

How the “3 Opens” Will Redefine Digital Payments in Africa 2025

Open Banking, Finance, & Data



Financial Innovation in Africa Open Banking

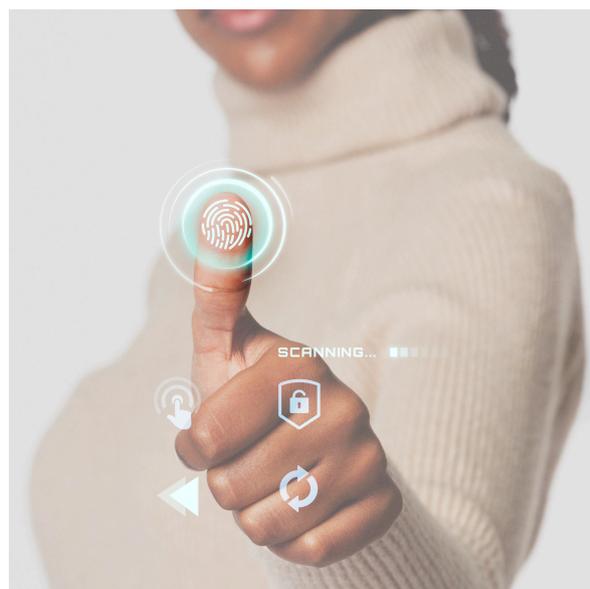
■ **The exponential growth of Open Banking, with an estimated 130 million active users worldwide projected for 2024 compared to just 25 million in 2020, has been primarily observed in the United States and Europe. In Africa, recent developments in Nigeria, Kenya, as well as in the WAEMU countries, are beginning to pave the way for Open Banking regulations.**

Open banking in Africa represents a significant shift towards making financial services more accessible, transparent, and innovative. By allowing third-party developers to access banking data through APIs (Application Programming Interfaces), open banking aims to foster financial inclusion, enhance customer experiences, and stimulate competition and innovation in the financial sector. It refers to a framework that enables secure sharing of financial data between banks and third-party providers through standardized APIs. Open Banking is revolutionizing the financial industry by reshaping the traditional relationship between banks and their customers.

This innovation fosters transparency, competition, and personalized financial services, paving the way for a more inclusive and interconnected financial ecosystem. In Africa, Open Banking holds the promise of addressing longstanding financial challenges, including low banking penetration, fragmented payment systems, and limited access to credit. Countries like Nigeria, South Africa, and Kenya are leading the charge in adopting Open Banking frameworks.

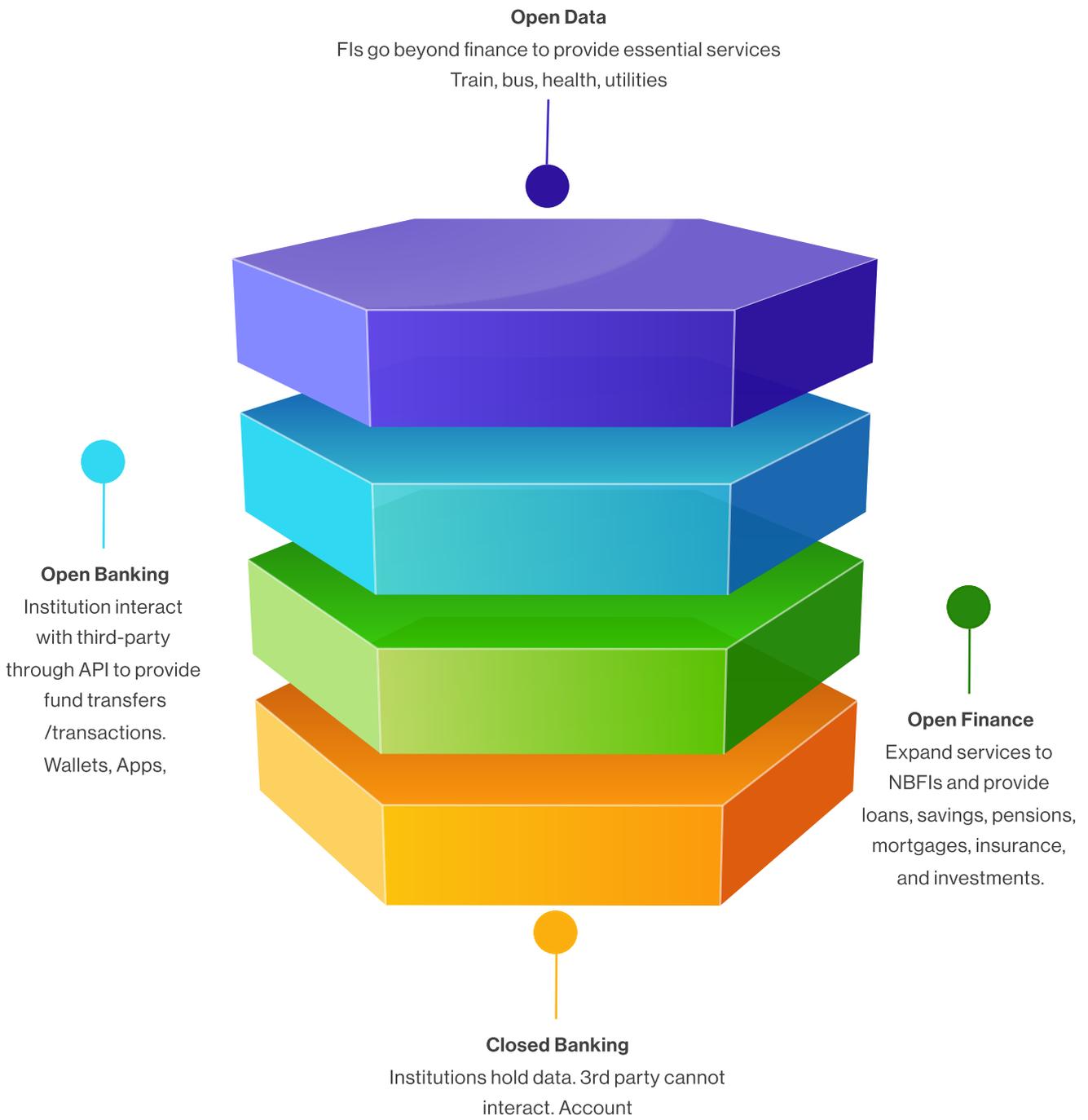
The figure 1 illustrates the progressive evolution from Closed Banking to Open Banking, Open Finance, and Open Data. In the Closed Banking model, financial institutions maintain exclusive control over customer data, restricting third-party interactions and limiting innovation.

