



Standard Bank
Corporate & Investment Banking

PAYMENTS IN AFRICA





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PAYMENT CORRIDORS IN SUB-SAHARAN AFRICA

Namibia

**DAVID ROBINSON**

HEAD: STRATEGY ENABLEMENT, PAYMENTS,
TRANSACTION BANKING, CIB

Africa's economic transformation continues to gain momentum, in part driven by regional trade corridors, regional economic communities and regional payment systems that streamline the movement of capital, goods and services. The African Continental Free Trade Area (AfCFTA) provides a powerful framework for eliminating trade barriers and fostering financial integration, while initiatives like the Pan-African Payment and Settlement System (PAPSS), East African Payments System (EAPS) and Southern African Development Community Real-Time Gross Settlement (SADC-RTGS) system enhance the efficiency of cross-border transactions.

Despite these strides, Africa faces significant challenges, including infrastructure deficits, political instability, currency fragmentation, currency liquidity, discordant regulation and financial exclusion. Regional economic integration, regional economic communities and payment systems play pivotal roles in overcoming these challenges and shaping the future of trade and finance across the continent.

COMPONENTS OF GLOBAL AND REGIONAL MONEY FLOW

Flows into and between African markets:

1. Intra-African Trade

According to the UN Economic Commission for Africa, intra-African trade remains low, estimated at only 18% of the continent's total trade, compared to 70% in Europe and 52% in Asia. Barriers such as fragmented markets, high tariffs and limited infrastructure hinder the free movement of goods and services. AfCFTA aims to address these issues by creating a single market of 55 nations with a combined GDP of USD3.4 trillion, with the potential to significantly boost intra-African trade.

2. Foreign Direct Investment (FDI)

Africa attracts significant FDI in sectors such as mining, agriculture and energy, and increasingly in technology and manufacturing. Countries with stable governance, robust regulatory environments and modern infrastructure, such as South Africa, Uganda and Mozambique, are leading recipients. Regional economic zones (RECs) and regional corridors play a crucial role in channelling this investment by connecting resource-rich areas to global markets.

3. Remittances

According to the World Bank, in sub-Saharan Africa, personal remittances from the African diaspora reached USD55 billion in 2023, making them a vital source of income for millions. Countries like Nigeria, Egypt and Kenya are the largest recipients, with remittances often used to fund education, healthcare and small businesses.

4. Development Aid

Africa is the largest recipient of global aid, which supports infrastructure, healthcare and education. While this aid plays a vital role in addressing systemic challenges, critics argue that it can foster dependency and inefficiencies.

“Africa's regional corridors are the lifelines of regional trade, connecting landlocked nations to ports and linking economic hubs.”

KEY REGIONAL CORRIDORS IN SUB-SAHARAN AFRICA

Africa's regional corridors are the lifelines of regional trade, connecting landlocked nations to ports and linking economic hubs. These corridors are essential for the flow of goods.

1. Abidjan–Lagos Corridor (West Africa)

The Abidjan–Lagos Corridor spans the coastal cities of Abidjan (Côte d'Ivoire), Accra (Ghana), Lomé (Togo), Cotonou (Benin) and Lagos (Nigeria), facilitating trade in textiles, food products and oil in West Africa's most densely populated zone. The planned six-lane highway and the adoption of the ECO currency will further enhance regional connectivity.

2. Northern Corridor (East Africa)

The Northern Corridor extends from the Port of Mombasa (Kenya) through Uganda, Rwanda, Burundi, South Sudan and eastern DR Congo and serves as a critical conduit for agricultural exports, oil imports and consumer goods. The expansion of the Standard Gauge Railway (SGR) and industrial zones along the corridor is expected to boost regional trade.

3. Central Corridor (East and Central Africa)

The Central Corridor links the Port of Dar es Salaam (Tanzania) to Rwanda, Burundi and DR Congo and is utilised for mineral exports, agricultural products and manufactured goods. Investments in logistics and customs harmonisation will enhance trade efficiency.

\$55

REMITTANCES FROM THE
AFRICAN DIASPORA REACHED
\$55 BILLION IN 2023.



4. Port of Luanda Corridor and Port of Lobito Corridor (Southern and Central Africa)

These trade corridors facilitate trade flows from the two ports in Angola to DR Congo and Zambia. They are undergoing significant infrastructure investment and development enhancements, including the modernisation of Port of Luanda and Benguela Railway connection at Port of Lobito.

5. Walvis Bay Corridor (Southern and Central Africa)

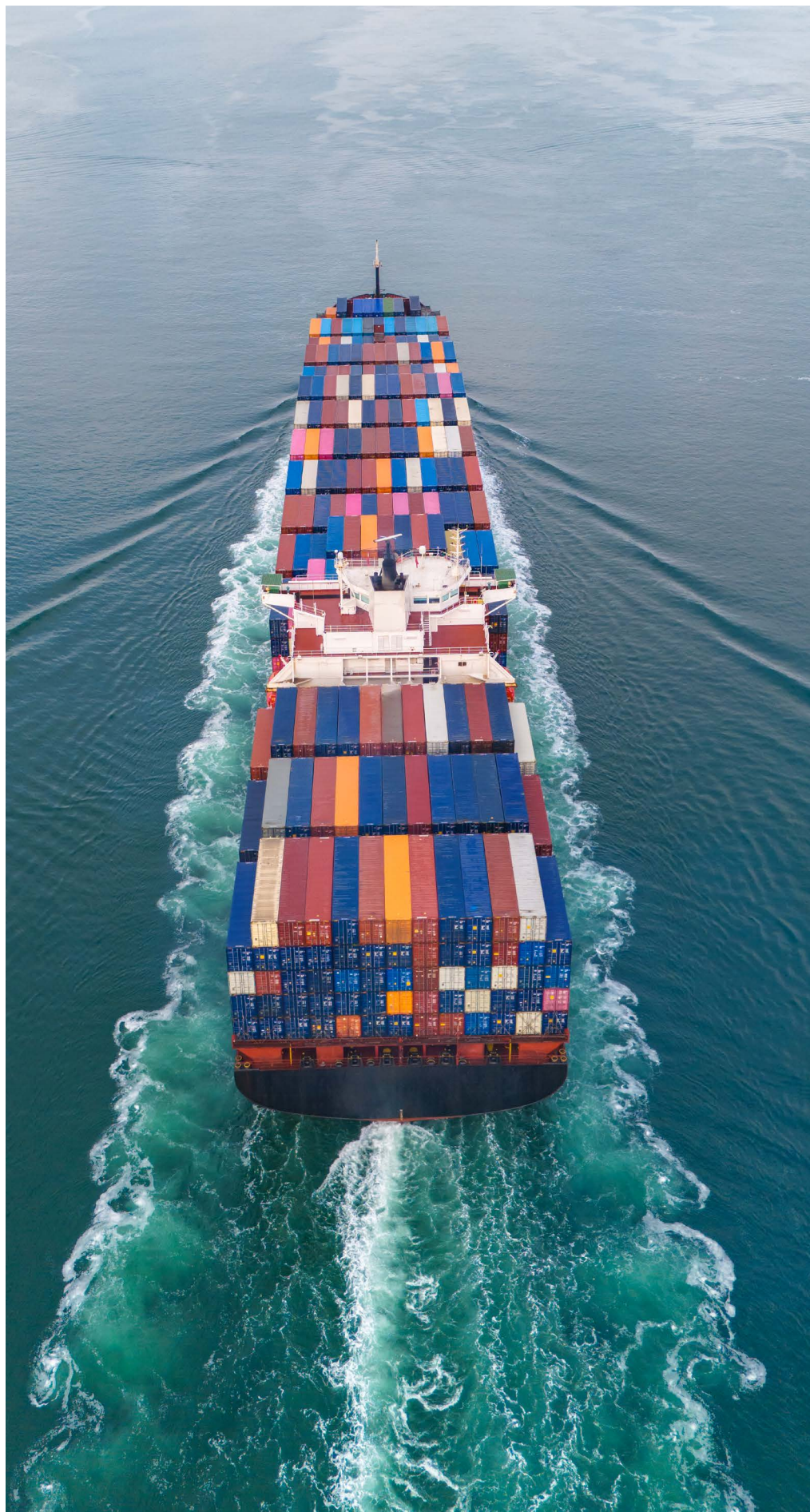
The Walvis Bay Corridor connects the Port of Walvis Bay (Namibia) with Botswana, Zambia, DR Congo and Angola, supporting mineral exports and agricultural trade from landlocked countries. Increased utilisation expected due to reliable port facilities and the development of dry ports and logistics hubs.

6. Maputo Corridor (Southern Africa)

The Maputo Corridor connects Gauteng, South Africa's economic hub, to the Port of Maputo in Mozambique, supporting mining exports, cross-border trade and regional energy projects. The expansion of port capacity and green energy initiatives will drive economic growth.

ECONOMIC COMMUNITIES AND THEIR INFLUENCE ON FINANCIAL AND TRADE FLOWS

Africa's eight officially recognised Regional Economic Communities, including the Southern African Development Community (SADC), East African Community (EAC) and Economic Community of West African States (ECOWAS), are instrumental in promoting trade and financial integration. However, overlapping memberships, disparate regulation and varying levels of commitment to regional integration often leads to inefficiencies.



1. Southern African Development Community (SADC)

SADC comprises 16 countries, including South Africa, Angola, Tanzania and Botswana, and facilitates trade in mining, agriculture and manufacturing. South Africa acts as the region's economic engine. The SADC-RTGS enables secure cross-border transactions, significantly enhancing trade efficiency.



AfCFTA is well positioned to increase Africa's GDP growth and increase the continents share of global trade.

**2. East African Community (EAC)**

The EAC includes Kenya, Uganda, Tanzania, Rwanda, Burundi, South Sudan and DR Congo and is a leader in regional integration, with advanced frameworks like the Customs Union and Common Market. The East Africa Payments System (EAPS) facilitates real-time cross-border payments, while plans for a single currency aim to simplify transactions.

3. Economic Community of West African States (ECOWAS)

ECOWAS comprises 15 countries, including Nigeria, Ghana, Côte d'Ivoire and Senegal, promoting trade in textiles, oil and agriculture while working towards financial integration through the ECO currency. The Pan-African Payment and Settlement System (PAPSS) facilitates intra-regional trade by enabling payments in local currencies, with plans to extend to the rest of the continent.

REGIONAL PAYMENT SYSTEMS: REVOLUTIONISING FINANCIAL FLOWS

The development of regional payment systems is transforming the financial landscape by addressing inefficiencies, reducing transaction costs and boosting trade and investment.

