

Internet Access and its Impact on Financial Inclusion in Africa: Challenges and Opportunities

LAGOS, NIGERIA, March 8, 2023 /EINPresswire.com/ -- Financial inclusion is critical to development, access to capital and ease of financial transactions are thus vital components of the economy. This article looks at the impact of internet access on financial inclusion in Africa, the challenges and opportunities as well as how off-line banking applications can help improve financial inclusion in Africa:

The present situation in Africa: Financial transactions involve the exchange of physical or electronic funds. Each option has its merits and shortcomings. For example, cash is reliable, available offline, and quickly verifiable. However, making or receiving payments needs both parties to be nearby for the exchange. As world trade develops, individuals and businesses find it necessary to transact across borders. Therefore, electronic means facilitate such transactions since you only need an internet connection between financial institutions and the parties. The system enhances trade and other economic activities without taking away from the advantages of cash.

However, Africa's infrastructure presents a challenge to this system. While other factors may limit the ability to have smooth financial transactions, internet access, the banking system, affordability of those resources, and geo-political influence present the most challenges. Fortunately, the prevalent conditions also present an opportunity for a lasting, effective and highly efficient solution.

Let's take a look at the challenges affecting the growth of financial inclusion in Africa and possible solutions:

High cost of internet: Africa's information and communication infrastructure is experiencing significant growth and development, but data costs remain high in most countries. Latest reports indicate that one gigabyte of data costs US\$4.47 on average, with higher prices in the central, west, and southern parts of the continent. This average is the highest compared to other continents. The northern section enjoys the cheapest rates, at an average of US\$1.05. In comparison, Europe has some of the cheapest data costs, with Italy averaging US\$0.27. (<https://www.statista.com/statistics/1124283/internet-penetration-in-africa-by-country/>)

Population concentrations, prevalent infrastructure and a ready market usually determine how

viable it is for a communications company to invest in internet access projects in a region. Therefore, it is no surprise that data costs are low in African regions with these qualities.

Internet access challenges: Despite the continuing ICT developments, many people in Africa still have poor internet access. Latest reports indicate that there is a huge disparity among nations, with some recording as high as 84% (Morocco) and others as low as 7% (CAR) of citizens with internet access. Additionally, 89% of that access is through mobile phones, with PCs accounting for 10%. This further highlights the significant investment needed to improve ICT infrastructure, as access to the internet through mobile phones requires comparatively minimal infrastructure investment.

Access to banking services challenges: Africa has a banking services access challenge, which further hinders universal financial inclusion. As of 2017, only 35% of adults had access to banking services, with the figure projected to grow to 48% this year. However, research is ongoing to verify that claim. The larger portion of the population remains unbanked, which prevents easy access to financial solutions that could speed up personal and community development.

What solutions will address these unique challenges?

Offline banking applications

Offline banking apps are SIM card-dependent mobile money solutions that enable the transfer of funds through a cellular network. While banks and other financial institutions' smartphone versions of their solutions require internet access, offline banking apps only need the phone's call network, which is already abundant across the continent. The success of offline banking apps is partly down to their affordable infrastructure. Customers of banks in Africa can through the off-line banking app easily make funds transfers, pay bills or even top up their phones or even borrow loans for their businesses from their banks. All these happens without an internet connection, making offline banking apps the perfect way to improve financial inclusion in Africa

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