Open Banking introduces secure APIs, allowing institutions to interact with third-party providers to offer basic financial services such as fund transfers, enhancing customer convenience and fostering competition. Open Finance goes a step further by expanding services to non-bank financial institutions (NBFIs), enabling access to products like loans, savings, pensions, insurance, and investments, thus promoting broader financial inclusion. Finally, Open Data represents a paradigm shift where financial institutions extend their scope beyond traditional finance to provide essential services in areas such as request-to-pay, transport (bus/train terminal direct payments), health, and utilities (paying bills).



This integration creates a seamless and customer-centric ecosystem but necessitates robust data governance to ensure security and privacy. For Africa, these stages of openness could transform the financial landscape by bridging the gap between formal and informal sectors, boosting inclusion, and fostering cross-sectoral innovation, particularly in countries like Nigeria, Kenya, and South Africa that are already championing Open Banking.

Figure 1: The 3 Opens



Source: Agpaytech

Ecosystems of Players



The open finance, open banking, and open data initiatives in Africa are transforming the financial landscape by promoting transparency, competition, and inclusivity. The landscape of open finance, banking, and data in Africa in 2024 is dynamic, with each actor contributing uniquely to the ecosystem's development. From regulatory bodies setting the stage for secure data sharing to fintechs innovating on this data, and from banks acting as data custodians to technology providers ensuring secure data exchange, the collaboration is key. This synergy aims not only at financial innovation but also at significantly enhancing financial inclusion and economic empowerment across the continent.

Table 1. Open banking players and their role

Player	Role	Example
Regulatory Bodies	Establish frameworks, guidelines, and regulations measures	Central Bank of Nigeria (CBN) South African Reserve Bank (SARB)
Banks	Account or data holders providing APIs for data access, enabling third parties to develop new services	Ecobank, Access Bank, UBA, Standard Bank
Fintech Companies	Fintechs act as innovators, leveraging bank data through APIs to create new financial products or services	Stitch (South Africa), Pngme, ATLMoney
Technology Providers	Develop the technological backbone (like APIs, security protocols).	HPS (Hightech Payment Systems, Axway)
Collaboratives and Associations	Promote standards, share best practices, and facilitate collaboration between all stakeholders	Open Finance African Group Open Banking Foundation, Nigeria
Consumers	The end-users whose data is shared and who benefit from more competitive, innovative, and personalized financial services	Individuals, entities, agencies

