Agpaytech's Research

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Next-Gen Finance Building Inclusive Central Banking Fit for the Digital Africa

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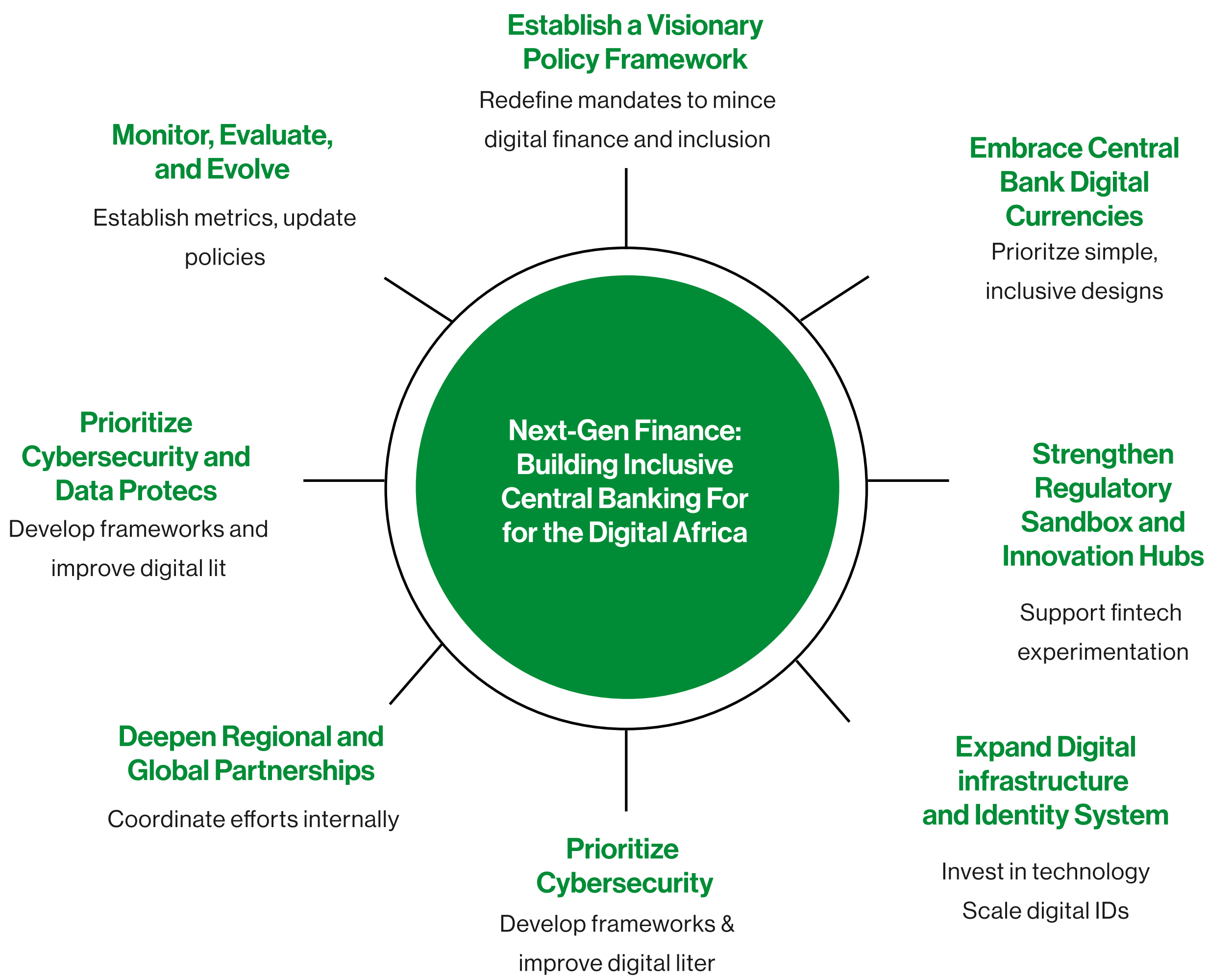

