



An Investigation into the Viability of Smart Money Integration to Facilitate an African Currency Union

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Abstract

The purpose of this investigation is to assess the impact of smart money integration to facilitate an African Currency Union. Borders are no longer denoted along geological features but currencies. Currencies serve various functions, as a store of value, a unit of account and a medium of exchange. Smart or electronic money pose a potential challenge to the dominant role of cash, for remittance payments in the economy. Of the 1.2 billion people on the African continent only 456 million are thought to have bank accounts. Mobile money initiatives already provide financial services to those without access to traditional banking infrastructure. Such mobile money infrastructure is currently being rolled out in Nigeria pioneered by MTN. Except for South Africa, financial infrastructure remains widely underdeveloped in Africa. Commonly regulations do not support investment in growth. Nigeria prohibited banks from facilitating cryptocurrency transactions in February 2021. According to the Global Crypto Adoption Index, Kenya has the highest peer-to-peer exchange ranking, weighted by PPP per capita and number of internet users across 154 countries. Adoption has been driven in the emerging markets by opportunities for savings preservation in the face of currency devaluation, to send and receive remittances and conduct business transactions. Africa's crypto market grew 1200% receiving \$105.6 billion from 2020 to 2021; with overall transaction volume of retail sized transfers making up 7% versus a 5.5% global average. 96% of all transaction volume are cross-region transfers versus 78% across the globe combined. Price Waterhouse Cooper launched a Global Central Bank Digital Currencies Index in 2021 designed to measure a central bank's level of maturity in deploying their own digital currency. Since 2014 60 Central Banks have entered the digital currency race. A digital currency integration would pave the way for trade and economic union improvements across the African continent.

Keywords: Accessibility, Blockchain, Currency, Decentralization, Reliability