1. Pan-African Payment and Settlement System (PAPSS)

PAPSS is intended to transform into an Africa-wide regional real-time payment system, reducing reliance on foreign payment systems like SWIFT, allowing payments in local currencies, cutting transaction costs and boosting liquidity.

2. East African Payments System (EAPS)

EAPS provides real-time payment settlements across the EAC region, in regional currencies, reducing transaction delays and promoting financial integration.

3. SADC Real-Time Gross Settlement System (RTGS)

SADC-RTGS enables efficient, secure cross-border transactions in ZAR across the SADC region, supporting key trade routes like the Maputo Corridor.

CHALLENGES FACING AFRICA'S INTEGRATION EFFORTS

1. Infrastructure Gaps:

Poor transport, energy and digital networks increase trade costs and limit the reach of payment systems.

2. Currency Fragmentation:

Over 40 currencies add complexity to cross-border transactions.

3. Cross-border Regulation: Disparate regulation across the continent adds complexity to cross-border transactions.

4. Economic Macros: Currency-liquidity challenges can reduce available funds for imports.

5. Financial Exclusion: Limited access to banking services restricts economic participation.



By embracing collaboration and leveraging digital technologies, Africa is poised to become a unified economic force in the global arena.



THE FUTURE OF REGIONAL INTEGRATION

1. The African Continental Free Trade Area (AfCFTA) as a Catalyst

The AfCFTA is a free trade area intended to unite 55 African countries with a combined GDP of USD3.4 trillion. AfCFTA will remove trade barriers, reduce trade tariffs and significantly increase intra-African trade. AfCFTA was launched in 2019 and trading commenced under the AfCFTA in 2021, with 54 member states having signed the AfCFTA agreement as at January 2025.

Combined with complementary regional payments systems like PAPSS, AfCFTA will diversify exports, expand regional value chains and increase value-added manufacturing across multiple sectors.

While challenges such as regulatory harmonisation remain, AfCFTA is well positioned to increase Africa's GDP growth and increase the continent's share of global trade.

2. Infrastructure Development

The current and planned investment in infrastructure linked to key trade corridors should significantly improve the underlying logistics around trade Intra-Africa, allowing improved access and transportation of goods.

3. Digital Transformation

Blockchain, fintech solutions and mobile money platforms will complement regional payment systems, expanding access to financial services.

4. Green and Inclusive Growth

Renewable energy projects and digital innovations will support sustainable trade and financial systems.

\$3.4
TRILLION

THE AFCFTA IS A FREE
TRADE AREA INTENDED TO
UNITE 55 AFRICAN COUNTRIES
WITH A COMBINED GDP OF
\$3.4 TRILLION.



CONCLUSION

Africa's regional corridors, regional economic communities and payment systems are reshaping the continent's trade and financial landscape. Initiatives such as PAPSS, and existing regional systems such as EAPS and SADC-RTGS can reduce barriers to trade and foster financial integration, enabling faster, cost-effective cross-border transactions. Combined with AfCFTA, these efforts will drive regional trade and industrialisation. However, challenges such as infrastructure gaps, disparate regulation and financial exclusion must be addressed to ensure that these systems deliver inclusive growth.



FRictionLESS **PAYMENTS**

**GHAIROONESA MOYCE**HEAD: CHANNEL MANAGEMENT,
TRANSACTION BANKING, CIB

Africa's digital landscape is rapidly evolving and with it consumer behaviour is shifting towards a demand for more convenient, seamless experiences. This trend is particularly evident in the financial services sector, where consumers now expect transactions to be as frictionless as possible. Payment methods have adapted to this new standard, offering a variety of options, such as mobile and digital wallets, contactless payments and biometric verification, all designed to streamline the payment process.

For banks and financial institutions, the challenge lies in crafting strategies that not only meet consumer expectations, but also maintain loyalty and a competitive edge. This involves navigating complex business landscapes, managing revenue impacts and exploring new revenue streams. In Africa, strategies such as embedded finance, hyper-personalisation and banking as a service are key to unlocking enhanced customer experiences and fostering sustainable growth. These approaches aim to integrate financial services into the customer's daily life in a way that feels natural and effortless, thereby creating value for both the customer and the financial institution.

WHAT IS DRIVING THE CHANGE?**1. Demographic Shifts**

In Africa, the move to cashless payments is surging, with volumes increasing by an estimated 78% between 2020 and 2025, according to the PwC and Strategy & Global Payments Model (2021). This surge is largely driven by digital banking adoption and demographic shifts towards a younger, urban population. The pandemic has accelerated the shift to digital commerce, with mobile payments playing a crucial role in expanding financial inclusion.

Africa's youthful energy is not just a demographic feature, it's a vibrant market force with a tech-savvy Generation Z at its forefront. They are not just expecting the latest tech, they're shaping the marketplace with their mobile-savvy shopping habits and social media-powered consumer wisdom. With a finger on the pulse of innovation and a decisive influence on family shopping carts, this generation is turning the continent into a buzzing hub of on-demand services and personalised experiences.

The 2024 IMF Financial Access Survey highlights a persistent gender gap in financial access, with men owning significantly more deposit accounts and the value of these accounts being higher than those of women. This disparity extends to loans, affecting economic growth and poverty-alleviation efforts. Despite this, sub-Saharan Africa is experiencing a surge in digital finance, with mobile money leading the way in providing affordable financial services.

However, when compared to global trends, Africa still lags in terms of deposit and loan accounts. This presents a substantial opportunity for service providers to bridge these gaps. The adoption of mobile money in Africa has seen remarkable growth, where, according to GSMA's State of the Industry Report on Mobile Money 2025, in 2024, mobile money transactions account for

78%IN AFRICA, THE MOVE TO
CASHLESS PAYMENTS IS
SURGING, WITH A 78% INCREASE
EXPECTED BY 2025.

approximately 74% of the global total, indicating a shift towards digital platforms for financial transactions. This digital shift could play a crucial role in addressing financial inclusion challenges and leveraging socio-cultural particularities to reduce income inequality.

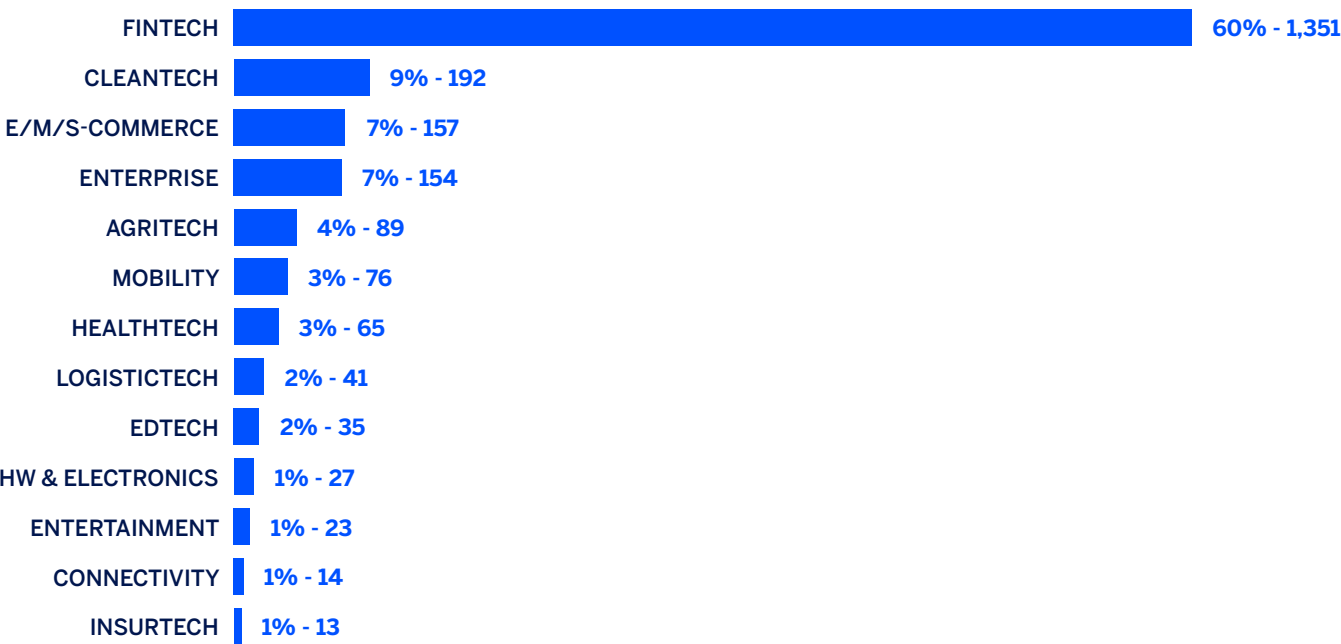
2. Digital Disruption

The digital tech economy has seen a significant disruption with the rise of fintech companies, particularly in Africa where they are attracting a substantial portion of equity investments. As per the Partech Africa Tech Venture Capital 2024 Report, the fintech sector dominates the venture capital investments in Africa, attracting over 60% of total equity funding. This growth is largely driven by the success of major fintechs in countries like South Africa, Nigeria, Kenya and Egypt, which have capitalised on market-specific value propositions and strategic adaptations to local digital maturity and regulations. The widespread adoption of mobile technology and internet connectivity has been a catalyst for this expansion, offering fintechs ample opportunities to innovate and provide services that challenge traditional banking institutions, benefiting consumers and small businesses alike.

3. Government Policy and Regulation

The landscape of cross-border transactions in Africa is undergoing significant transformation. Initiatives like the African Continental Free Trade Area (AfCFTA) and China’s Belt and Road are reshaping the regulatory environment, facilitating increased trade and remittances. The Pan-African Payment and Settlement System (PAPSS) is intended to streamline payment processing, while Central Bank Digital Currencies (CBDCs) are emerging to modernise financial transactions. These developments are prompting financial service providers to adapt and innovate, as seen with the Common Monetary Area’s shift in EFT processing and leveraging technology to enhance transaction efficiency and transparency.

TOP 10 SECTOR FUNDRAISES IN AFRICA IN 2024





The payment industry is rapidly evolving to meet consumer demands for real-time and efficient transactions.



The payment industry is rapidly evolving to meet consumer demands for real-time and efficient transactions. Initiatives to modernise payment systems are underway, focusing on financial inclusion through low-value instant digital payments. South Africa's PayShap exemplifies this trend, offering instant payments to enhance consumer convenience and promote the digitisation of cash. As of June 2024, The State of Inclusive Instant Payment Systems in Africa (SIIPS) 2024 report by AfricaNenda confirms that Africa has 31 active instant payment systems (IPs) across 26 countries, reflecting a commitment to evolving payment infrastructures based on regional regulations and technological capabilities. An additional 27 countries are in the process of developing their own ISPs. This evolution is evident across several African nations, including Kenya, Ghana, Nigeria, Morocco and Zambia, where the growth of real-time payment infrastructures is enabling swift account-to-account transactions and fostering digital-payment adoption both domestically and regionally.

