



# Leapfrogging

## Leapfrogging in the Financial Sector: Fintech Revolution in Africa

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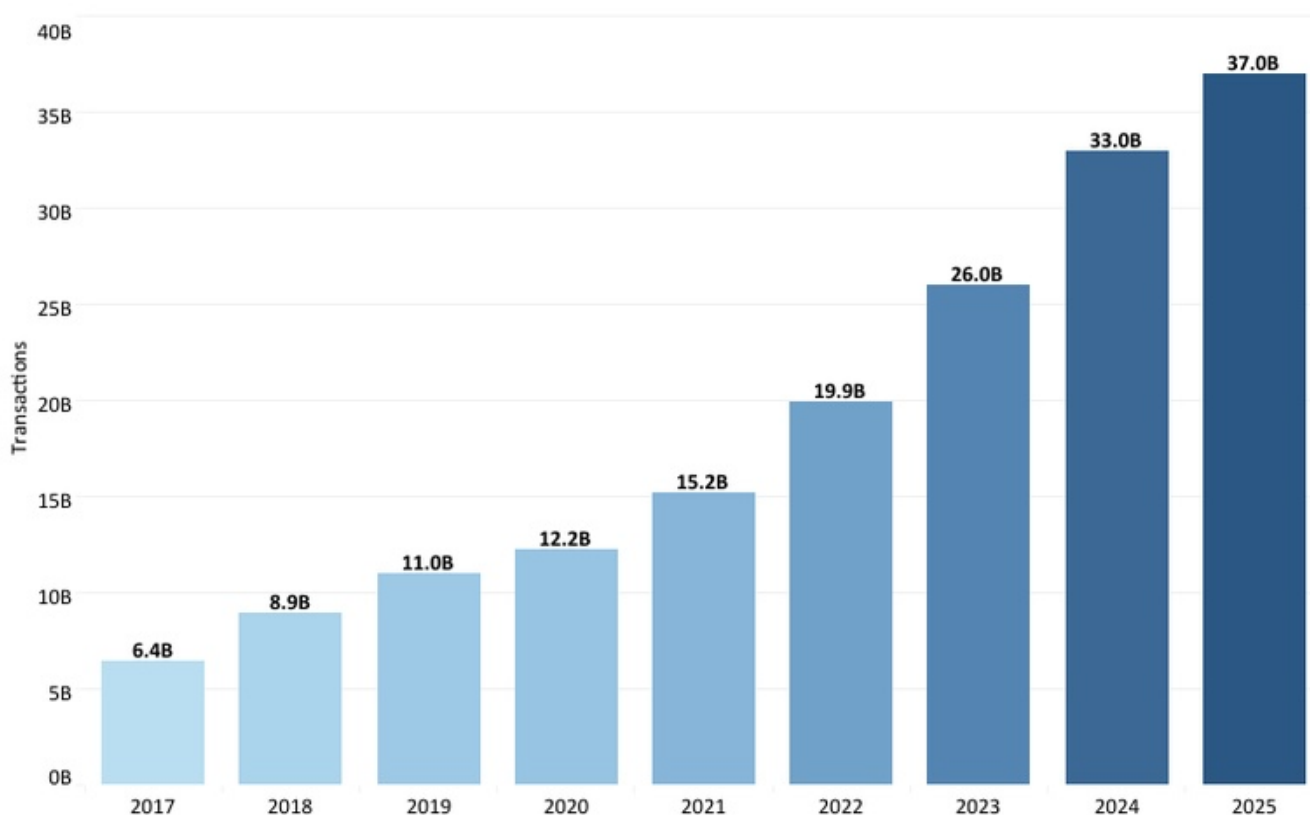
## Leapfrogging in the Financial Sector: Fintech Revolution in Africa

Access to formal financial services in Africa has historically been limited. Structural [constraints](#), including shallow financial markets, macroeconomic volatility, weak credit infrastructure and the high cost of serving low-income populations, have made it difficult even for creditworthy individuals and small businesses to obtain loans. Traditional banking systems have struggled to scale across large, dispersed and predominantly informal economies.

Mobile and digital technologies have fundamentally altered this landscape. Across the continent, mobile telephony has enabled millions of previously unbanked individuals to access financial services such as payments, savings, credit and insurance, often without ever entering a physical bank branch. This transformation represents a clear case of technological leapfrogging, in which new technologies enable countries to bypass legacy systems and move directly into more advanced financial ecosystems.

A pivotal innovation was [M-Pesa](#), launched in Kenya in 2007. By enabling users to deposit, transfer and withdraw money with basic mobile phones, it created a scalable, accessible alternative to traditional banking. Chart 4 shows the trends in M-Pesa transaction volume in Africa from 2017 to 2025. By 2025, MPesa, the mobile money service operated by Vodafone and Kenyan telecom provider Safaricom, had become a critical financial platform, enabling payments and other financial services even for customers without bank accounts. That year, MPesa processed approximately **37 billion** transactions, marking nearly a sixfold increase in transaction volume since 2017 and confirming its status as one of the world's largest mobile money platforms.