Next-Gen Finance: Building Inclusive Central Banking For for the Digital Africa
Establish a Visionary Policy Framework
Redefine mandates to mince digital finance and inclusion
Embrace Central Bank Digital Currencies
Prioritze simple, inclusive designs
Strengthen Regulatory Sandbox and Innovation Hubs
Support fintech experimentation
Expand Digital infrastructure and Identity System
Invest in technology Scale digital IDs
Prioritize Cybersecurity
Develop frameworks & improve digital liter
Deepen Regional and Global Partnerships
Coordinate efforts internally
Prioritize Cybersecurity and Data Protecs
Develop frameworks and improve digital lit
Monitor, Evaluate, and Evolve
Establish metrics, update policies

Introduction

Central banks are at the heart of a nation's financial system. In Africa, they are not only monetary authorities but also development institutions supporting inclusive growth. As countries in Africa strive for macroeconomic stability and integration into the global economy, the functions of their central banks have become increasingly significant. Most African countries established their central banks post-independence, as part of broader economic development strategies. Examples include the Bank of Ghana (est. 1957), the Central Bank of Nigeria (1958), and the Bank of Uganda (1966). Today, there are over 50 central banks across the continent, each with varying degrees of autonomy and effectiveness. Despite differences in structure and policy environment, African central banks share common mandates enshrined in national laws and constitutions.

Central banks in Africa are navigating a rapidly evolving financial environment. Traditionally responsible for maintaining monetary policy and overseeing the banking sector, they now face the need to adapt to emerging digital financial ecosystems. This changing regime is influenced by increased digital adoption, the rise of financial technology (FinTech), shifting consumer expectations, and global financial integration.

Bank Al-Maghrib	**Bank d'Algérie**	**Central Bank of Kenya**	**Bank of Uganda**	**Bank of Ghana**
Central Bank of Nigeria	**South African Reserve Bank**	**Reserve Bank of Zambahwe**	**Central Bank of Egypt**	**Bank of Eritrea**
Bank of Botswana	**Central Bank of Djibouti**	**Bank of Mauritius**	**Bank of Central African States**	**National Bank of Rwanda**

Core Functions of Central Banks in Africa

Monetary Policy Implementation

The primary function of most African central banks is to maintain price stability through effective monetary policy.

- Controlling inflation
- Managing interest rates
- Conducting open market operations
- Maintaining stable exchange rates

Foreign Exchange Management and Reserves

Central banks manage foreign exchange reserves and oversee the country's external sector. Functions include:

- Managing currency reserves and balance of payments
- Intervening in the forex market to stabilize local currencies
- Formulating exchange rate policies

Issuance and Regulation of Currency

Central banks in Africa have the sole authority to issue national currency, ensuring the integrity and supply of money. In countries like Kenya and Nigeria, the central banks also oversee the transition to digital currency use and electronic payments.

- Designing and printing currency notes and coins
- Preventing counterfeiting
- Managing currency denominations and withdrawals

Acting as Banker to the Government

Central banks in Africa serve as fiscal agents for their respective governments. For instance, the Bank of Ghana manages the issuance and auction of government securities.

- Managing public debt
- Holding government accounts
- Financing short-term fiscal deficits (subject to laws limiting direct lending)

Financial Sector Regulation and Supervision

African central banks act as regulators to promote a sound financial system.

- Licensing and supervising commercial banks
- Ensuring compliance with prudential regulations
- Implementing anti-money laundering (AML) and combating financing of terrorism (CFT) frameworks

Promoting Financial Inclusion and Development

Central banks promote financial inclusion by supporting access to banking services, especially in rural and underserved areas. Institutions like the Central Bank of Nigeria (CBN) have launched frameworks to support digital financial services and e-naira (CBDC) adoption.

- Supporting digital finance innovations
- Encouraging microfinance institutions
- Implementing policies for mobile banking and FinTech

The Changing Regime: A Shift in Africa's Financial Ecosystem

The financial landscape across Africa is undergoing a dramatic transformation. Central banks, once seen as conservative institutions with long-standing practices and traditional roles, are being pushed into uncharted territory. Rapid technological innovation, the rise of non-bank financial service providers, and evolving consumer demands are forcing central banks to rethink how they regulate, innovate, and maintain monetary and financial stability.