With a significant annual growth rate, this trend is integrating financial services into non-financial business models, making transactions more seamless and driving sustainable growth. Businesses across various sectors are adopting fintech solutions, such as digital wallets and lending services, to enhance customer retention and diversify revenue streams. This shift is not only redefining the financial ecosystem, but also propelling the African continent towards a promising future with wider financial inclusion and innovative financial service offerings.

LEVERAGING EMBEDDED FINANCE AND BANKING AS A SERVICE (BAAS)

1. Embedded Finance

Embedded finance, by integrating banking and financial capabilities into non-financial environments, is convenient for customers to access these services within their usual digital platforms. Non-financial companies can offer financial products seamlessly, personalising the experience and making it more relevant to the user's context.

The world of digital payments is expanding rapidly, with mobile wallets leading the charge in transaction volume and frequency. This surge has prompted corporate banks to enhance their systems to support real-time transactions across various mobile network operators. QR codes and mobile apps are making payments more accessible and convenient, while e-commerce platforms and social commerce are transforming the way we shop and sell online, offering secure and efficient transactions directly through our devices.

2. Banking as a Service

Banking as a Service (BaaS) enables non-financial companies to integrate banking services into their offerings. Through APIs provided by banks, these companies can offer direct financial services like payments and licensing. This innovation promotes collaboration and breaks down traditional banking barriers, allowing for rapid market entry and the creation of personalised customer experiences. While challenges include brand differentiation and the costs of system integration, BaaS represents a significant shift towards a more inclusive financial ecosystem, emphasising security, savings support and lending qualifications.

This strategy can leverage technology and partnerships in the financial services sector through distribution partnerships, non-financial solutions, white-labelled services and establishing non-financial marketplace.

UNLOCKING FRictionless Payments With APIs

Frictionless experiences can be achieved through the strategic use of APIs. APIs are vital components in contemporary software development, facilitating seamless integration and interoperability between different systems. They support the scaling of applications and reduced development costs and are essential for real-time data exchange and standardisation across systems.

Hyper-Personalisation

Hyper-personalisation is causing significant alteration to client experiences in banking, leveraging the vast majority of data derived from payments. With a strong preference for personalised services among African consumers, AI and open banking synergise to analyse financial behaviours and patterns. This integration facilitates predictive analytics for lending, credit scoring and understanding client purchasing tendencies, enabling tailored customer experiences. Generative AI, through its deep-learning capabilities, is transforming the data landscape by generating sophisticated text and visuals, offering solutions to a wide array of business challenges.

1. Trust

In the digital economy, trust is paramount, especially concerning data privacy and consent. As cybersecurity and fraud risks escalate, customers' expressed consent becomes critical. This consent, known as permissioned data, is when customer information is shared for specific purposes and with clear approval. Such transparency boosts client confidence while enabling banks to offer personalised services securely. Effective data management is key, allowing integration across various ecosystems for comprehensive client profiling. Consequently, data is transformed into a valuable asset, facilitating predictive analytics and enhancing service personalisation.

2. Data Quality

The transition to SWIFT's ISO 20022 standard represents a significant shift towards more structured and detailed financial data, which can enhance automation, improve data quality and facilitate regulatory reporting. By adopting these standards, financial institutions can unlock valuable insights into customer behaviour, enabling the creation of new business models and revenue opportunities.

However, this shift also brings challenges, such as managing the potential biases in AI algorithms, ensuring data privacy and security, maintaining regulatory compliance and addressing the impact on employment. Proactive and careful management of these aspects is crucial to fully realise the benefits of enriched data while mitigating the associated risks.

“In the digital economy, trust is paramount, especially concerning data privacy and consent.”



3. Secure Digital

A secure digital financial ecosystem is paramount. It is essential for safeguarding consumer and service provider access, accounts and transactions against fraudulent activities and theft. Consumers using digital payment solutions must be fully informed and consenting when authorising transactions. Banks have the opportunity to enhance security for fintechs and their customers by providing secure access capabilities, thus mitigating risks like those posed by screen scraping. Ensuring robust data security and traceability of transactions is vital in preventing fraud and unauthorised activities. Businesses must carefully evaluate their goals, customer needs and infrastructure to select an embedded payment solution that best meets their strategic objectives and complies with industry standards, all while maintaining the trust of their customers.

500
MILLION

THIS IS PARTICULARLY
PROBLEMATIC IN
SUB-SAHARAN AFRICA, WHERE
OVER 500 MILLION PEOPLE LACK
PROOF OF IDENTITY, FURTHER
COMPLICATING THE COLLECTION
AND UTILISATION OF DATA
FOR BUSINESS AND SOLUTION
DEVELOPMENT.

KEY CONSIDERATIONS TO UNLOCK A FRICTIONLESS PAYMENT STRATEGY

- **Strategic enablers** for banks are crucial for adapting to the rapidly evolving financial landscape. Efficient back-end systems and modernisation are key to delivering fast and reliable services. Automation plays a significant role in this transformation, particularly through the integration of digital payment technologies into workflows. This integration aims to minimise manual tasks and enhance operational efficiency, ensuring that banks remain competitive and responsive to customer needs. Embracing these enablers can lead to improved customer satisfaction, reduced quality incidents and increased transaction volumes while maintaining a sound control environment.
- Addressing the **barriers to financial inclusion** in Africa requires a multifaceted approach. Solutions must be broad, involving partnerships that span various platforms and ecosystems. Key challenges include enhancing financial literacy, improving technology and infrastructure, reducing unemployment and refining regulatory and policy frameworks. Collaborative efforts among governments, financial institutions and communities are essential to create inclusive financial systems that can reach all layers of society, especially the underserved and rural populations. By leveraging technology such as mobile banking and digital payments and fostering an environment that encourages financial education and innovation, significant strides can be made towards achieving greater financial inclusion across the continent.
- The integration of **quality data** is crucial for designing solutions that enhance client experiences. However, challenges such as the lack of integration by government systems, the vast number of underserved consumers and the absence of standardised data across payment channels hinder the development of a comprehensive view of consumer behaviours and needs. This is particularly problematic in sub-Saharan Africa, where over 500 million people lack proof of identity, further complicating the collection and utilisation of data for business and solution development. Addressing these challenges requires a multifaceted approach, including improving data governance, enhancing trust in data sharing and implementing sustainable business models that can handle the unique market dynamics of the region.



The trend of localisation in Africa presents challenges for innovation.

