



The Current State of Financial Technology Development in Some African Countries

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Abstract

The explosion of information technology has brought about many changes to the global economy, including the rapid development of financial technology (Fintech). Fintech represents a new evolutionary stage of the financial system, in which technology not only supports but also restructures all financial activities. The development of Fintech is particularly important for developing countries such as those in Africa. In Africa, Fintech is also understood in a broader sense, linked to the goal of promoting financial inclusion. The World Bank believes that Fintech has the potential to expand access to financial services for population groups previously excluded from the formal banking system, through solutions that are lower-cost, more accessible, and more flexible than traditional financial models (World Bank, 2020). Therefore, Fintech is not just a technological trend, but also an important tool to support sustainable socio-economic development. This article analyzes and evaluates the development of Fintech in two major African countries: Kenya and South Africa, to understand the development and the impact that Fintech has on socio-economic development.

Keywords: Current Situation, Development, Finance Technology, Kenya, South Africa.

Case Studies

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1. Introduction

In the context of the ongoing Fourth Industrial Revolution globally, financial technology (Fintech) has become one of the fastest-growing sectors, profoundly impacting many aspects of socio-economic life. Fintech not only changes the way financial services are accessed and provided but also contributes to promoting financial inclusion, reducing inequality, and enabling vulnerable groups to access financial resources more easily.

Fintech is a term used to describe the

application of modern digital technologies to innovate, improve, and automate traditional financial services. The development of Fintech reflects a profound change in the way financial services are provided, accessed, and used. According to the Financial Stability Board (FSB), Fintech is understood as “technology-backed financial innovations that create new business models, applications, processes, or products that have a significant impact on financial markets and financial institutions.” This is the definition used by the author in this article.



Fintech can be divided into several main groups based on service functions and areas of operation. This classification is commonly used in studies by the World Bank and international research organizations, reflecting relatively fully the scope and diversity of the current Fintech ecosystem.

Firstly, digital payments and mobile money are the earliest and most widespread areas of development. Mobile payment platforms allow users to conduct transactions, transfer money, and pay for goods and services via mobile phones without needing a traditional bank account. BIS (2018) argues that digital payments are a cornerstone of Fintech, serving as a foundation for the development of other digital financial services. In Africa, mobile money models like M-Pesa have proven crucial in promoting financial inclusion and reducing transaction costs.

Secondly, Fintech in the lending and fundraising sector includes peer-to-peer lending platforms, digital platform-based lending, and crowdfunding. These models leverage data and credit scoring algorithms to assess risk, thereby expanding access to capital for individuals and small and medium-sized enterprises. With this feature, Fintech has contributed to reducing the monopolistic role of banks in financial intermediation, while creating stronger competition in the credit market (Gomber et al., 2018).

Third, Fintech in the field of digital banking refers to banks that operate entirely or primarily on digital platforms, with few or no physical branches. Digital banks provide comprehensive financial services such as deposits, payments, savings, and account management through mobile applications or online platforms. According to the OECD (2020), digital banking is one of the most important trends in the digital transformation of the financial industry, contributing to improved operational efficiency and customer experience.

Fourth, Fintech is applied to insurance and asset management. Insurtech focuses on improving product design processes, risk assessment, and insurance claims, while Wealthtech provides asset management solutions, automated investment advisory, and personal financial planning. These

areas are increasingly thriving in emerging economies, where the demand for microinsurance and personal investment is growing (World Economic Forum, 2019).

Finally, Fintech supports financial institutions and regulatory agencies in compliance, risk management, and market supervision. It utilizes technologies such as artificial intelligence and big data analytics to automate reporting and compliance control processes. This not only reduces compliance costs but also contributes to improved state management efficiency in an increasingly complex financial system (Arner et al., 2017). It can be said that Fintech has spread to every corner of the financial system as well as the entire economy of every country in the world.

2. Research Methodology

In terms of approach, the study uses a qualitative research method combined with comparative analysis to assess the current state of financial technology development in two representative African countries: Kenya and South Africa

This study approaches the issue from the perspective of inclusive socio-economic and financial development, in which financial technology (Fintech) is seen as a new intermediary reshaping the structure of access to financial services and changing the socio-economic lives of people, especially in developing countries with limited traditional financial systems such as those in Africa.

Regarding data collection methods, the study compiled secondary data from reputable international organizations such as the World Bank, IMF, GSMA, African Development Bank, OECD, Central Bank of Kenya and South African Reserve Bank. The study utilizes fundamental research methods such as descriptive statistics; literature synthesis; country-specific comparative analysis; and policy analysis.