Several African central banks have established or are affiliated with wholly owned subsidiaries dedicated to digital payments and infrastructure. These entities play pivotal roles in enhancing financial inclusion, modernizing payment systems, and promoting cashless economies.

The Evolving Role of Central Banks

The digital age and regional integration (e.g., the African Continental Free Trade Area - AfCFTA) are reshaping central banking. Trends include:

- Central Bank Digital Currencies (CBDCs)
- Climate-related financial supervision
- Cross-border payment integration (e.g., PAPSS, Mobile Money Interoperability)
- Big data analytics for policy formulation (AI for risk mitigation)

What is Causing Central Banks to Change So Fast?

The need to remain relevant in a digital economy is forcing a complete overhaul in how central banks operate and interact with the broader financial system. Innovations such as blockchain, artificial intelligence, and real-time payment systems are rendering traditional models obsolete. Moreover, the demand for faster, cheaper, and more convenient financial services is pressuring regulators to allow more competition and innovation. Several interlinked factors are driving the accelerated transformation of central banks in Africa.

The Super Apps Effect

Super apps are mobile platforms that integrate multiple services messaging, shopping, ride-hailing, and financial services—within a single ecosystem. In Africa, companies like Safaricom (M-Pesa), MTN MoMo, and Airtel Money are transforming their platforms into super apps. These apps are now offering:

- Peer-to-peer (P2P) payments
- Savings and credit products
- Insurance
- Bill payments and merchant services
- Remittance services

For central banks, the rise of super apps raises important questions about licensing, oversight, data privacy, and consumer protection. These apps are becoming systemically important, and their dominance could pose financial stability risks if left unchecked.

Cryptoassets: A New Form of Value

Innovations such as blockchain, artificial intelligence, and real-time payment systems are rendering traditional models obsolete. Crypto assets such as Bitcoin, Ethereum, and stablecoins are gaining traction across Africa, particularly among the unbanked, remittance users, and tech-savvy youth. Their decentralized nature offers speed and lower transaction costs but also presents regulatory challenges. Central banks in Africa are responding in different ways:

- Nigeria banned commercial banks from handling crypto but launched the eNaira (CBDC).
- South Africa is building a regulatory framework for cryptoasset service providers.
- Kenya and Ghana are studying the implications of stablecoins on monetary policy and capital flows.

While crypto adoption is still relatively small in terms of volume, its potential to disintermediate traditional financial systems has prompted central banks to act swiftly to preserve monetary sovereignty.

Telecoms Turning into FinTechs

Telecoms, FinTechs, and tech giants are offering financial services at scale, challenging the dominance of traditional banks. Telecommunication companies are now major players in Africa's financial ecosystem. Leveraging their vast customer bases and mobile infrastructure, they are delivering financial services that far exceed those of many banks. These telecoms are outpacing commercial banks in terms of reach and innovation. Their evolution into fintech entities has prompted central banks to review regulatory frameworks to ensure a level playing field and protect consumers without stifling innovation.

- M-Pesa in Kenya: Providing payments, loans, and insurance to millions.
- MTN and Airtel: Expanding mobile money platforms into full-fledged financial service providers.
- Partnerships with banks and governments: Supporting digital ID, subsidy disbursement, and tax collection.

FinTech Doing the Unthinkable

FinTech startups across Africa are disrupting both traditional banking and telecom-led financial services. Companies like Chipper Cash, Flutterwave, Paystack, and MFS Africa are creating borderless payment solutions and merchant services. Their agility, customer focus, and tech-first approach have enabled them to fill gaps that legacy players have long ignored.