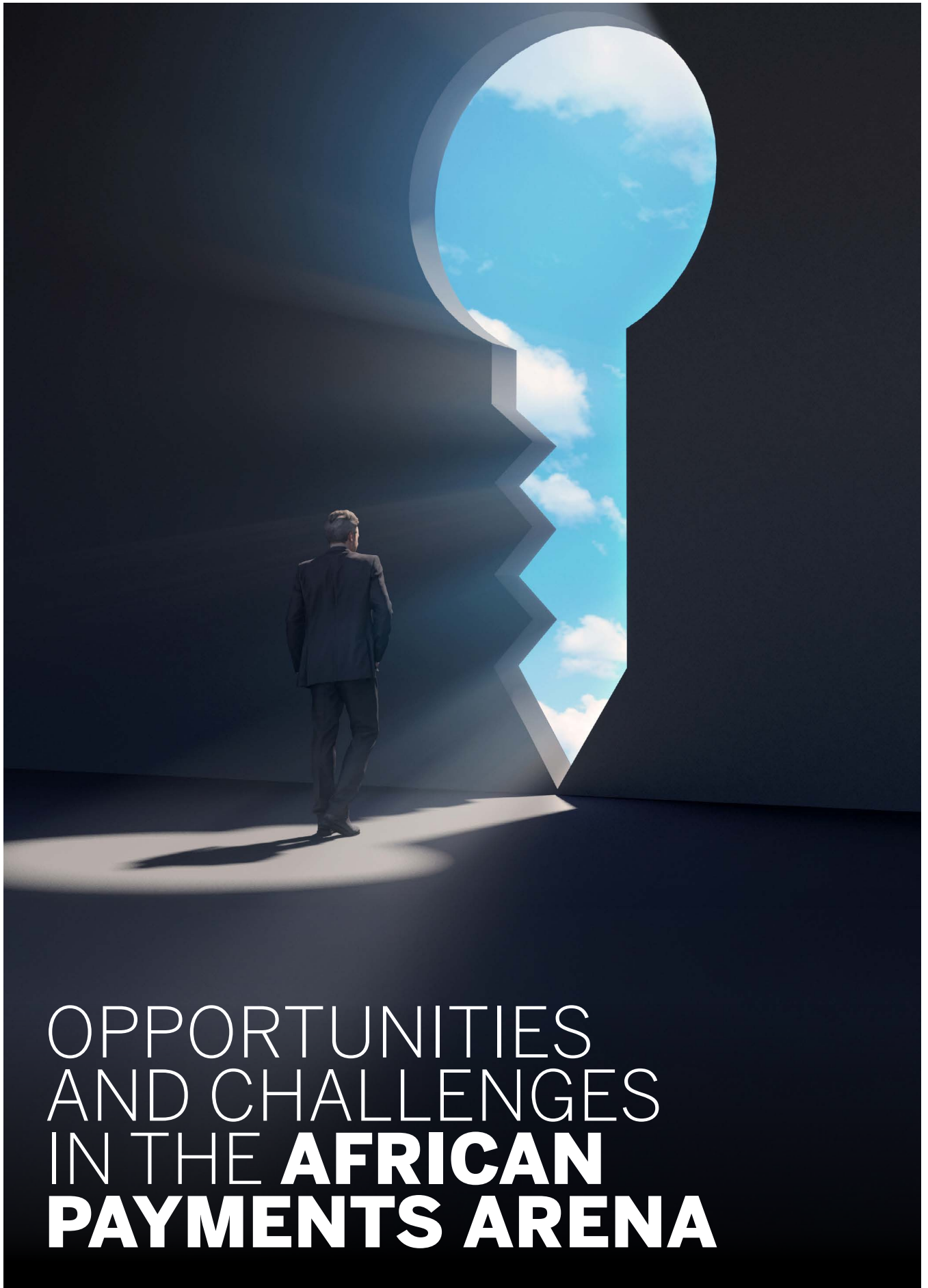


- The integration of financial services into non-financial companies. **Shifting the risk** allows companies to offer services like payments, loans and insurance directly within their platforms. However, this also brings challenges in regulatory compliance, as traditional policies may not fully address the complexities of this dynamic ecosystem. Regulators are working towards developing strategies to manage these non-traditional players and ensure a fair, efficient and resilient financial system.
- The banking sector is facing significant challenges due to **disintermediation and cannibalisation** of revenue streams, which are becoming barriers to innovation and diversification. As banks adapt to digital disruption, it's crucial to balance new partnerships and revenue opportunities with existing financial structures for long-term viability. This strategic approach must consider the brand value and the delivery of ubiquitous services to consumers. The rise of direct transactions facilitated by technology is reshaping traditional business models, necessitating a careful evaluation of profitability and sustainability in the digital economy. Moreover, banks must innovate to protect and grow their strategic revenue streams while adapting to consumer demands for digital services and experiences.
- The integration of ecosystems and platforms has indeed heightened the importance of **third-party risk management**. As businesses become more interconnected, managing the delicate interdependencies becomes crucial for delivering core services and driving innovation. Moreover, ensuring system stability and adhering to Service Level Objectives (SLOs) is essential for providing seamless client experiences across various businesses and countries.
- **Partnerships with third-party payment providers (TPPPs)** are becoming increasingly significant in the financial sector, particularly in the context of open banking. In South Africa, such collaborations are enhancing financial accessibility, security and efficiency. Open banking allows TPPPs to innovate and offer tailored financial solutions. This is expected to drive market growth, with projections suggesting a value of over USD123.7 billion by 2031, according to the 2023 Allied Market Research Open Banking Market forecast.
- The trend of **localisation** in Africa, with governments enforcing regulations for on-premises technology and data management, presents challenges for innovation, particularly for multinational corporations operating in various jurisdictions. This regulatory landscape increases the cost of services for centralised technology models used by banks, fintechs and corporations expanding across the continent. As a result, businesses must navigate a complex matrix of local laws, which can impede seamless operations and growth.



CONCLUSION

The future of frictionless payments hinges on strategic planning, resilience and innovative approaches. Tailored solutions that cater to individual customer preferences, pricing and perceived value are essential. By leveraging research, expertise and partnerships, businesses can enhance customer connectivity and experiences through a broadened platform ecosystem. Africa presents a distinctive opportunity for sustainable value creation and growth. Differentiation in this market is achieved through effective interoperability and the innovation of value propositions that address unmet consumer needs, extending beyond traditional banking services.



OPPORTUNITIES
AND CHALLENGES
IN THE **AFRICAN**
PAYMENTS ARENA

**THERESA VAN DER KLOOSTER**SENIOR MANAGER, STRATEGY ENABLEMENT,
CIB AFRICA

The payments sector in Africa is currently experiencing rapid evolution, creating both exciting opportunities and significant challenges for corporate banks. For banks to succeed in this dynamic environment, they must carefully navigate key regulatory and risk considerations. In addition, the rise of the platform economy is transforming traditional business models, blurring industry boundaries and demanding greater adaptability from financial institutions. The increasing prevalence of digital technologies, including mobile money and fintech solutions, is driving financial inclusion while simultaneously disrupting existing payment systems.

Opportunities abound for corporate banks that can effectively adapt to these changes. Africa's young, urbanising population, coupled with strong economic growth and falling data costs, creates fertile ground for the expansion of electronic payments. The continent's embrace of innovation, particularly in mobile money, has positioned it to potentially leapfrog traditional payment models and adopt cutting-edge solutions like central bank digital currencies (CBDCs) and open banking. Corporate banks can leverage their existing infrastructure and networks to capture a significant share of this growing market, particularly in the offline payments space, which is projected to remain dominant for the foreseeable future.

However, numerous challenges and risks must be carefully addressed. The emergence of non-bank competitors, particularly fintech companies, is intensifying competition and potentially disintermediating traditional banking services. These agile new entrants often operate with lower overhead costs and are adept at tailoring solutions to meet specific customer needs, putting pressure on corporate banks to innovate and enhance their digital offerings. The fragmented regulatory landscape across Africa, with its diverse and evolving frameworks, poses a significant compliance burden for banks operating in multiple jurisdictions. Additionally, concerns about cybersecurity, data privacy and the potential implications of CBDCs on liquidity and currency stability must be carefully managed.

Ultimately, the future of payments in Africa will be shaped by the strategic responses of corporate banks to these opportunities and challenges. By embracing innovation, fostering collaboration and proactively navigating the regulatory landscape, banks can position themselves to thrive in this dynamic and evolving market, playing a pivotal role in driving financial inclusion and economic growth across the continent.

“For banks to succeed in this dynamic environment, they must carefully navigate key regulatory and risk considerations.”

REGULATION CONSIDERATIONS FOR CORPORATE BANKS FOR PAYMENTS

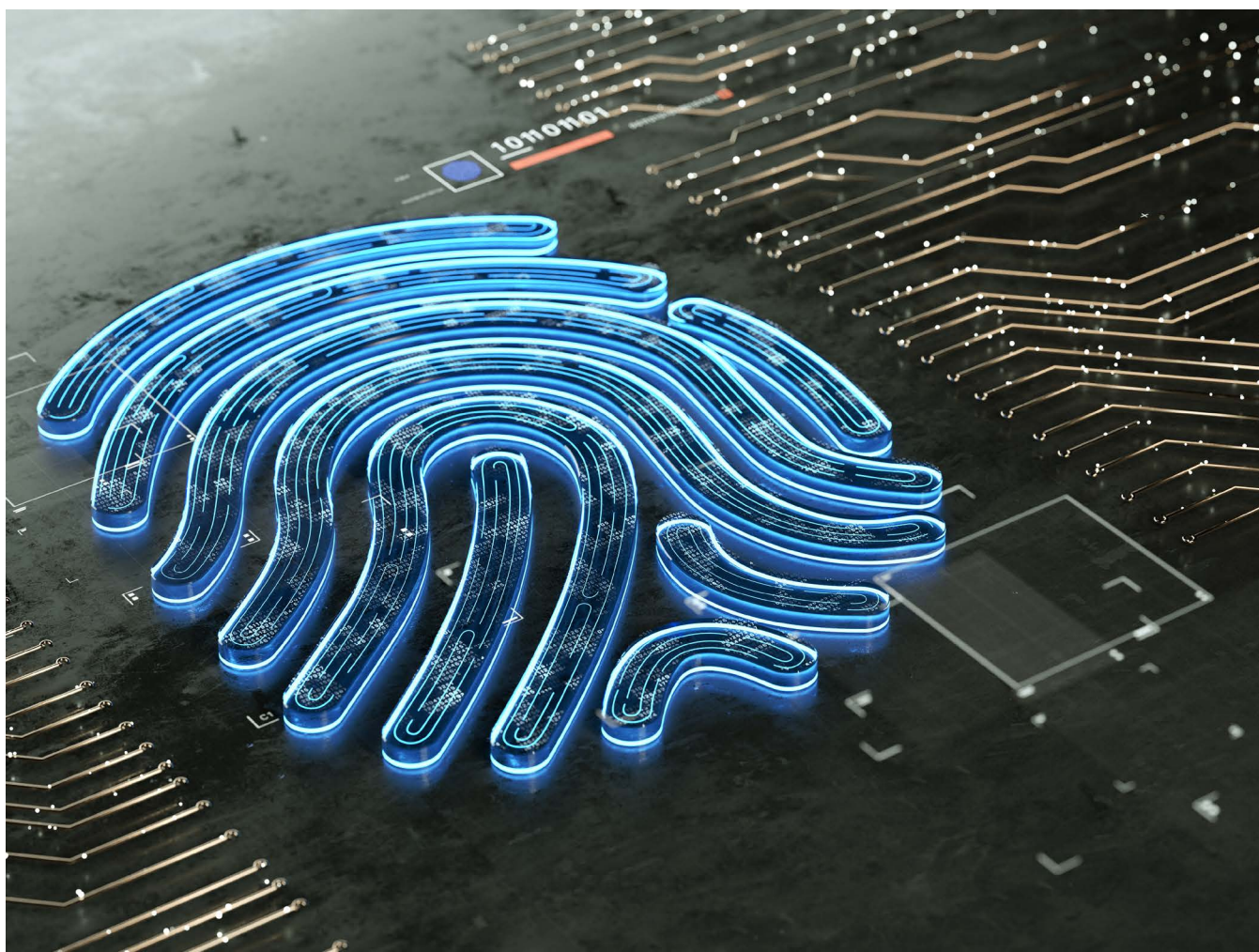
As technological advancements, shifting consumer behaviours and the emergence of new market players reshape the industry, corporate banks must stay vigilant and adaptable to a complex array of regulatory requirements. Key considerations include compliance with anti-money laundering (AML) and counter-terrorism financing (CTF) laws, adherence to Know Your Customer (KYC) protocols, and

alignment with guidelines set forth by regulatory bodies such as the Financial Action Task Force (FATF) and local central banks. Additionally, the rise of fintech companies and non-bank payment service providers introduces new regulatory challenges and opportunities for collaboration. Successfully navigating these regulatory considerations is essential for corporate banks to ensure operational integrity. This includes several key regulatory factors.

1. Open Banking Regulations

Open banking, which allows third-party providers access to customer financial data with their consent, is gaining traction globally, and Africa is no exception. Open banking could significantly contribute to financial inclusion in Africa, given the continent's large unbanked population. Regulatory regimes in Africa are showing early signs of embracing this trend. For instance, the National Bank of Rwanda (BNR) has adopted a strategy inspired by the EU's Payment Services Directive (PSD2). This approach facilitates the entry of new payment service providers and includes the creation of a regulatory sandbox to test financial innovations in a controlled setting. The regulations focus on data sharing and portability, while ensuring user consent is managed effectively.

The EU has also published a revised Payment Services Directive (PSD3) and a proposal for a new regulation on a framework for Financial Data Access (FiDA). FiDA introduces 'open finance', expanding data access and usage beyond payment and transaction data to include areas like insurance.





The rise of fintech companies and non-bank payment service providers introduces new regulatory challenges and opportunities for collaboration.



Banks should proactively assess regulatory benefits that align with their business models. They should allocate resources to adhere to these guidelines, ensuring that their systems, controls, policies, procedures, personnel and technology are ready for implementation.

2. Compliance in a Digital Era

The rapid adoption of digital technologies in Africa has driven financial inclusion, but it also presents challenges in ensuring robust Know Your Customer (KYC) and compliance frameworks. It is essential to balance streamlined onboarding processes with thorough KYC checks to mitigate risks and maintain financial stability.

