving knows no bounds.



5. Safeguarding against Hacking and Fraud

In today's digital world, gift cards stored electronically are vulnerable to hacking and fraud, making consumers wary of their security. Hackers can drain the balance of these electronically stored gift cards by gaining unauthorized access. Additionally, fake websites posing as legitimate gift card sellers can steal payment information. To protect gift cards, users need to purchase them directly from reputable sources, avoid suspicious offers, and keep card details private. Addressing these security concerns is crucial for the growth of the gift card market and consumer confidence.

6. A Growing Channel for Prepaid Products

The gift card market is thriving, driven by digitalization, self-use trends, and the use of incentives. Personalized and experiential gift cards offer unique gifting options, while cross-channel marketing campaigns and gift card marketplaces enhance consumer choices. With evolving consumer preferences and technological advancements, the gift card industry is poised for continued growth and innovation.

J. Prepaid Utility Payments

Prepaid utility payments offer several benefits to consumers. Here are some of the advantages:

Budgeting and control:

Prepaid utility payments allow users to allocate a specific amount of money for their utility expenses in advance. This helps in budgeting, ensuring that enough funds are set aside for utility bills, and usage monitoring.

Avoiding bill shocks:

With prepaid utility payments, users pay for utilities upfront, eliminating the surprise of receiving a large bill at the end of the month. This helps in avoiding any bill shocks.

Convenience and flexibility:

Prepaid utility payments offer convenience by allowing users to make payments online or through mobile apps, saving time and effort. They also provide flexibility through payment options, such as credit cards, debit cards, or digital wallets, making it easier for users to choose their preferred method of payment.

Improved energy efficiency:

When users have a clear understanding of their utility consumption and associated costs, they tend to become more conscious of their energy usage. Prepaid utility payments can encourage energy conservation and efficiency by promoting responsible consumption habits.





No late payment penalties:

Since prepaid utility payments are made in advance, there is no risk of late payment penalties or disconnection due to non-payment. This can be particularly beneficial for individuals who have an irregular income or face difficulties in managing monthly bill payments.

The global prepaid utility payments market was valued at around \$1.3 billion in 2020. The market has been growing steadily, driven by factors such as increasing digitization, the adoption of smart meters, and the rising popularity of mobile payment solutions.

The value of prepaid utility payments lies in the financial control and flexibility they offer to consumers. By prepaying for utilities, individuals can effectively manage their budget, avoid unexpected bills, and make more informed decisions about their energy consumption. Additionally, the convenience and peace of mind associated with prepaid payments contribute to a better overall user experience.

K. Factors Fueling The Growth of Prepaid Cross-Border Transfers

Let's summarize the driving factors behind the increasing adoption and growth of productized cross-border transfers:

1. E-commerce Fuel:

The explosive growth of the e-commerce sector has revolutionized customer preferences and shopping behaviors. Already a \$16.6 trillion industry in 2022, it is projected to soar to \$70.9 trillion by 2028. As more consumers embrace online purchasing, the demand for productized payments and transfers has skyrocketed. These convenient digital transactions enable individuals to buy, share, and gift seamlessly from the comfort of their homes. Prepaid customers, who frequently engage in online shopping, make multiple purchases per week. Moreover, the global shift towards cashless deliveries during the COVID-19 pandemic—particularly in countries like Saudi Arabia, Egypt, UAE, and Qatar—propelled the transition to prepaid further, intensifying the demand for airtime top-ups.

2. Social Media Influence:

The exponential growth of social media platforms has played a significant role in driving the demand for airtime top-ups. Customers now gravitate towards communication and interaction through popular channels like Whatsapp, Facebook, TikTok, and Instagram, engaging in various audio and video media. Leading the pack is Whatsapp, followed by other giants like Facebook, Instagram, Netflix, Twitter, and Spotify.