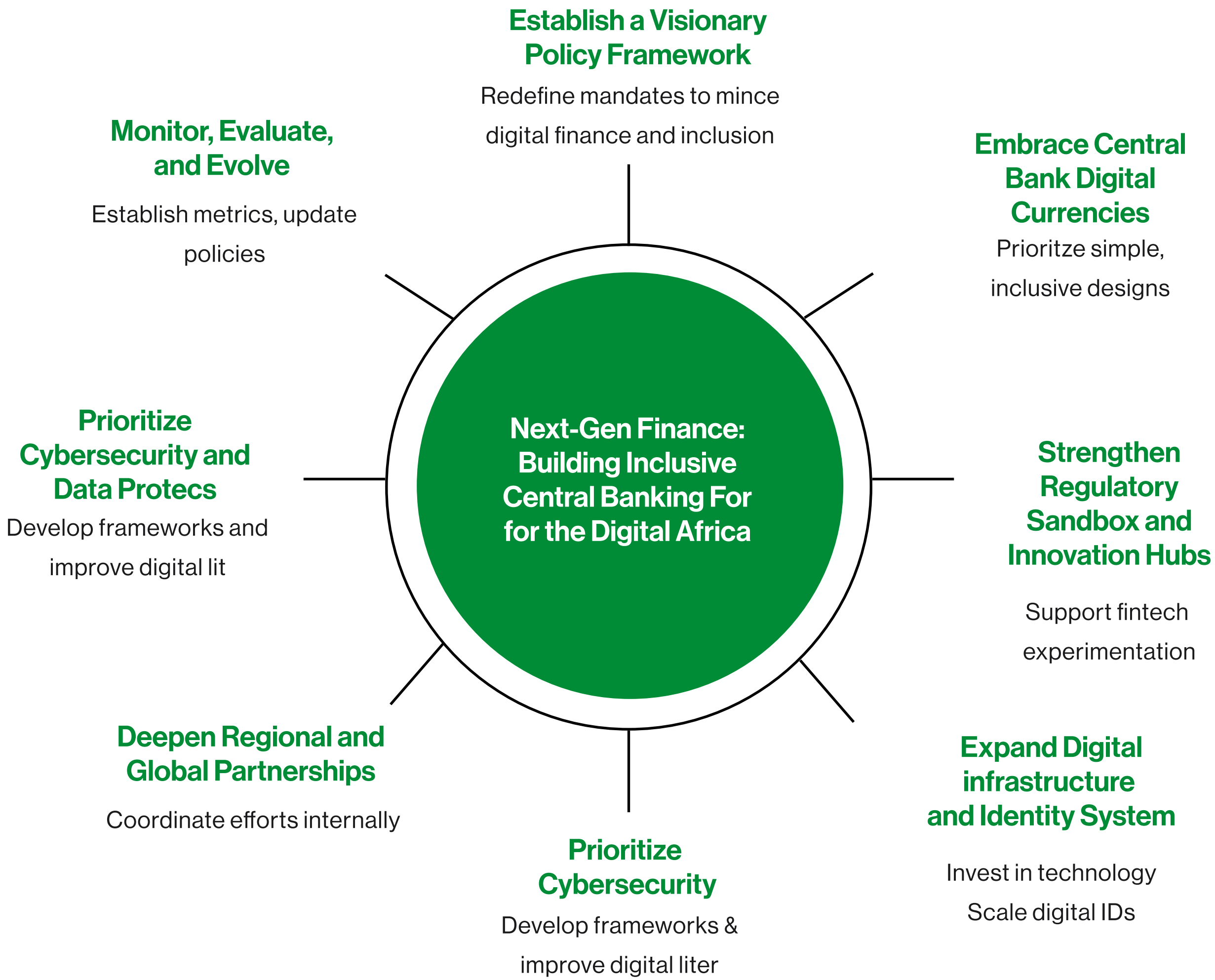
- Enabling real-time, cross-border transactions
- Offering credit scoring through alternative data
- Automating savings and investment products
- Creating APIs for third-party integration across platforms

Cross-Border Payment Needs

The increasing volume of regional trade and remittances is driving demand for faster, cheaper, and more interoperable cross-border payment systems. Traditional banking infrastructures often struggle to meet these needs due to inefficiencies, high costs, and lack of seamless integration between different financial systems. Traditional SWIFT-based transfers involve multiple intermediaries, leading to fees of 5-10% (or higher for small transactions). Also, cross-border payments can take 1-5 business days due to compliance checks and correspondent banking delays. Many small businesses and migrant workers rely on informal channels (e.g., hawala) due to banking exclusion. AfCFTA (African Continental Free Trade Area), ASEAN Economic Community, and similar blocs require seamless payment rails to foster commerce, freelancing, and gig work require instant payouts across borders. Cryptocurrencies and stablecoins (e.g., USDC) are emerging as alternatives for bypassing traditional banking delays.