The increasing complexity of KYC obligations requires banks to adapt their compliance approaches. Harmonisation and collaboration across the SADC region and Africa are crucial, along with the development of agile and adaptable KYC and compliance functions to keep pace with the dynamic financial landscape.

3. Regulatory Sandboxes and Innovation

Recognising the need to foster innovation while managing risks, regulators in Africa are increasingly using regulatory sandboxes. These controlled environments allow fintech companies and other innovators to test new products and services under the supervision of regulatory authorities. This approach allows for experimentation and the development of tailored solutions for the African market while ensuring compliance with regulatory standards.

4. Digital Currency Regulation

The emergence of cryptocurrencies, stablecoins and CBDCs adds another layer of complexity to the regulatory landscape. While some African countries have embraced cryptocurrencies, others have imposed restrictions.

Digital currencies offer promising use cases, and Africa's historical tendency to embrace innovation may allow it to leapfrog traditional financial models. However, there are regulatory uncertainties surrounding stablecoins and CBDCs. It is crucial to focus on consumer education, robust cybersecurity measures and access through trusted interfaces like online banking portals to address these challenges.

5. Collaboration and Harmonisation

The importance of collaboration and harmonisation in shaping the regulatory landscape for African payments cannot be overstated. This includes collaboration between:

- **Regulators across different African countries:** This can help to create a more unified and consistent regulatory environment, reducing compliance burdens for businesses operating across borders.
- **Banks and fintech companies:** This can lead to the development of innovative solutions that benefit both parties and contribute to financial inclusion.

- **Regulators and industry players:** This can ensure that regulations are practical, supportive of innovation and effectively address the evolving risks and challenges in the payments landscape.

6. Risk Considerations

A range of emerging challenges and opportunities is driving substantial transformation in corporate bank payments across Africa. Bank disintermediation, liquidity and currency risks, cybersecurity and data privacy as well as competition from fintechs are requiring banks to navigate complex legal frameworks to ensure adherence while maintaining operational efficiency.

7. Bank Disintermediation

The emergence of alternative payment channels, particularly mobile money and fintech solutions, presents a disintermediation risk for corporate banks. These new players often offer more convenient and cost-effective services, potentially reducing reliance on traditional banking channels. Corporate banks must innovate and adapt to maintain their relevance in the payments ecosystem, exploring partnerships and developing new value propositions to meet evolving customer needs.

LIQUIDITY AND CURRENCY RISKS

The potential widespread adoption of CBDCs raises concerns about liquidity risks for banks. In times of financial stress, a 'flight to safety' towards CBDCs could trigger rapid deposit outflows, straining banks' balance sheets. Additionally, CBDC adoption in countries with unstable financial systems could lead to currency substitution, further diminishing the role of commercial banks in currency exchange and international transactions.

CYBERSECURITY AND DATA PRIVACY

The increasing reliance on digital platforms and data sharing in the payments space exposes corporate banks to heightened cybersecurity risks. A successful cyberattack could disrupt operations, compromise sensitive customer data and damage the bank's reputation. Robust cybersecurity measures, including data encryption, multi-factor authentication and regular security assessments are crucial to mitigate these risks. Banks also need to navigate evolving data-privacy regulations and ensure responsible data-handling practices to maintain customer trust.

COMPETITION FROM FINTECHS

Fintech companies are rapidly gaining market share in the African payments landscape, leveraging technology to offer innovative and customer-centric solutions. Corporate banks face intense competition from these agile players, who often operate with lower overhead costs and can adapt quickly to changing market demands. To remain competitive, banks must embrace innovation, invest in digital transformation and explore partnerships to expand their product offerings and enhance customer experience.

Compliance and Regulatory Burden

The evolving regulatory landscape, particularly regarding open banking, cryptocurrencies and data privacy, poses a significant compliance challenge for corporate banks. Navigating these complex and often fragmented regulations requires significant investment in compliance infrastructure, legal expertise and ongoing monitoring of regulatory developments. Failure to comply can result in substantial financial penalties, reputational damage and restrictions on operations.

“To remain competitive, banks must embrace innovation, invest in digital transformation and explore partnerships.”



CONCLUSION

The regulatory landscape for African payments is rapidly evolving, requiring corporate banks to proactively navigate these changes to succeed. By embracing open banking, updating KYC and compliance frameworks, engaging with regulatory sandboxes and shaping digital currency regulations, banks can thrive in the future of African payments. Collaboration and harmonisation are essential for fostering innovation, financial inclusion and sustainable growth. Technological advancements, changing customer expectations and new market players present both opportunities and challenges that demand strategic foresight and adaptability.

MOBILE PAYMENTS: THE HEARTBEAT OF AFRICA

Scanning...



Pay



SACHIN SHAH

EXECUTIVE HEAD: DOMESTIC PAYMENTS AND RECEIVABLES,
TRANSACTION BANKING, CIB

In the global payments revolution, few regions have leapfrogged as dramatically – and as impactfully – as Africa. As the world shifts from cash and cheques to digital value exchange, mobile and instant payments have emerged not just as enablers, but as the primary heartbeat of Africa’s financial system. They are no longer alternative payment methods; they are the foundation on which the continent’s future economic infrastructure is being built.

Instant payments have redefined financial inclusion and transactional velocity worldwide. Most recently, from India’s UPI revolution to Brazil’s PIX system, real-time payment rails have unlocked faster commerce, enhanced transparency and democratised access to financial services. Globally, mobile-first economies are accelerating adoption, with API-based ecosystems enabling secure, low-cost, always-on transactions.

Over 80 billion mobile payments transactions, worth over USD1.1 trillion, were processed in sub-Saharan Africa in 2024. This compares to over 172 billion real-time payments transactions in India and over 64 billion real-time payments transactions in Brazil. This demonstrates how the continent has embraced this at its core. Kenya alone processed close to 30 billion transactions in 2024, with other countries, like Nigeria, Ghana, Ethiopia, Senegal, Tanzania and Uganda, processing around 5 billion transactions each.

THE EVOLUTION OF INSTANT AND MOBILE PAYMENTS

With its roots in the barter system, cash still dominates the payments landscape across many countries globally and remains a key payment mechanism in Africa. The evolution of payments continued with the development of instruments like cheques (1770s), wire transfers (1870s) and credit cards (1970s). These added various layers of convenience, security and speed. However, there would always be a time lag for the recipient of the funds. Demand to continue streamlining operations through improved cash flows, reducing the reliance on physical cash as well as improved customer experience has driven the development of instant payment systems across the globe.

Africa has always been at the forefront of instant payments globally. In 2002, in South Africa, a programme for the implementation of instant clearing between banks was conceived by Standard Bank and other banks in partnership with the Payments Authority of South Africa (PASA). When launched in 2006, Real-Time Clearing (RTC), as it was ultimately known, was one of the first implementations in the world of an inter-bank instant payments service.

However, payments rails like RTC and RTGS (Real-Time Gross Settlement) cannot be efficiently used for the processing of bulk low-value transactions. The controls in place are designed to manage the flow of large transactions between corporates, institutions and banks. This left a gap for processing low-value, instant personal and business transactions, which would form the basis of most transaction volumes today.

80
BILLION

NUMBER OF MOBILE
TRANSACTIONS PROCESSED IN
SUB-SAHARAN AFRICA IN 2024.

172
BILLION

NUMBER OF INSTANT PAYMENTS
IN INDIA IN 2024.

64
BILLION

NUMBER OF INSTANT PAYMENTS
IN BRAZIL IN 2024.

An instant payment can be described simply as a credit transfer where the recipient of the funds receives payment within seconds of a payment being processed by the sender. The funds are therefore immediately available to the receiver. These are typically low-value, high-volume payments and can happen at any time and on any day.

AFRICA'S LEAP: SKIPPING CARDS, GOING MOBILE

Around 2002, executives of Safaricom in Kenya realised that 'airtime' was being bought by users and transferred to relatives or friends, who were taking advantage of the ubiquitous nature of airtime resellers and other mobile phone users present all around the country and liquidating the airtime for cash. This proposition ultimately became M-PESA, the world's first mobile money offering, in 2007, with a simple use case: enabling people to instantly 'send money home' to their parents or relatives in rural areas.

This marked the start of Africa's mobile payments journey, forging its own path in a uniquely African context. While much of the world evolved from cash to cards to digital, Africa jumped straight from cash to mobile wallets and instant payments. Mobile money platforms such as M-PESA, MTN MoMo, Airtel Money and Orange Money have become embedded in East, West and Southern Africa.

Cards never reached mass penetration due to cost, infrastructure and limited utility in largely informal economies and with limited banking access. But mobile phones did. Today there are over 800 million mobile connections across Africa, creating an unparalleled platform for inclusive financial innovation.

The early success of mobile payments was enabled by the ability, developed by mobile network operators, of agent networks to 'Cash In' and 'Cash Out' payments. In addition, the simple user experience on feature phones enabled easy uptake for adults of all ages and backgrounds. Regulatory flexibility, especially in the early stages, also played a key role.