Chart 4: M-Pesa transactions volume in Africa, 2017-2025



Source: Statista

The success of M-Pesa has catalysed the growth of a continent-wide mobile money industry. According to the GSMA [State](#)

*of the Industry Report 2025*, sub-Saharan Africa continues to lead the world in mobile money adoption. The region has surpassed one billion registered mobile money accounts. It now counts over 280 million monthly active users, supported by a growing number of service providers and a rapidly expanding ecosystem. This reflects strong momentum across both East and West Africa, where mobile money has become deeply embedded in daily life, serving as the primary gateway to financial services for millions of people.

Sub-Saharan Africa also remains dominant in transaction value, with annual mobile money transactions exceeding **US\$1 trillion** in 2025. This rapid increase underscores the region's continued dependence on mobile money for payments, remittances, savings and business transactions. The sustained growth highlights not only rising adoption but also increasing usage intensity, reinforcing mobile money's role as a cornerstone of financial inclusion and a key driver of the region's digital economy.

Beyond finance, digital payment systems have become platforms for broader service delivery. In many **African** countries, utilities, including water, sanitation and electricity, have increasingly been digitised, allowing users to pay bills and schedule services via mobile platforms. In urban areas like Kampala, integrated systems combine call centres and mobile applications to improve service delivery in contexts where infrastructure gaps remain significant. Pay-as-you-go solar energy systems have similarly expanded, leveraging mobile payments to provide affordable electricity to low-income households.

Mobile money continues to play a significant role in boosting GDP, reducing poverty and enhancing economic resilience in countries where the service is available. In sub-Saharan Africa, its contribution to GDP increased from around **US\$150 billion** in 2022 to **US\$190 billion** in 2023, highlighting its growing impact on economic growth and financial inclusion. A recent **study** shows that access to M-Pesa increased per capita consumption levels and lifted 194 000 households, or 2% of Kenyan households, out of poverty. The impacts, which are more pronounced for female-headed households, appear to be driven by changes in financial behaviour, particularly increased financial resilience and saving, as well as labour market outcomes, such as occupational choice. This is true especially for women who moved out of agriculture and into business. Mobile money has therefore increased the efficiency of consumption allocation over time while allowing a more efficient allocation of labour.

Beyond poverty reduction, mobile money has helped households better manage shocks such as droughts, illness and income volatility by providing faster, more reliable access to funds. It has also promoted improved savings behaviour: secure digital storage of money has increased trust in financial systems and encouraged long-term financial planning. Some **studies** indicate that savings rates among mobile money users have risen by over 20%, demonstrating how digital financial services can strengthen both individual and household economic stability.

Despite these gains, important challenges remain, particularly in cross-border payments. While domestic mobile payment systems have scaled rapidly, international transfers within Africa remain slow, expensive and opaque. Efforts to address this fragmentation, including regional payment integration initiatives to link national systems and create interoperable platforms for cross-border transactions, could have a transformative potential. The IMF **highlighted** the possibility of interoperable digital payment systems, or even central bank digital currencies, that could enable near-instant, low-cost cross-border transfers. However, such innovations must balance technical efficiency with macroeconomic considerations, including capital flow management, exchange rate stability and monetary sovereignty. Most associated challenges could be overcome as part of implementing the African Continental Free Trade Area (**AfCFTA**), which is examined separately.

Digital finance has also had broader governance and social impacts. The use of mobile and internet technologies has improved transparency in public finance through tools such as **Public Expenditure Tracking Surveys (PETS)**, which have historically revealed significant leakage in government spending across countries like Uganda, Tanzania and Ghana. Digitisation offers new opportunities to reduce corruption by improving traceability and accountability in public service delivery.

At the same time, risks have emerged. Mobile money platforms can be exploited for illicit financial flows, including fraud and the financing of criminal or [extremist](#) activities. Weak regulatory oversight in some jurisdictions has made monitoring difficult, highlighting the need for stronger financial regulation and cross-border cooperation.

Finally, mobile and internet technologies have influenced political processes. In countries such as Ghana, civil society organisations have used mobile phones and SMS-based systems to monitor elections, independently verify results and enhance transparency. These innovations have strengthened electoral credibility in tightly contested races and contributed to democratic resilience, although challenges persist in other contexts.

In sum, Africa's fintech revolution illustrates how digital innovation can accelerate financial inclusion, economic transformation and institutional development. While significant regulatory, infrastructural and integration challenges remain, the continent's experience demonstrates the powerful role of technology in enabling leapfrogging across multiple dimensions of development.

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## About the authors

Dr Jakkie Cilliers is the founder and former executive director of the ISS. He currently serves as chair of the ISS Board of Trustees, head of the African Futures and Innovation (AFI) programme at the Institute's Pretoria office, and an extraordinary professor at the University of Pretoria. His 2017 best-seller [Fate of the Nation](#) addresses South Africa's future from political, economic and social perspectives. His three most recent books, [Africa First! Igniting a Growth Revolution](#) (March 2020), [The Future of Africa: Challenges and Opportunities](#) (April 2021), and [Africa Tomorrow: Pathways to Prosperity](#) (June 2022) offer rigorous analyses of the continent as a whole. From August to December 2025, Cilliers was a Richard von Weizsäcker Fellow at the Robert Bosch Academy in Berlin.

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