Services

Digital Transformation: *The Future of Cross-Border Payments in Africa*

As regulatory friction persists and digital infrastructure races ahead, the modernisation of cross-border payments may finally be entering its next act — one in which speed alone won't be enough.

For decades, cross-border payments have been viewed as slow, expensive and difficult to trace — with fees stacking up across intermediaries and little visibility into when or whether funds would arrive. In recent years, there have been notable improvements, particularly in terms of speed and transparency. End-to-end tracking offers real-time visibility through the transaction process however, while the cross-border component has become much more efficient, delays may still arise during the final leg of the transaction.

But the winds are shifting. And this time, they're digital.

In Africa, where sending money across borders can still mean long waits, hidden fees and fragmented systems that don't talk to each other, industry leaders are calling for payment infrastructure that does more than just move funds.

Citi, with its global network and having a presence in 94 countries, is ideally structured to manage cross-border payments in a manner few other institutions can. However, interoperability and standardisation remain a key challenge.

"The technology is available to solve cross-border payments friction however it is the end-to-end flow and ecosystem that needs a refresh from the remitting bank, receiving bank and all the linked regulatory aspects."

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What's needed is a system that shows where a payment is, connects effortlessly across platforms, and keeps working even when conditions aren't ideal.

It's not just about speed, according to Olivier Lens, head of Sub-Saharan Africa for Swift, based in Johannesburg. "Security, end-to-end traceability and transparency of costs all enhance the customer experience," he said.

Outdated pipes, new pressures

At the heart of the issue is the so-called last mile — the final stretch of a cross-border payment that too often bottlenecks due to incompatible financial systems, basic errors in payment data that go unchecked, or regulatory divergence between countries that delay or block transactions outright.

While 90 percent of payments on Swift's network reach their destination within the hour, according to Lens, the proportion of end-to-end transactions settling within that time is much less, because of issues in the last mile.

Part of the problem is linguistic — not metaphorically, but literally. The global financial system has for years operated on a messaging standard known as Swift MT formats to transmit payment instructions.

"Today as a community we speak a language, but that language will expand with the migration to the richer, more structured data of ISO 20022, helping to enhance efficiency and interoperability of cross-border payments systems."

"What we're going to be able to do with this, that is incredible. We're really moving banking into the next era," Lens added.

The politics of payment plumbing

However, new payment networks are emerging in Africa and Asia that aim to settle transactions directly in local currencies, avoiding the need to route through US dollars or Euros. They include the BRICS Pay network and the Pan-African Payment and Settlement System (PAPSS).

Lens sees collaboration as the solution to financial fragmentation. He says multiple regional payments systems risk creating silos that could introduce friction into the ecosystem. He pointed to research warning that financial fragmentation could shave as much as 6% off global gross domestic product (GDP) by 2030.

"A payment system alone is not going to foster trade," Lens warned, arguing payments need joined-up regulation and interoperable infrastructure behind them.

Innovation at the edge

While banks wrestle with systemic reform, fintechs are building practical solutions on the ground — often where the need is most acute. Yoco, a South African card payments company, made its name helping cash based merchants go digital.

According to Doug Walker, the firm's programme director for financial services, Yoco offers merchants services such as tip-splitting by waiter and accounting integrations with platforms that will then help manage their finances and control their cash flow. These features help small businesses reconcile payments and reduce reliance on manual processes.

"Downtime for Yoco means a merchant misses a payment… can't pay bills, can't pay salaries, etc," said Walker.

Firms like Yoco are looking to lay the behavioural and digital groundwork for a potential future in which cash-based economies are finally connected to regional and global rails. But that level of trust isn't granted to every newcomer. Banks have a great opportunity to collaborate with these PSPs to offer greater value to merchants and consumers through innovative, collaborative and holistic value propositions. Fintechs also ultimately rely on banking rails to process payments so close relationships can help design innovative solutions for clients. Value-Added Services provide complete visibility to the remitter and beneficiary (like a courier tracker) including correspondent bank costs. "We believe that tools like this, where cost transparency is being provided, are great examples of banks disrupting themselves." says Kapoor.

Despite the buzz, blockchain-based systems for cross-border payments have yet to see broad adoption. Central bank digital currencies (CBDCs) and stablecoins are often promoted as faster, cheaper alternatives — especially for sending money across borders or reaching people without access to traditional banks. But without clear regulatory frameworks, many institutions remain cautious, and consumer trust appears limited.

Lens said: "for stablecoins or any other digital assets to scale, they need regulatory frameworks and interoperable infrastructure."

From black box to glass box

The recurring theme — from ISO 20022 to digital wallets — is visibility. With the advent of industry wide initiatives such as Swift GPI, payments can now be tracked like parcels, bringing clarity to what was once a murky process. In a region like Africa, where payments may fail not due to distance but data, and where remittance flows are lifelines rather than luxuries, the transition from opaque to open systems is welcome. The global digital revolution occurring in cross-border payments not only addresses traditional challenges but seemingly creates opportunity for Africa to increase global trade, economic growth and financial inclusion.

"The infrastructure is there. Now we need to make it interoperable," said Lens.

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