3. Increased Mobile Adoption:

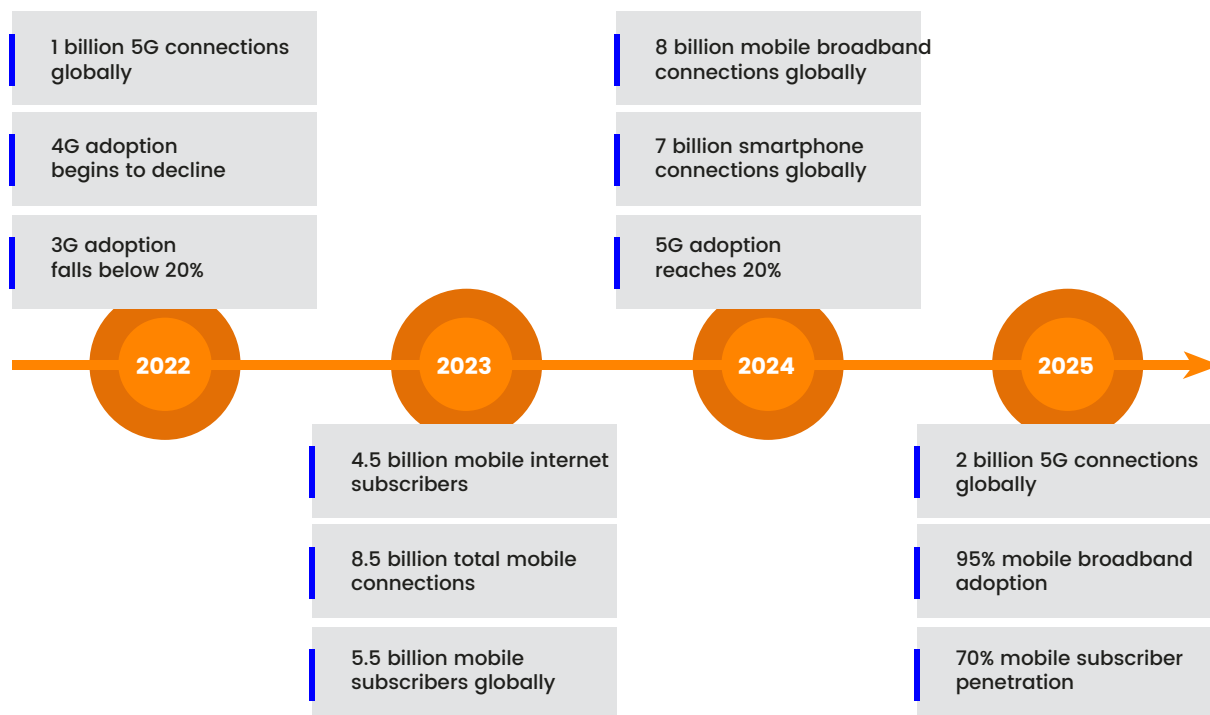
3. Increased Mobile Adoption: The rapid surge in mobile technology adoption has emerged as a key driver for customers' airtime requirements. Smartphones have become a one-stop solution for diverse entertainment needs, with social media, video streaming, gaming, shopping, and trading applications demanding real-time data connectivity. Notably, video streaming platforms like Netflix have adapted their subscription models to incorporate on-demand gifting and prepaid gift cards. Astonishingly, a staggering 5.3 billion (14) mobile customers, constituting 67% of the world population, have subscribed to various mobile services, underscoring the indispensability of airtime top-ups in meeting their dynamic mobile demands.





Figure 1

Key milestones for the mobile industry to 2025



Source: GSMA Intelligence

Source: GSMA Intelligence (14)

4. Empowering the Unbanked:

The prevalence of unbanked populations is a driving force behind the increasing demand for prepaid products. In addition to prominent tech hubs like Dubai, Abu Dhabi, Riyadh, and Manama, the region is home to a staggering 85 million unbanked adults out of the 1.9 billion worldwide. By addressing the needs of the unbanked population, prepaid products contribute to financial inclusion and empower individuals in their daily lives.