How Central Banks are Scaling Up both in Regulatory and Innovation Changes

This wave of innovation is forcing central banks to reconsider how they issue licenses, manage systemic risk, and foster innovation. Regulatory sandboxes and innovation hubs are emerging as tools to engage with FinTechs while maintaining oversight. Like in the other continents, many central banks in Africa are exploring the possibility of issuing CBDC that will be minted, controlled, and issued by the state. Although many African nations have announced their interest in issuing CBDC, few have released the proof-of-concept or plan, while others are researching the feasibility of the project. To build an inclusive central banking system fit for Digital Africa, countries must embrace adaptive leadership, continental collaboration, and citizen-centric innovation. Africa can leapfrog legacy systems and become a global model for next-gen finance.



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Central Bank Digital Currency (CBDC)

Central Bank Digital Currencies (CBDCs) are gaining traction in the African continent. In 2024, Africa witnessed significant advancements in the realm of CBDCs, reflecting a continent-wide commitment to financial innovation and inclusion. Previously, the Agpaytech Survey indicated that 67.3% of central banks in Africa have not shown interest or are yet to make pronouncements on their intent to issue CBDC. Also, 32.7% which represent seventeen (17) countries in Africa are in different stages of CBDC development (research, pilot, or launch). Nigeria and Ghana are in the advanced stages of the CBDC exploitation.

Nigeria's eNaira Progress

Launched in October 2021, Nigeria's eNaira marked Africa's pioneering step into CBDCs. Despite initial challenges, including limited adoption—with less than 0.5% of Nigerians using the eNaira within a year of its launch—the Central Bank of Nigeria intensified efforts in 2024 to enhance its appeal. Strategies encompassed public education campaigns and incentives aimed at bolstering financial inclusion and streamlining payment systems.