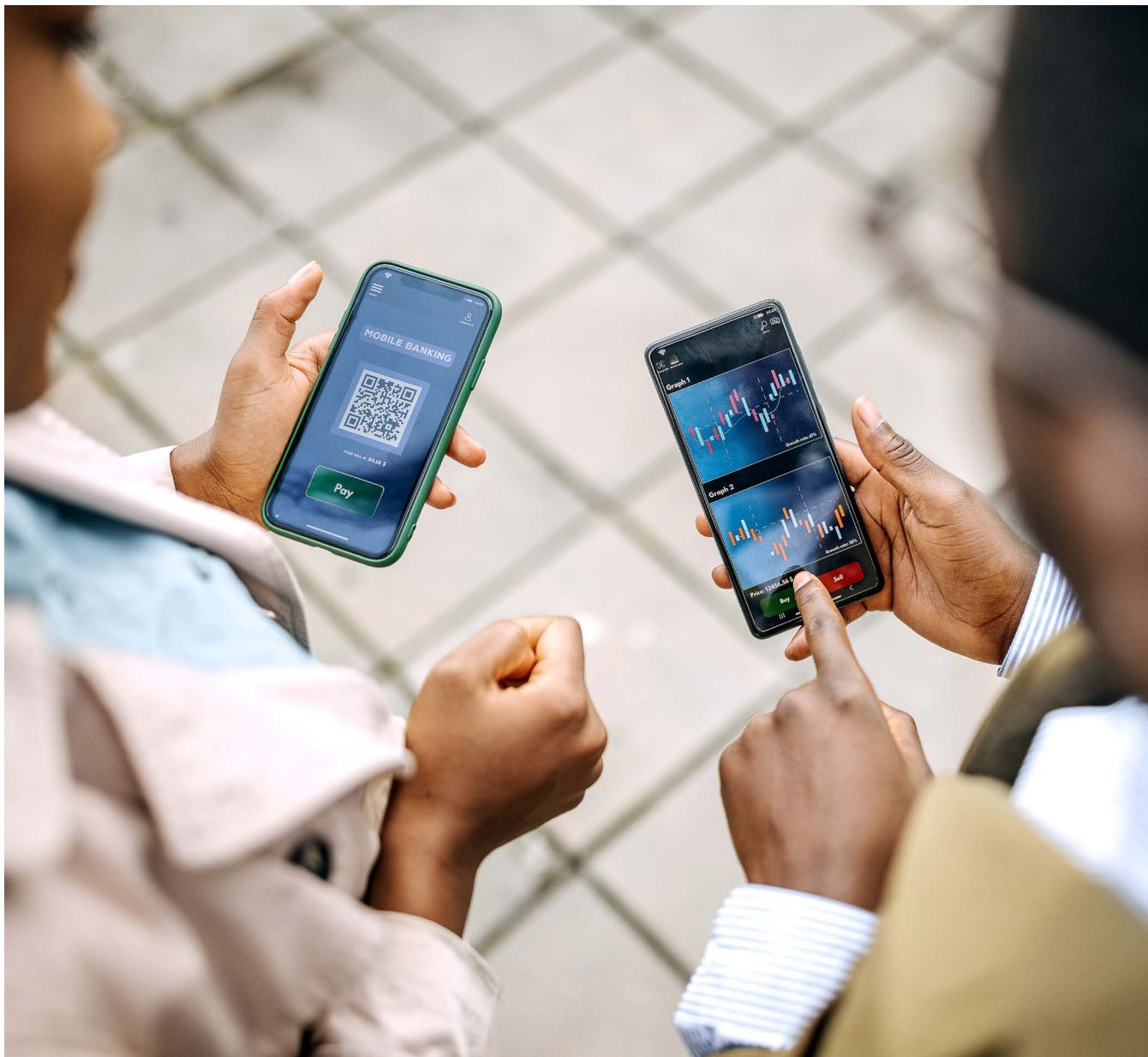


While much of the world evolved from cash to cards to digital, Africa jumped straight from cash to mobile wallets and instant payments.



SOUTH AFRICA'S DISTINCT JOURNEY: THE RISE OF PAYSHAP

South Africa presented unique challenges for the implementation of mobile payments due to its more developed banking infrastructure and its much higher banked population with access to cards, ATMs and POS networks. South African banks and retailers have also implemented alternative money transfer and payments products, creating a more competitive landscape. In addition, the regulatory framework for mobile money is more rigid than in other markets, making it more challenging to enter the market.

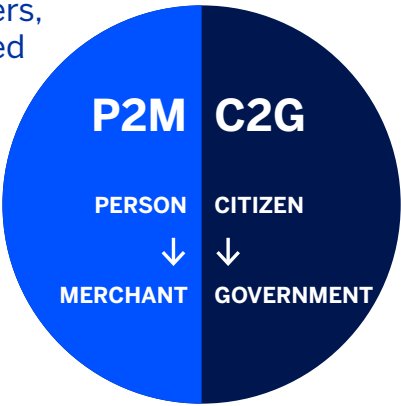
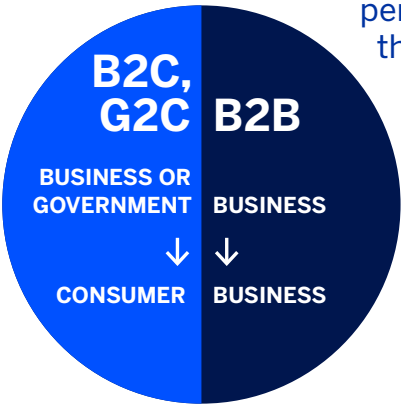


Based on this, South Africa took a different route to enabling instant payments through the launch of PayShap. PayShap, a real-time interbank payments system developed by BankservAfrica and the South African Reserve Bank (SARB), enables instant low-cost payments using mobile numbers or aliases in a similar model to UPI and PIX.

The launch of PayShap in 2023 represented a significant milestone in South Africa's payments modernisation journey. The initial pilot involved four local banks (including Standard Bank), with over 260 million transactions being processed in two years during this phase. The maximum transaction limit has since increased from USD175 to USD2 750, and the service has extended to 10 participant banks for the next phase. In addition, new capabilities, including Request to Pay and QR Code solutions, will be enabled in the near future, which will accelerate growth even further.

PayShap is a key pillar of the broader Payments Ecosystem Modernisation (PEM) initiative, which aims to create a flexible, inclusive and future-ready payments system. In a demonstration of its commitment to this journey, SARB plans to acquire a 50% stake in BankservAfrica in 2025.

While mobile and instant payments began with person-to-person transfers, their utility has expanded significantly.



DISBURSEMENTS • Aid or Disaster Relief • Grants • Day Worker Salaries • Allowances • Seller Payouts	PROCEEDS • Insurance Claims • Wallet Cash Out • E-commerce Refunds • 'Winnings'	REMITTERS • Regional • Cross-border • Bill Payments • School Fees	PHYGITAL • Tips • Parking • Top-ups	E-COMMERCE • Retail • Travel and Leisure	FUNDING TRANSACTIONS • Crowd Funding • Disaster Relief
GIG ECONOMY • Drivers • Content Creators • Delivery Services • Other Services	TRADE • Supplier Payments	P2B • Request to Pay • Loan Repayment • Premium Payments • Taxes	SUBSCRIPTIONS • App Stores • Streaming Services • Monthly Goods • Gaming	EMBEDDED PAYMENTS • Wallets • In-app Payments	

BEYOND PEER-TO-PEER: DRIVING EFFICIENCY, TRANSPARENCY AND COST SAVINGS ACROSS SECTORS

While mobile and instant payments began with person-to-person transfers, their utility has expanded significantly. For corporate organisations and governments, this leap has unlocked new opportunities: from bulk disbursements and digital wage payments to government-to-person (G2P) transfers and tax collections; from supplier payments in agriculture and retail sectors to digital collections for utilities, government services, school fees and telecoms; and from local to cross-border trade facilitation through regional mobile money interoperability. These aren't just operational upgrades; they are structural shifts.

The key benefits for corporates and governments include:

- **Speed and Efficiency:** Instant payments eliminate lags in payroll, supplier settlements and benefit disbursements. Governments can now execute social programmes with precision and reduced leakages.
- **Enabling 24/7 Operating Models:** Organisations can extend their operating windows beyond traditional 8 to 5 working hours, creating improved customer experiences and convenience.
- **Enabling Digital Innovation:** Examples include the evolution of 'Pay As You Go' infrastructure in rural areas, facilitating access to solar-powered electricity, as well as the digitisation of government services through platforms like eCitizen in Kenya and Ghana.GOV in Ghana.
- **Financial Transparency:** Digital trails reduce fraud and improve traceability – a boon for compliance-heavy industries and public sector accountability.
- **Lower Costs:** Mobile and instant payments reduce reliance on costly physical infrastructure, cash handling and intermediary banking layers.

- **Expanded Reach:** Companies can transact with rural suppliers or remote staff seamlessly, while governments can onboard and service previously excluded citizens.
- **Improved Treasury and Liquidity Management:** Real-time payments improve cash flows and reduce working capital requirements, and can be easily integrated into ERP systems for better treasury optimisation.

While the benefits are compelling, instant and mobile payments also present several risks that must be managed proactively. These risks include:

- **Cybersecurity Threats:** Increased digital transactions raise the risk of fraud, phishing and hacking. Robust security frameworks and user education are essential.
- **Right Every Time:** It is often difficult to recall an instant payment once it has been made, hence beneficiary validation and risk management tools are critical to ensure that payments are made to the intended recipients.
- **Operational Resilience:** Dependence on digital infrastructure means outages or disruptions can paralyse transactions.
- **Regulatory Challenges:** Varying regulatory standards across borders can inhibit scale and innovation.
- **Financial Awareness:** Less financially aware individuals can be vulnerable to fraud, which is why financial education remains critical in addition to control mechanisms, including the ability to control and manage maximum transaction values.
- **Digital Divide:** Uneven access to mobile devices and internet connectivity still exists, especially in rural areas.

SHAPING THE FUTURE OF PAYMENTS IN AFRICA

Looking ahead, mobile and instant payments remain central to Africa's economic modernisation. Pan-African payment integration projects promise real-time, cross-border modernisation that reduces dependence on foreign currencies, with mobile platforms powering everything from B2B supply chain payments to digital tax remittance tools.

Open APIs and real-time data analytics will unlock new frontiers of automation and insight for large corporates and drive the growth of overlay services, credit models and fraud management. Governments will increasingly deploy mobile rails for citizen engagement, subsidy delivery and digital identity linkage.

The key success factors which will facilitate adoption include:

- **Regulatory Support and Harmonisation:** Clear, enabling regulation that encourages innovation while ensuring oversight is key. This includes managing taxation of mobile and digital payments, which in some instances has reduced the pace of transformation.
- **Interoperability:** Seamless interaction between payment systems, mobile wallets and banks boosts adoption and convenience.
- **Public-Private Partnerships:** Collaborative ecosystems between governments, banks, fintechs and mobile operators drive scale and reach.
- **User Education and Trust:** Building digital and financial literacy ensures confident usage and reduces vulnerability to fraud.
- **Robust Infrastructure:** Reliable connectivity, resilient systems and strong digital identity frameworks are foundational.

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Mobile and
instant
payments
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economic
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CONCLUSION

As Africa continues its digital journey, mobile and instant payments will be the nervous system of economic activity. They will not only power transactions, but enable credit scoring, digital identities and data-driven governance. The ultimate vision is an interoperable, real-time and inclusive Pan-African payment network, supported by domestic innovation and regional harmonisation efforts. Africa has already shown that innovation does not require imitation. The continent's bold leap into mobile payments is more than just a success story. It is a heartbeat of Africa's digital economy and a blueprint for the future.

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PLATFORMS, ECOSYSTEMS AND **PARTNERS**

**KENT MARAIS**

HEAD: DIGITAL EXPERIENCE SOLUTIONS,
TRANSACTION BANKING, CIB

Today's largest and fastest-growing public companies, such as Facebook, Alphabet's Google, Amazon and Apple in the US, along with China's Alibaba and Tencent (with Naspers as a key investor), have developed extensive platform businesses. For instance, Amazon facilitates transactions between buyers and sellers, while Tencent's WeChat initially focused on social interactions and has since expanded to include economic activities.

