

What's next for payments in Africa?

 By [Karen Nadasen](#)

19 Jan 2023

African online retail has been growing fast in recent years and this trend is forecasted to continue. Digitisation is breaking all borders, opening massive opportunities in developing countries across Africa.



Karen Nadasen, CEO of PayU South Africa and the chair of the Ecommerce Forum of South Africa. Source: Supplied

By 2025 the number of online shoppers on the continent is expected to exceed 0,5 billion. How do we prepare for this growth and meet it with the best possible payment experience?

Security and convenience first

Online merchants wishing to target the intensively growing group of e-commerce consumers in the African markets need to provide solutions that will allow them to pay conveniently and safely.

“ Various digital payments are becoming more widespread in African countries, which is certainly one of the key aspects of e-commerce growth, and transact-ability is no longer a major constraint. ”

On the other hand, however, still, almost half of the adults in Africa are not in possession of any formal bank account.

Debit card payment methods make for a 10% penetration of the population, while the credit card ownership rate is even lower with an average of 2% for the entire continent. Those who use card payments, however, are looking for a smoother payment experience.

The last Black Friday edition in South Africa was a great reflection of this trend - we saw a 408% increase in the usage of tokenised cards compared to last year, indicating the rising importance of easy checkout flow with regard to speed, trust, and comfort.



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Online shoppers are increasingly tech-savvy, therefore they want a convenient and seamless payment experience. Growing in popularity, buy now, pay later (BNPL) solutions meet those needs. Credit is given in real-time, and the entire process is streamlined by a short credit application process that is completed at checkout.

Moreover, it fosters greater financial inclusion, offering access to credit to unbanked populations that previously would not have been served. BNPL is proving especially attractive to younger consumers – many of whom don't have credit cards – who are used to doing pretty much everything online.

The borderless future

The situation is slightly different on the continent level - with over 2,000 languages, myriad different currencies, multiple payment systems to navigate, and a patchwork of regulatory frameworks, operating in the African region can be an uphill battle for online merchants.

However, there are initiatives run by governments and regional alliances such as the African Continental Free Trade Area (AfCFTA) and cross-border infrastructure projects like the Pan-African Payment and Settlement System (PAPSS), which are promising to new opportunities for pan-African trade.

Much still needs to be done, and there will be serious hurdles to overcome, but a movement has now been unleashed to transform Africa. When you consider the natural evolution of trade and industry and observe other successful examples in uniting currencies and improving infrastructures, such as the Euro and European Union, it is imaginable that AfCFTA can succeed.

“ The AfCFTA could see 30 million people lifted out of extreme poverty, while raising the incomes of 68 million more - but only if the continent's estimated 400 million people who don't have access to digital financial services have better access to financial services that are not tied to banks. ”

In other words, AfCTA's success could depend on the roll-out of open banking across the continent.

Open banking opportunity

Open banking allows financial services providers to create a broader range of inclusive products, giving unbanked and underbanked consumers access, for the first time, to private mortgages, savings systems, pension funds, insurance, investments, and credit.

It also encourages informed and more responsible banking behaviors, as well as gives micro-enterprises and contingent workers, access to affordable and relevant financial services and products.



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Other practical benefits include overcoming a lack of documentation that puts up barriers to accessing financial products, with long-term outcomes including a reduced reliance on expensive formal or informal credit, as well as heavily indebted consumers being able to enter a debt rehabilitation service that will help them emerge from their credit quagmire.

With EY research showing that broader access to banking, savings, and lending products could boost GDP by up to 14% in emerging countries, and up to 30% in frontier countries, the opportunity is clear.

“ With open banking principles being in stark contrast to the historically very private nature of banking relationships, open banking could be a game changer on the African continent by making transactions more convenient and increasing the personalisation of banking services. ”

It can give consumers new insights and ways to manage their money, as well as allow access to new products and services that were simply not previously available to them before.

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