Ghana's e-Cedi Pilot

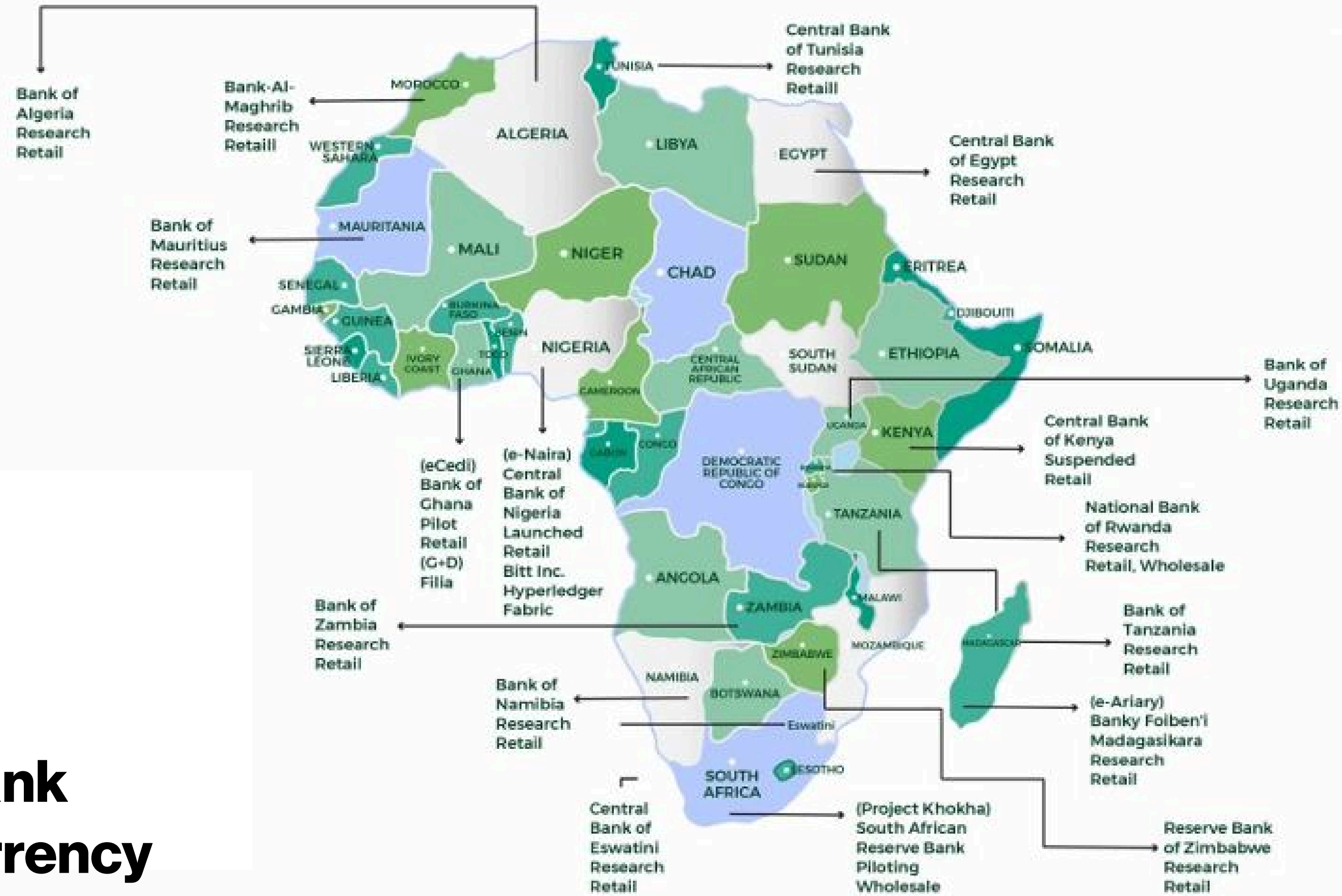
Ghana made notable strides with its e-Cedi project. The Bank of Ghana, in partnership with Giesecke+Devrient, initiated a pilot for a general-purpose CBDC, positioning Ghana as a leader in digital currency innovation within West Africa. The e-Cedi aims to complement physical cash, promoting a cash-lite economy and enhancing financial accessibility.

Morocco's Regulatory Developments

Morocco progressed towards integrating digital currencies by drafting legislation to regulate cryptocurrencies, despite a ban in 2017. The central bank, Bank Al-Maghrib, also explored the potential of a CBDC to enhance financial inclusion, reflecting a cautious yet forward-thinking approach to digital finance.

Stablecoin

Furthermore, mineral resource tokenization is emerging as a financial innovation, exemplified by Zimbabwe's gold-backed digital currency, ZiG, and Ghana's introduction of the Ghana Gold Coin. As digital currencies pegged to stable assets like the U.S. dollar, stablecoins ensure minimal volatility, making them ideal for remittances. Central Banks are using blockchain technology, stablecoins enable near-instant, borderless transactions at significantly lower fees than traditional methods. For example, sending money via stablecoin platforms can reduce fees to less than 1% of the total amount, drastically cutting user costs. Given that more than 50% of remittance recipients in Africa rely on mobile money services, integrating stablecoins with these platforms could revolutionize cross-border payments, providing faster, cheaper, and more accessible financial solutions.Notably, the most popular stablecoin, Tether, consistently registers the most considerable daily trade volume on the market. (TechReport, 2023). Approximately 30% of global remittances are now facilitated through stablecoins, reflecting their growing utility in cross-border transactions (Circle, 2023).



Central Bank Digital Currency Project in Africa

Table 1: Types of Stablecoin

Type of Stablecoin	Stability Mechanism	Example
Fiat-Collateralized	Pegged to fiat currency, backed by reserves.	USDT, USDC, TrueUSD
Crypto-Collateralized	Backed by cryptocurrencies, over-collateralized.	DAI, Synthetix USD)
Commodity-Collateralized	Backed by commodities like gold	Paxos Gold (PAXG), Tether Gold (XAUT)
Algorithmic	It uses algorithms to control supply without collateral.	TerraUSD (UST) Ampleforth (AMPL)
Hybrid	Combine multiple stabilization mechanisms, including a mix of collateralization and algorithmic management, to maintain their price peg.	