Secondary literature analysis: a synthesis of academic studies, reports from international organizations (World Bank, IMF, GSMA, McKinsey, AFI), national policy documents, and

academic articles related to Fintech in Africa. Comparing the impact of Fintech across countries based on criteria such as financial access, poverty rate, small business productivity, gender role, and legal environment.

3. Research Results and Discussion

The Fintech ecosystem in Africa has developed strongly over the past decade, becoming one of the main drivers of financial inclusion, financial service innovation, and attracting international investment. The emergence of digital financial solutions, especially mobile payments, digital lending, and digital banking, reflects the great need for flexible financial services in the context of many countries still maintaining high unbanked rates and limited traditional financial infrastructure (European Investment Bank, 2024). According to recent aggregated data, the number of Fintech companies in Africa has surpassed 1,000, concentrated in major countries such as South Africa and Kenya, with the Fintech market revenue on the continent projected to increase from approximately US\$10 billion in 2023 to nearly US\$47 billion in 2028 (Afritech Biz Hub, 2025).

Kenya

Development Policy

Kenya's digital finance development strategy is built on a foundation that combines national digital transformation, promoting financial inclusion, and innovation in the financial services sector. Unlike many African countries that adopt a strict regulatory approach from the outset, Kenya chooses a regulatory model to promote innovation, in which the State creates a favorable legal environment for Fintech businesses to develop while gradually improving the supervisory mechanism to ensure the safety of the financial system. This strategy is implemented through a system of policy documents such as Kenya Vision 2030, Digital Economy Blueprint, National Payments Strategy 2022–2025, National ICT Policy, Data Protection Act 2019, and the Central Bank of Kenya's regulations on digital payments and credit. The goal is to build a safe,

efficient, widely accessible digital financial ecosystem that contributes to digital economic growth (Centre Bank of Kenya, 2019).

The Kenyan government places great importance on building and developing the national digital payment infrastructure. In the National Payments Strategy 2022–2025, the Central Bank of Kenya defines a vision to build a safe, fast, efficient payment system that meets the needs of a 24/7 digital economy. The strategy focuses on four major objectives: (i) expanding access to payment services for all population groups to promote financial inclusion; (ii) enhancing the safety and security of payment systems according to international standards; (iii) promoting innovation through collaboration between banks, Fintech companies, and telecommunications operators; (iv) perfecting the legal framework for managing traditional financial institutions and emerging Fintech entities. Simultaneously, Kenya is also promoting interoperability between payment systems, enabling customers of banks and Mobile Money providers to conduct transactions on the same infrastructure, thereby reducing costs and increasing market competitiveness.

Current Development Status

Kenya is one of the leading markets in mobile payments. M-Pesa, the mobile payment platform developed by Kenya, has become the brightest symbol of African Fintech. M-Pesa has become the national payment infrastructure, processing a volume of transactions equivalent to a large percentage of Kenya's GDP and playing a key role in promoting financial inclusion in rural and low-income areas. Kenya's fintech ecosystem is diverse, ranging from digital payment solutions to digital lending and financial services for small businesses. Leading the trend is the leveraging of mobile data to extend credit, reduce risk, and improve customer experience. Furthermore, Nairobi, nicknamed the "Silicon Savannah," has attracted numerous tech entrepreneurs and become a hub of innovation in East Africa.

Economic and Social Impact

Fintech has contributed to improving the efficiency of the national payment system, reducing transaction costs, and promoting e-commerce and the digital economy. The application of electronic payments, real-time payments, and digital banking helps businesses shorten payment times, improve cash flow, and reduce operating costs. At the same time, Fintech facilitates easier access to financial services for small and medium-sized enterprises (SMEs) through digital lending platforms, digital data-driven credit scoring, and alternative financial solutions. Clearly, Fintech can play a crucial role in improving the efficiency of capital allocation and supporting business sector growth, especially in the context of South Africa's push for digital transformation to enhance the competitiveness of its economy. However, the impact of Fintech on economic growth has not yet been fully realized due to structural constraints such as low growth rates, high unemployment rates, and bottlenecks in energy and logistics infrastructure.

The most significant achievement of Fintech is expanding financial inclusion for populations previously limited in access to formal financial services. Although South Africa has a more developed banking system than many other African countries, millions of adults remain unbanked and without access to financial services. Digital payment platforms, e-wallets, digital banking, and mobile financial solutions have made it easier for low-income individuals, informal workers, and rural residents to access payment, savings, and credit services at lower costs. Fintech has the potential to improve financial inclusion, although its actual effectiveness depends on increased financial literacy, public confidence in digital financial products, and adaptability to local social conditions.