5. The Versatility of Gift Cards:

Gift cards have emerged as a preferred method of gifting, rewarding, and making payments, offering a multitude of benefits. With a few simple taps, customers can effortlessly purchase and send eGift cards to recipients via email or text message. The gift card markets in Africa and the Middle East have witnessed remarkable growth, with a compound annual growth rate CAGR of 10.2% between 2018 and 2022. Anticipated to expand by 11.5% annually, this industry is projected to reach a value of USD 11,215.1 million by the end of 2023 (20). The widespread popularity of eGift cards can be attributed to their convenience, personalization, flexibility, security, sustainability, and contactless options, all of which align perfectly with current customer trends and priorities.





L. Summary

The transformative impact of mobile technology on cross-border transfers has brought a shift from cash to digital transactions. The landscape, historically dominated by banks, is evolving with the rise of global migration. This diaspora, concentrated in specific countries, plays a vital role as both senders and recipients of productized and traditional cross-border transfers seek greater control over financial transactions.

Driven by technological advancements, changing consumer behavior, and the global surge in migration, the digital payments landscape is experiencing growth with prepaid services, airtime top-ups, gift cards, and prepaid utility payments. The expanding prepaid market plays a crucial role in integrating billions of customers from emerging economies into the formal economy. Prepaid services benefit both customers and businesses by providing financial inclusion, steady income flow, and reduced risks. Interoperability challenges in the telecom industry are addressed by companies like Prepay Nation, facilitating seamless cross-border airtime top-ups.

It is important for businesses to collaborate with a trusted partner like Prepay Nation to navigate the transformative landscape of prepaid cross-border transfers. As a leading provider of prepaid products for B2B, Prepay Nation understands the challenges of innovation and financial inclusion. We provide a comprehensive suite of connectivity solutions to a leading marketplace of prepaid products. Businesses can integrate prepaid cross-border transfers seamlessly into their existing workflows with the help of Prepay Nation. We are committed to meeting the cross-border transfer needs of businesses and providing unwavering support throughout the process.

Connect with Prepay Nation today and explore tailored solutions for your specific needs in the prepaid cross-border transfer landscape. Prepay Nation is a reliable ally in navigating the complexities of prepaid cross-border transfers, ensuring businesses can thrive in the evolving global market.

Book a Meeting with Prepay Nation





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ABOUT US

Prepay Nation is a leading global B2B prepaid products marketplace that facilitates the purchase of domestic and cross-border transactions of airtime, data bundles, e-gift cards and utility payments, with an operational presence in 150+ countries, with over 600+ mobile operator partnerships across 350,000+ retail locations. We enable trusted local and global brands to distribute prepaid products through our omnichannel worldwide reseller network. Our partners and clients benefit from increased sales, customer acquisition, engagement, retention and loyalty.

AT A GLANCE

150+

Countries

600+

Partnerships

350K+

Retail Locations

10K+

Prepaid Products

100MM+

Transactions

5BN+

Mobile Subscribers

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GLOBAL HEAD OF MARKETING

The Prepay Nation Advantage

Global reach and local presence

Our local presence allows us to respond swiftly and engage regularly with our customers, delivering solutions that align with their needs, meet local requirements, and draw upon established global best practices.

Exceptional Customer Experience

We'll support you in swiftly launching your operations, offering assistance with integrations, guiding you through cross-border best practices, and providing customized solutions.

Scalable, fast and flexible solutions

Crafted to seamlessly adjust to the dynamic market and evolving diaspora trends, our solutions operate with a speed, precision, and level of personalization that is achievable only through an in-house approach.

In-house B2B marketplace

Our B2B-focused global infrastructure seamlessly scales and continues to expand consistently. The marketplace is consistently updated to meet the highest demand for cross-border needs and partner supply.



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