Source: Agpaytech, 2025

Digitalizing Minerals as Financial Assets

- **Zimbabwe's Gold-Backed Digital Currency**

  In July 2022, Zimbabwe launched a gold-backed digital currency to curb inflation and restore public trust in the national currency. The Reserve Bank of Zimbabwe (RBZ) used its substantial gold reserves to back the new currency, dubbed "Mosi-Oa-Tunya Gold Coin," which was available both as physical gold coins and digital tokens. By pegging the currency to the value of gold, Zimbabwe aims to reduce reliance on foreign currencies and stabilize the Zimbabwean dollar. The gold coin is available in local currency (ZW$) and United States Dollars (US$) (and other foreign currencies) at a price based on the prevailing international price of gold and the cost of production. The coins will be sold through the Bank and its subsidiaries, Fidelity Gold Refinery (Private) Limited and Aurex (Private) Limited, local banks and selected international banking partners. Entities selling the coins shall be required to apply Know Your Customer (KYC) principles.

- **Ghana’s Gold-backed Currency**

  The Central Bank of Ghana launched a gold-backed currency known as the Ghana Gold Coin (GGC). According to the Governor of the Bank, the GGC is a coin manufactured from dore gold that has been refined to 99.99% purity, which gives the coin the original gold color. The GGC is issued and guaranteed by the Bank of Ghana and is available in three different sizes: namely 1 oz Coin, 1/2 oz Coin and 1/4 oz Coin to suit different investment needs. Each coin has the Ghana Coat of Arms in front and the Independence Arch at the back. The packing includes the gold coin, a wooden storage box, a transparent coin holder and a certificate of ownership.

Table 2: Comparing Zimbabwe and Ghana gold-backed currency

	Zimbabwe	**Ghana**
Issuer	Reserve Bank of Zimbabwe	Bank of Ghana's h
Name	Mosi-Oa-Tunya Gold Coin (ZIG)	Ghana Gold Coin (GGC)
Currency for buying	Local currency (ZW$) and US Dollars	Ghana Cedi
Pricing basis	The prevailing international price of gold and the cost of production	Bullion Marketing Association (LBMA) Auction PM Price.
Weight	One, troy, ounce	1 oz Coin, 1/2 oz Coin and 1/4 oz Coin
Purity	22 carats	99.99% purity
Identification	Each coin will have a serial number	Each coin will have a serial number
Ownership and placement	Take physical possession Place it with a bank	Take physical possession Place it with a bank
Intermediate	Central and commercial banks	Central and commercial banks

Source: Agpaytech, 2024

Conclusion

Central banks in Africa perform critical functions that influence monetary stability, economic growth, and financial development. As the continent embraces digital transformation and deeper integration, these institutions must evolve to strengthen their capacity, governance, and independence. Investment in institutional frameworks and technology is essential to ensure that central banks can meet emerging challenges and contribute meaningfully to Africa's development. The transformation of Africa's financial sector is irreversible. Central banks are under pressure to evolve not just in regulation, but in mindset, technology, and partnerships. Super apps, cryptoassets, telecom-FinTech hybrids, and disruptive startups are challenging old models of finance. The future will depend on how well central banks can balance innovation with security, inclusion with stability, and flexibility with oversight. Those who succeed will help shape a resilient, inclusive, and competitive digital financial ecosystem for Africa. To build an inclusive central banking system fit for Digital Africa, countries must embrace adaptive leadership, continental collaboration, and citizen-centric innovation. Redefine the role of central banks to embrace digital transformation, financial inclusion, and regional integration. Africa can leapfrog legacy systems and become a global model for next-gen finance.

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.

Contact Us

United Kingdom
AGPAYTECH LTD.
3rd Floor, 86-90 Paul Street
London, EC2A 4NE,
United Kingdom

United States of America
AGPAYTECH USA LLC
9701 Apollo Dr Suite 100
Largo MD, 20774,
United State of America

Ghana
AGPAYTECH GHANA LTD
House No. B360/25, Darkuman
Digital Address: GA-431-8309
Accra, Ghana

www.agpaytech.com

info@agpaytech.com