South Africa

Development Policy

In terms of policy, the South African government has implemented numerous support measures to promote the development of fintech, including the development of a national digital

payments roadmap and the establishment of sandbox mechanisms to encourage innovation in a controlled environment. Regulatory bodies such as the Reserve Bank of South Africa and the Financial Sector Regulatory Authority play a crucial role in balancing innovation and risk management. However, several challenges remain, such as a complex legal framework, cybersecurity risks, and disparities in access to technology among different population groups (Finasa, 2026). Compared to many African countries, fintech in South Africa develops on the foundation of a modern financial and banking system; therefore, the role of fintech is primarily to improve operational efficiency, expand access to financial services, and promote innovation. In recent years, the development of electronic payments, digital banking, InsurTech, WealthTech, and online lending platforms has contributed to the digitalization of the economy, reducing transaction costs and improving the productivity of the financial services sector. Fintech businesses in South Africa operate diversely across many segments, with digital payments being the fastest-growing sector thanks to an increasingly legal environment and the active participation of commercial banks. The combination of traditional financial institutions and Fintech businesses has fostered competition, improved service quality, and provided impetus for the digital transformation of the entire financial industry.

Current Development Status

South Africa is the earliest-developing Fintech market in Africa thanks to its strong traditional financial system and relatively complete legal infrastructure. The Fintech ecosystem in South Africa is heavily focused on digital banking, POS payments, wealthtech, and insurtech, with extensive participation from both traditional banks and startups. In South Africa, digital payments are a major driver of fintech growth, with the total value of card transactions reaching approximately US\$39 billion by 2025, averaging 118 transactions per person per year. The shift from cash to electronic payments, along with the popularity of e-wallets and models such as buy now pay later, has contributed to the market's expansion (Finasa, 2025). In terms of

revenue, the South African fintech market is projected to reach approximately US\$134 billion by 2030, with the payments segment accounting for the largest share, followed by digital lending and embedded financial services, reflecting the trend of product diversification and increased value-added in the industry (The Report Cube, 2024).

In terms of its business ecosystem, South Africa currently has over 500 fintech companies, representing a significant proportion of the total fintech businesses in Africa and contributing approximately 40% of the region's fintech revenue. These businesses operate in various sectors such as payments, digital lending, technology-based insurance, and digital asset management (African Law, 2023; M&G, 2023). The development of fintech has had a positive impact on the South African economy, particularly in promoting financial inclusion by helping underserved populations access financial services at lower costs. At the same time, fintech contributes to economic growth by creating jobs, attracting investment, and supporting small and medium-sized enterprises (SMEs) in accessing capital more quickly (M&G, 2023). Furthermore, competition from fintech has spurred traditional banks to accelerate digital transformation, thereby restructuring the entire financial industry towards a more modern and efficient direction (SciELO, 2024).

Economic and Social Impact

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4. Conclusion

The development of the African Continental Free Trade Agreement (AfCFTA) is opening up a vast and potential digital finance market in Africa, with Kenya, Egypt, and South Africa becoming three important Fintech hubs thanks to their relatively complete digital ecosystems, favorable legal environments, and connectivity with regional markets. However, each country has different competitive advantages and development prospects.

Kenya will develop Fintech in three directions: First, developing cross-border payments. Kenya is the trade gateway of East Africa and the financial center of the East African Community. Kenya's trade with Uganda, Tanzania, Rwanda, and South Sudan continues to grow rapidly, creating a large demand for regional payment platforms; Second, providing financing for small and medium-sized enterprises (SMEs). More than 80% of Kenyan businesses are SMEs, while access to traditional credit remains limited. Fintech companies are rapidly expanding digital lending services and data-driven credit scoring; third, the development of Fintech in agriculture (AgriFintech). Agriculture accounts for

approximately 20% of Kenya's GDP and employs over 40% of its workforce. Digital payment platforms, agricultural insurance, and digital credit for farmers will continue to grow strongly as intra-regional agricultural trade develops (WB, 2025).

South Africa is focusing on Fintech development in three directions: First, corporate finance and trade finance. South Africa has the capacity to provide sophisticated financial services to businesses involved in trade and investment in Africa. The development of the AfCFTA creates significant demand as many businesses will expand their operations; second, the development of digital banking technology and e-identification. South African banks are leading Africa in the application of artificial intelligence, big data analytics, and digital banking; third, the development of capital markets and venture capital. Most African Fintech startups choose South Africa as one of their key fundraising locations.

It can be said that the development of the AfCFTA and the increasing trend of intra-regional trade are creating a large common market for digital financial services in Africa. In the long term, Fintech will not only contribute to reducing transaction costs, promoting financial inclusion and improving the efficiency of regional trade, but will also become one of the important drivers of digital transformation and economic integration in Africa. This is also a field that opens up many opportunities for cooperation for Vietnamese businesses in the areas of digital payments, mobile money, digital banking, payment infrastructure and financial solutions serving e-commerce and digital agriculture.

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