Three accelerating forces have driven the rise of digital platforms: connectivity, digitisation and data. These allow businesses to be more accessible, convenient and personalised. In contrast to the old, traditional physical markets, platform businesses create exponential scale, as they don't have the same physical, geographical and technical constraints. These three forces – ever accelerating – drive today's platform economy.

The technologies of today have immense transformational power, but it is important to note that technology alone is not sufficient. It needs to be coupled with and applied to solving real business, social or environmental problems.



Three key trends have driven the transformation of the financial services value chain.

TREND: The Move from Vertically Integrated Value Chains to Horizontally Layered Ecosystems

During the 1990s and early 2000s, banks offered bundled financial services, positioning themselves as 'one-stop shops' for customers. However, these services were often designed based on the bank's internal structure rather than on customer needs, reflecting an inside-out approach rather than an outside-in perspective.

As transaction costs fell with the emergence of new digital infrastructures and new mechanisms to organise the market for financial services, the vertically integrated value chain started to unbundle. This gave rise to new specialised competitors. Then, from the late 2000s to the mid-2010s, fintech challengers emerged, specialising in specific activities within the financial services value chain.

These agile and innovative players focused on distinct tasks, leading to the unbundling of the vertically integrated industry architecture. This shift created a more modular and layered ecosystem, where firms at each level specialised in particular value-creating activities. Consequently, multiple competing firms began to occupy positions previously held by single financial services firms, thereby expanding consumer choice and reducing margins.

TREND: The Shift from Unbundling to Re-bundling, and the Emergence of Platform Business Models

Fintechs initially disrupted the market by unbundling financial services. However, this approach can lead to a fragmented customer experience and higher search costs for consumers. Consequently, unbundled services are unlikely to remain isolated; instead, they serve as entry points to engage customers and subsequently re-bundle services around their needs.

This re-bundling process typically involves three key steps. First, a firm uses an unbundled service to establish a primary relationship with the consumer. Second, the firm leverages this relationship to gather data and develop superior capabilities, such as identity management and credit scoring. Finally, these enhanced capabilities are used to understand and anticipate customer needs, eligibility and relevance, allowing the firm to re-bundle additional financial services around the consumer.

TREND: Value Creation in Ecosystems

In the platform economy, the distribution of financial services is becoming separate from their creation. Across the industry's value chain, distinct production and consumption ecosystems are emerging. The production ecosystem consists of activities further down the value chain, organised around a central production process to develop a unified product or service focused on a customer value proposition. This ecosystem includes the underlying interbank network infrastructure, banking infrastructure, transformation functions and product provisioning.

The consumption ecosystem comprises activities further up the value chain that are organised around jobs to be done for the consumer and rely on mechanisms to reduce search costs for consumers and provide aggregation services. The consumption ecosystem includes consumer-oriented decision support systems and market aggregation platforms. Industry-wide integration infrastructures can serve as intermediaries, connecting the production and consumption ecosystems. These seven layers make up the Financial Services stack.

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The technologies of today have immense transformational power, but technology alone is not sufficient.”



By collaborating, ecosystem participants can collectively meet a range of customer needs.



WHAT ARE ECOSYSTEMS?

Due to decreasing costs, companies are increasingly engaging in business ecosystems – networks of interacting firms that coordinate their activities to address common customer problems. Traditional, vertically integrated firms were organised around production processes, with industry boundaries reflecting production logic. In contrast, business ecosystems are centred around customer value propositions, with firms collaborating to deliver a compelling customer experience.

Ecosystems focus on customer value propositions rather than on products. For example, the financial services industry, traditionally structured around financial products, is seeing its boundaries become less relevant in the ecosystem world. A bank can collaborate with players across various industries – housing, automotive, local commerce and more – to create integrated customer value propositions. These partnerships, which were previously managed bilaterally with limited scalability, now benefit from the scalable coordination mechanisms provided by the platform economy. Platforms often occupy central positions in their ecosystems, with partner firms increasingly relying on them to organise activities.

Under this new business model, traditional banking, investment and insurance groups participate in ecosystems alongside other financial and non-financial organisations. By collaborating, ecosystem participants can collectively meet a range of customer needs. For instance, a bank might work with housing, automotive and commerce industry players to create integrated customer value propositions. As these platforms expand, industry boundaries will gradually dissolve, allowing traditional financial services providers to address both primary and secondary customer demands, such as home acquisition and maintenance alongside home loans.

As financial products become more commoditised, this approach offers banks, investment firms and insurers an opportunity to re-establish customer relationships, leveraging ecosystem data to better understand each customer.

UNDERSTANDING THE PLATFORM ECONOMY

The term 'platform economy' is becoming more common and refers to economic activities facilitated by digital platforms. These platforms are businesses that link external producers with consumers, enabling value-creating interactions. For many traditional businesses, the platform economy offers a significant opportunity to create new revenue streams and strengthen client relationships.

But it must not be seen as a 'silver bullet' to resolve all issues. Rather, business leaders must continue to ensure they follow sound business principles and get the basics right, adopting the right business model, providing the right offering, targeting the right clients, putting the appropriate risk and operational management frameworks in place, carefully considering the legal and compliance issues, and simultaneously assess how they can add platform businesses as part of their broader portfolio.

Unencumbered by a lack of legacy systems and processes, and with its resourceful and youthful population, Africa is certainly well poised for the digital platform economy.

THE CRITICAL ROLE OF PARTNERS

Platforms create value through enabling interactions and need to create an environment where both consumers and producers feel safe and confident to transact. There are several different mechanisms to do this, including:

- the development of a reputation system;
- creating clear identity management and access control to the platform;
- moderating ecosystem participation; and
- providing additional insurance or cover to protect participants.

Platforms that rely on partners (such as developers) to invest resources in open innovation must also foster innovation trust. They can achieve this by demonstrating their commitment to long-term investment in the platform, establishing an application development fund to reward developers who create apps and inviting partners to share in the platform's success. The bottom line is that you need to properly curate and govern a platform to build trust and ensure its long-term viability.



FACING THE CHALLENGES

Building a successful platform business is difficult and is the exception rather than the rule. One of the key challenges is how to build communities on all sides of the platform, the so-called 'chicken and egg' dilemma. There are several strategies to address this, but all require an environment where parties feel safe and secure. Hence, the platform needs to build trust among all participants, and between participants and the platform. From Standard Bank's experience, there are three key areas to focus on when building and retaining trust:

- creating an appropriate governance structure and managing any potential conflicts of interest;
- building a trusted environment to facilitate interactions; and
- signalling commitment to partners to support their innovation on the platform.

Platform firms need to establish fair governance, particularly in managing their relationships with partners, by clearly conveying the 'rules of play' for participation on the platform, and then continuing to educate partners on platform governance and required behaviour.

They must also take steps to prevent conflicts of interest with ecosystem partners. This is particularly crucial when the platform owner also serves as a producer on the platform, as partners might worry about being disadvantaged. To mitigate these concerns, the platform owner should commit to not competing with other players for a specified minimum period.

HOW AFRICA CAN TAKE THE LEAD

The platform economy has transformational potential. For Africa to be able to access the benefits of this model, there are several foundational building blocks that need to be put in place:

- Creating and adopting an **identity management system**. This can be driven by the government or private organisations.
- Driving **interoperability** across various markets, industries and ecosystems to enable scale.
- Developing **non-traditional infrastructures** in the banking, logistics and energy spaces.
- Promoting **financial inclusion**. To give Africa's large unbanked population access to financial services, the growth of other networks (such as mobile money) must be encouraged.
- Developing **robust transport infrastructure**. Africa lacks a robust transport infrastructure and must solve its last-mile logistics problems. Alternative transport services, such as the 'boda-boda' in Uganda and the emerging drone capabilities currently being tested in Malawi, will be key.
- Solving the **energy** problem from both a generation and distribution perspective. Advances in clean energy generation and the utilisation of microgrids are alleviating some of these problems, but these solutions must be scaled across the continent.

Other factors also need to be addressed, including the creation and harmonisation of the regulatory environments in the various countries to encourage platform businesses and innovation. Another question is, how do you put the appropriate funding schemes in place to support the necessary build of the required infrastructure? And finally, there's the challenge of providing the necessary investment in education and skills development to support this new economy.

“A platform needs to build trust among all participants, and between participants and the platform.”



CONCLUSION

Africa's platform economy is gaining traction. Global players are positioning themselves to take advantage of this growth opportunity and have either established their presence on the continent or are in the process of doing so. Although large global technology companies are eyeing this opportunity, large African incumbent organisations can tap into it to adopt platform mindsets and leverage their assets, brands, local knowledge and presence, intellectual property, strong relationships with regulators, credibility and trust to capture this growth opportunity on the continent

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OPTIMISING LIQUIDITY IN AFRICA



**BRENDON BOUWER**EXECUTIVE: LIQUIDITY MANAGEMENT,
TRANSACTION BANKING, CIB**ARCANJO ARTUR**EXECUTIVE: PORTFOLIO MANAGEMENT,
TRANSACTION BANKING, CIB

Africa is one of the fastest-growing consumer markets in the world, with a consumer expenditure growing 3.9% annually since 2010 and expected to reach USD2.1 trillion in 2025 and USD2.5 trillion by 2030, according to the Africa Growth Initiative at Brookings. The increased consumer spending, coupled with the insufficient means of production to support the growing demand for goods and services, forces most African countries to rely on imports to cover the gap, hence the heavy reliance on hard currencies, especially the United States dollar (USD), for most import transactions.

The cause of dollar shortages is the deterioration in a country's Balance of Payments, which reflects a country's net financial transactions with the rest of the world, with many African countries having subdued USD earnings. It is a multifaceted problem, and it varies from country to country across the continent, but key drivers of the situation in African countries include:

- a lack of diversified economies;
- poor investment-friendly policies to attract the right level of foreign investment;
- increased demand for imports of essential products and services, such as food and medicine; and
- import restrictions and deteriorating trading terms with other countries, leading to higher costs and limited access to foreign markets

The impact of the Covid-19 pandemic and the associated global recession drove down prices for many of Africa's key exports and tourism revenues, which have taken a long time to recover. Geopolitical tensions between Russia and the Ukraine have driven up prices of oil, food and fertilisers. Rising oil prices have eased dollar shortages for oil-producing countries in Africa, such as Angola and Nigeria, but has had an adverse impact on other countries. The battle with global inflation and the resulting tighter monetary policies have driven higher interest rates that have led to increases in the prices of key imports and the cost of foreign borrowings for African countries.