Source: Agpaytech, 2024

How Africa is Embracing Open Banking



Nigeria has been at the forefront with the Central Bank of Nigeria releasing open banking regulations in 2021, followed by operational guidelines to encourage data sharing and collaboration between banks and fintechs. This has laid the groundwork for SMEs to benefit from real-time financial management and access to tailored financial products. Also, the South African Reserve Bank (SARB) has engaged in industry consultations to develop frameworks for open banking, focusing on consumer data protection and cybersecurity. Nigeria's regulatory authorities have launched initiatives such as the Open Banking Nigeria Framework, setting the stage for standardized API usage. South Africa's banks are experimenting with Open Banking to facilitate seamless transactions and improve user control over financial data, while Kenya, already renowned as a leader in mobile money, is gradually integrating Open Banking principles to enhance interoperability and drive innovation across FinTech platforms. Recent developments hint at forthcoming regulatory advancements, with initiatives like the Open Finance African Group launched in Central and West Africa, aiming to harmonize standards and promote financial inclusion. The Open Finance African Group is a think tank on open finance launched in 2024 which aims to study subjects by combining a technical, business and regulatory vision to promote the development of open finance and more broadly financial inclusion. Through a collaborative working approach, the goal of the Open Finance African Group in Africa is to establish a common and harmonized vision for data processing. Inspired by similar initiatives in Europe, the reflexive platform aims to address a wide range of topics, including identifying and establishing value chains to support Open Finance through concrete use cases, providing insights on regulatory developments to promote and accelerate Open Finance principles across the continent and identifying tangible and measurable benefits for all ecosystem actors.

Table 2: Open Banking development in Africa

Preparation	
Nigeria	CBN introduced open banking regulation in 2023
South Africa	Published consultation paper on open-banking activities
Kenya	Bank of Kenya (CBK) published its 2021-2025 Vision and Strategy document, outlining open banking
Ghana	OB was hinted at in Ghana's National Payment Systems Strategic Plan (2019-2024)
Rwanda	OB is based on the EU regulatory framework.
Approach	
Nigeria	Regulatory led
South Africa	Regulatory led
Kenya	Regulatory led
Ghana	Unknown
Rwanda	Regulatory led
Regulatory guidelines	
Nigeria	Has issued guidelines on 17th February 2021
South Africa	A consultation paper on OB has been published by NPSD of SARB on November 2020.
Kenya	Yet to issue official guidelines OB initiative is proposed under the "Data Access and Management".
Ghana	Has issued draft to solicit for public input on open banking guidelines
Rwanda	Implementation of technical standards by 2024
API	
Nigeria	Has issued a guideline on standard API
South Africa	Lack of uniformity of APIs for OB
Kenya	No specific guidelines on APIs
Ghana	Yet to develop a road map for data sharing on API
Rwanda	Follows EU PSD2
Fintechs	
Nigeria	Fintechs are collaborating with the Nigeria Open Technology Foundation
South Africa	Fintechs have embraced OB
Kenya	The fintech industry is the backbone of OB
Ghana	Fintechs are ready for the initiative
Rwanda	Fintechs are ready for the initiative

