

Fintechs are set to transform cross-border payments in Africa

For centuries people have crossed borders to live, work, and trade. While cross-border payment systems are crucial for financial inclusion and growth in a globalised economy, cost and efficiency challenges remain, particularly in Africa.



Source: Supplied. Mark Dankworth, president of Business Development Africa at leading pan-African fintech enablement partner, Ukheshe Technologies

Mark Dankworth, president of business development Africa at Ukheshe Technologies - a pan-African fintech enablement partner - says fintechs are at the forefront of improving cross-border payments on the continent.

"There has been a significant increase in the movement of funds through digital platforms over the last five years. As mobile penetration continues apace in Africa, the continent is ready to take the next steps toward cross-border solutions that are less expensive, faster and more secure than ever before.

"As the next frontier for major expansion and innovation, new technologies are necessary in unlocking massive untapped potential," says Dankworth.

The most expensive cross-border payments on earth

Estimates suggest that some 30 million Africans reside outside the country of their birth with remittance inflows into sub-Saharan Africa alone amounting to around \$47bn.

Despite massive demand, payment corridors between Africa and the rest of the globe are the most expensive in the world. “

With remittances costing an average of between 8 and 10% of the value of each transaction, almost \$4.7bn disappears from the continent in expenses which is a significant figure in any context,” notes Dankworth.

He says the success of mobile phone-based money transfer services indicates an appetite in the market for safe and cost-effective ways of transferring money across Africa.

“In many markets, the majority of remittances are sent by means of a physical agent and are usually subject to high transfer fees. Nigeria is an example of a substantial net inflow market (around \$18bn flowed into the country in 2021) where residents in the United States, the UK and Europe are looking for transparent and reliable ways to support their families back home.”

Slow and delayed payments

Unreliable systems and shortages of physical cash are other frequent challenges to the free flow of money in Africa. Cash to cash services, while quicker than traditional banking methods, often attract high fees and, amid cash shortages may require recipients to travel vast distances several times to collect the full amount due to them.

“Very often, the difficulty lies not in sending money, but in receiving it. A new breed of fintechs are solving these issues by floating money in receiving country markets which gives them an advantage over remittance companies that are reliant on cash flow to successfully complete international transactions,” says Dankworth.



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He adds that there is a definite swing towards the ‘instant gratification’ model of cross-border payments which demands faster processes and is being adopted more broadly in various African countries.

“Much is dependent on fintech companies’ ability to move funds across various rails, whether there is currency freely available in a particular market, regulatory requirements, as well as the availability of ATMs in certain countries, among others.”

Regulatory challenges

Thanks to the number of intermediaries involved in transferring money from one country to another, regulatory challenges prohibit the ease of moving funds. Adding to the complexity, is the fact that every country abides by its own regulations, making the cross-border payment system slow and in some instances less secure than digital alternatives.

“Ukheshe is currently partnering with banks to offer innovative SaaS models that overcome regulatory hurdles,” says Dankworth.

Towards a seamless cross-border future

There has been a clear acceleration in the demand for online money transfers as African consumers become more comfortable with digital payment solutions. Dankworth says technologies such as digital wallets and payment gateways are some of the ways through which fintech is simplifying the complex cross-border payment process while also improving ease of use and convenience for end consumers.

“Dropping the cost of remittances is where the biggest opportunities in the market now lie. In the African context, it will be vital for customers to feel in complete control of their money and for the solutions they use to be seamless, interoperable and easy to use, which is where fintech enablement partners like Ukheshe are making the biggest impact.”

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