IMPLICATIONS OF USD SHORTAGES

A USD shortage has stark implications. It squeezes a country's ability to import, which in turn leads to lower domestic growth and less economic progress. This in turn leads to reduced levels of international trade, which reduces the ability of a country to create USD reserves to honour its foreign payment obligation. The increased risk of default leads to reduced investor appetite in local markets, which further reduces the potential for inflows of USD from foreign investors.

\$2.5
TRILLION

AFRICA IS ONE OF THE FASTEST-GROWING CONSUMER MARKETS IN THE WORLD, WITH A CONSUMER EXPENDITURE GROWING 3.9% ANNUALLY SINCE 2010 AND EXPECTED TO REACH USD2.1 TRILLION IN 2025 AND USD2.5 TRILLION BY 2030.

A country depleted of foreign exchange reserves is exposed to exogenous shocks from the global economy, such as pandemics, wars and supply chain disruptions. To counter the shortage of USD, African governments use monetary policy instruments like increasing the Central Bank statutory reserve requirement (SRR), which can lead to a lower demand for USD currency by reducing USD liquidity in the market.

THE EVOLVING USE OF STATUTORY RESERVE REQUIREMENTS

The need to keep cash in a country's central bank has evolved over time. It was originally driven by the status of a central bank as the sole issuer of notes and coins to commercial banks in an economy. In the 1900s, central banks were given the legal power to compel commercial banks to hold minimum cash balances with their respective central banks known as the statutory reserve requirement (SRR). Generally, the SRR is represented as a fraction of a commercial bank's deposit base, although some central banks include certain qualified assets, such as overdrafts, in the computation.

The initial purpose of the reserve requirement was for prudential purposes, i.e. to protect against liquidity and solvency risks. Central banks used the reserve requirement for liquidity management purposes to be lenders of last resort, i.e. to lend back to banks to meet their short-term liquidity requirements or support the financial system during a liquidity crunch. Post the global financial crises, central banks introduced more effective solvency and liquidity mitigation tools, such as minimum capital and liquidity ratio requirements on commercial banks, which reduced the significance and use of SRR.

Most regulators in Africa, however, continue with reserve requirements, but rather as a monetary policy tool to manage market liquidity than for prudential purposes, which has allowed central banks to contract or expand the money supply.

THE IMPACT OF RESERVE REQUIREMENTS ON BUSINESSES

Given the current inflationary pressure on the continent, many central banks in Africa are increasing the reserve requirements (contractionary monetary policy) across domestic and foreign currencies to reduce the rate of demand for goods and services as well as discourage business investment in CapEx, and in that way curtail inflation.



A USD shortage squeezes a country's ability to import, which in turn leads to lower domestic growth and less economic progress.



THE IMMEDIATE IMPACTS OF AN INCREASE IN CASH RESERVING FOR CORPORATE TREASURERS ARE:

- **Increased deposit interest rates.** All commercial banks will be competing for a reduced pool of liquidity in the market, which will lead them to pay higher interest rates to attract deposits.
- **Increased lending rates.** Commercial banks will pass the opportunity cost of additional reserve requirements and the increase in deposit interest rates on to their lending books.
- **Reduced lending appetite.** The reduced market liquidity pool available to commercial banks will reduce banks' risk appetites to lend out.

THE IMPERATIVE TO OPTIMISE SURPLUS CASH

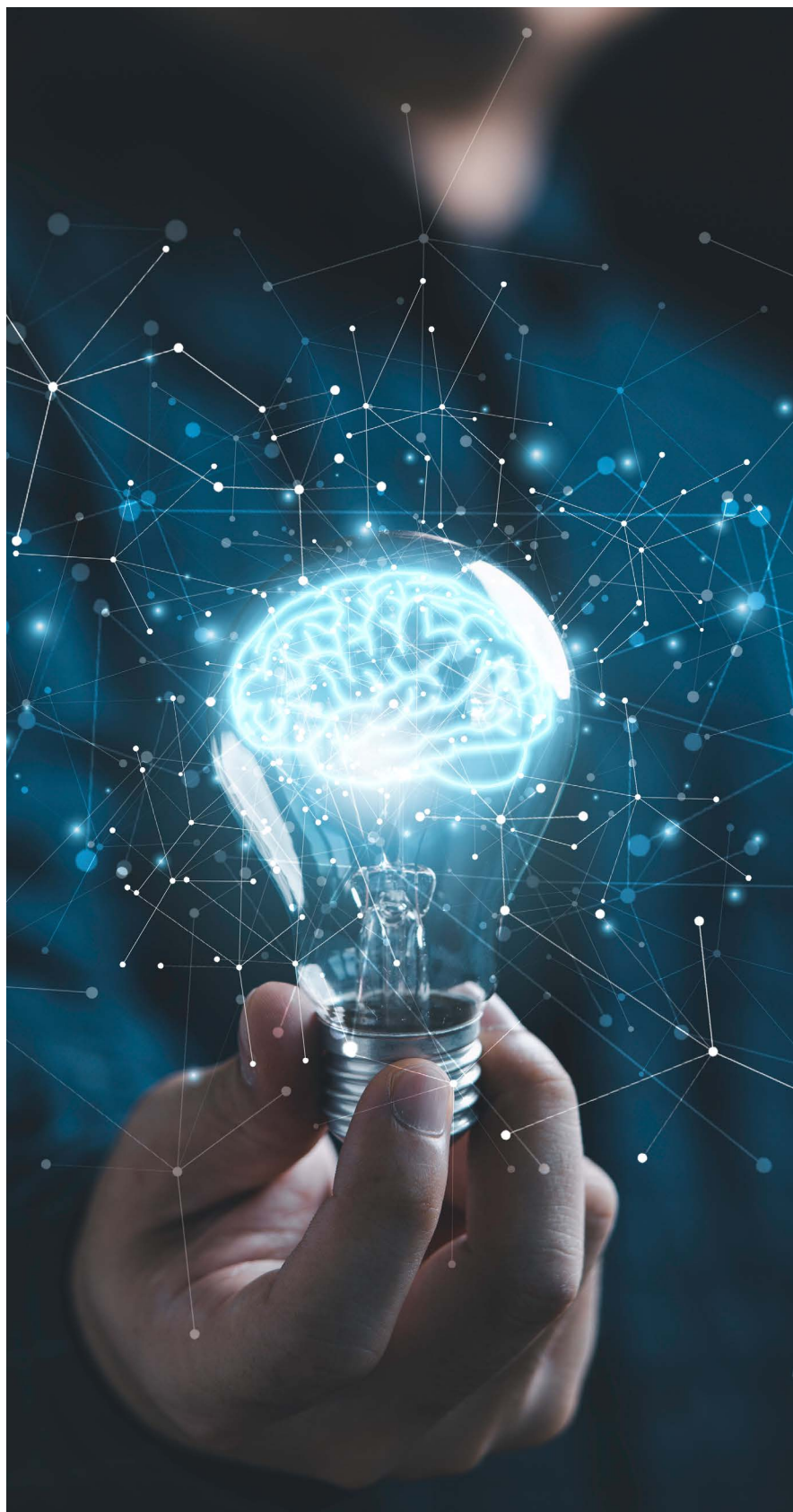
Given the prevailing contractionary monetary policy in most African countries that is making bank lending tighter and more expensive, the need for businesses to optimise their cash flows and enhance their available surplus cash is greater than ever.

One of the ways to achieve this is through optimising a business's cash conversion cycle (CCC). The CCC is a crucial metric. It measures the time it takes to convert investments in inventory and other resources into cash flows from sales and can be split into the time that cash is tied up in inventory and receivables (debtors) versus how quickly cash leaves the business through paying suppliers (payables).

- **Optimising investment in inventory** means reducing how long it takes between acquiring inventory and selling it. Tools like Just-in-Time (JIT) inventory purchasing, together with real-time inventory tracking and accurate sales forecasting can significantly reduce cash tied up in excess stock holding.

- **Optimising investment in receivables** means reducing how long it takes to collect money from customers for credit sales, which means accelerating debtor collections. Options like early-payment discounts, streamlined invoicing, convenient payment methods and strong customer-credit vetting can all drive faster sales proceeds receipting, including options like invoice factoring that can yield a higher return to the business than waiting for the customer payment to be received.

- **Optimising investment in payables** means maximising how long the business can take before it pays suppliers for inventory and other resources. Having key supplier relationships that enhance leverage for longer payment terms is critical, as is exploring supplier financing terms that might have a lower cost than the return on cash assets, as well as purchase order financing that might have a lower cost than the supplier discount gained from early payments.



By leveraging these options, businesses can gain better control over their cash flow, improve liquidity and ultimately enhance their overall financial performance, especially in times of tighter monetary policy.

MODERN BANKING SERVICES TO OPTIMISE CASH CONVERSION

African banks can offer a range of services to help businesses optimise their CCC. Cash management banking solutions can optimise cash visibility, cash efficiency and predictability, and automate cash flows. These include treasury services that offer centralised cash management platforms that provide real-time visibility into cash balances across multiple accounts and locations, enabling efficient cash allocation and reducing idle funds. Other options include liquidity management cash concentration schemes that can pool funds from multiple bank accounts into a central account, improving liquidity and investment opportunities, as well as cash forecasting tools, which can help businesses predict future cash inflows and outflows, enabling proactive cash management and reducing the risk of liquidity shortages.

Payment solutions can automate domestic and international payment processing directly from businesses' ERP systems that can streamline accounts' receivable and payable processes, speeding up the cash conversion cycle.



The need for businesses to optimise their cash flows and enhance their available surplus cash is greater than ever.



Working capital management banking solutions can help businesses unlock cash flows through receivables financing solutions – like factoring or invoice discounting that provides immediate access to funds tied up in outstanding invoices – and accelerate cash flow, while overdraft facilities can offer short-term credit lines that provide a buffer for unexpected cash flow fluctuations.

Supply chain finance banking solutions can also unlock cash flows through supply chain financing programmes that provide early payments to suppliers that generate discounts and improve relationships and lead to potentially extended payment terms. In addition, purchase order financing programmes provide funding based on outstanding purchase orders, allowing businesses to take advantage of early payment discounts or to secure inventory without depleting working capital.

By utilising these kinds of available banking services, businesses in Africa can readily respond to the liquidity challenges that currency shortages can create.



CONCLUSION

Africa's rapidly growing consumer market is outpacing domestic production capabilities, forcing countries to rely heavily on imports and the US dollar. In response, the continent's central banks have implemented monetary policies that tighten liquidity, raise lending rates and hinder business investments. To counter these challenges, businesses are optimising their CCCs and leveraging modern banking services to improve their cash flow and boost their financial resilience.

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