Source: Agpaytech

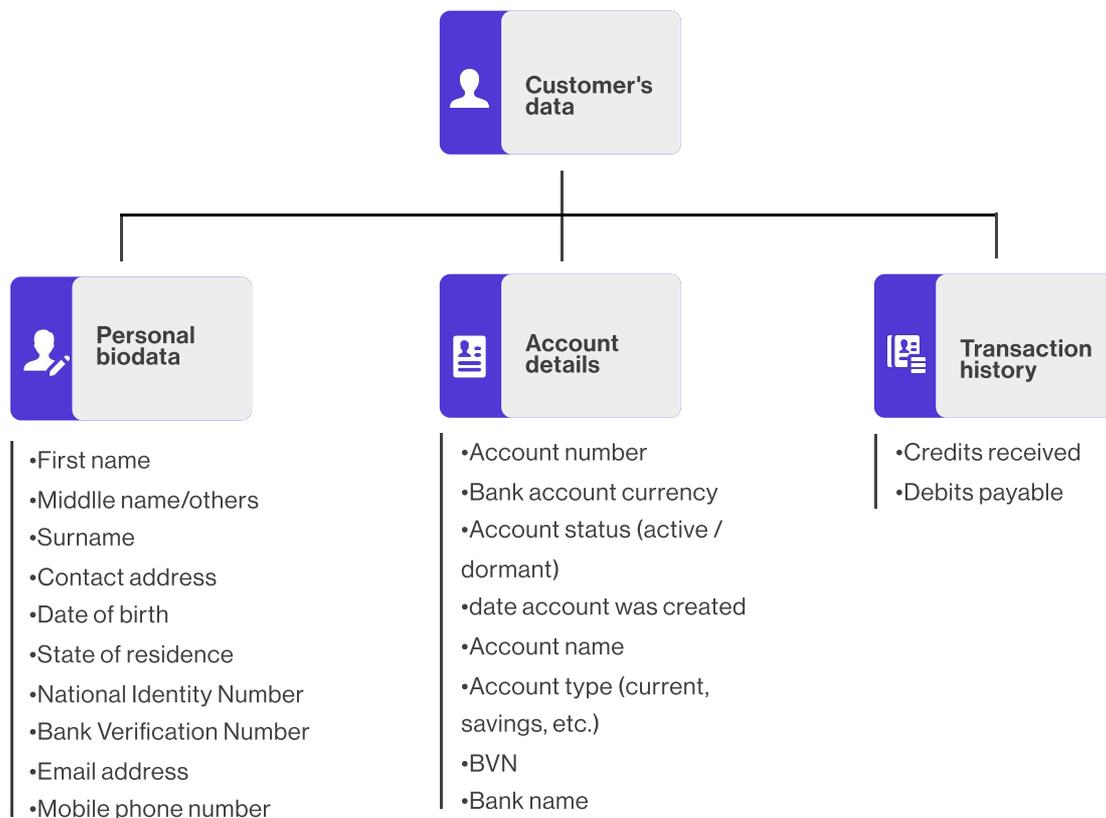
The Consumer Data in Question

In the context of Open Banking, customer data comprising personal biodata, account details, and transaction history plays a pivotal role in fostering tailored financial services and enhancing access to banking solutions. Personal biodata (e.g., name, contact information, and identification details) helps verify the identity of customers, ensuring secure onboarding and fraud prevention.

Account details (such as account type, account status, and currency) provide financial institutions and third-party providers with critical information needed to develop personalized financial products, like credit lines, loans, or budgeting tools. Finally, transaction history, encompassing credits received and debits payable, serves as a foundation for alternative credit scoring models, enabling individuals without formal credit histories to access loans and other financial products.

The financial history is essential in the open finance model where insurance, loan, investment, etc. third-party provides need to assess consumers credit background. By securely sharing this data with third-party providers (with customer consent), Open Banking unlocks opportunities for financial innovation, fosters competition, and enables underserved communities to access tailored financial solutions, accelerating financial inclusion.

Figure 2. Consumers' data for open banking



Source: Agpaytech, 2024

- **Rural Areas:**

Open banking allows financial services to be delivered through mobile platforms, which are more accessible in rural areas where traditional banking infrastructure is sparse. For instance, mobile money account ownership in Sub-Saharan Africa has grown significantly due to mobile banking initiatives, which can be further enhanced by open banking. In areas with limited banking presence, open banking can facilitate direct, secure payments through mobile devices, reducing the dependency on cash and enhancing the speed and safety of transactions. This is particularly beneficial for agricultural payments which often involve cash in remote areas.

- **SMEs:**

By enabling third-party providers to access financial data, SMEs can benefit from tailored financial products like microloans based on real-time transaction data rather than traditional credit scores. This reduces barriers for SMEs that often lack the collateral or credit history required by conventional banking. SMEs can integrate their banking data with accounting or POS systems for real-time payment processing, reconciliation, and cash flow management, which can significantly reduce operational costs and time.

- **Using Alternative Data:**

Open data can include non-traditional data sources like utility payments or mobile money transactions for credit scoring. Rural entrepreneurs and SMEs can use their data to negotiate better terms with lenders or to demonstrate financial health to suppliers, increasing trust and economic opportunities. This innovation helps in assessing creditworthiness for those without formal credit histories, thereby extending credit to more individuals and businesses.

- **New Payment Models:**

The open finance ecosystem encourages the development of new payment solutions like buy-now-pay-later services for SMEs or payment aggregation apps for rural consumers, enhancing the payment landscape's efficiency and flexibility. Open finance promotes business models where even small, informal businesses can access banking services through fintech partnerships, expanding their formal economic participation.

Conclusion

- The year 2024 has seen significant strides in the adoption of open banking in Africa, with various countries and regional groups taking steps towards regulatory and operational frameworks.



The focus on digital transformation, paired with the strategic use of open banking to combat financial exclusion, positions Africa to potentially redefine financial services not only for its populace but also as a model for other emerging markets. However, the realization of this potential will hinge on overcoming regulatory, technological, and infrastructural challenges.

About Agpaytech

Agpaytech Ltd. is a company pioneering in the Fintech space with a focused approach to building robust technologies for e-commerce Card Processing Solutions for Payment Service Providers (PSPs). Additionally, we provide Compliance and Regulatory Umbrella, Remittance-as-a-Service (RaaS), Banking-as-a-Service (BaaS), Foreign Exchange, Cross Border Payments, and digital currency technology.

We also provide practical white paper research support to central banks, government and private institutions, economic organizations, and NGOs in Africa. Our services expand from research projects, state-of-industry reports, project assessment, data collection, and consulting services in the fintech space.

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