The GH Bankers' Voice 2024

4th Edition

Ghana Association of Banks

- Economic Recovery Strategies
- Sustainable Finance
- Non Performing Loans
- Industry Insights

NAVIGATING ECONOMIC RECOVERY

- Personality Profile
- Featured Articles
- Industry Insights

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TABLE OF Contents:

Foreword

> As we navigate the challenges and opportunities of 2024, I remain confident that Ghana's banking industry is on a path toward sustained growth and recovery.

Kofi Adomakoh

President, Ghana Association of Banks

As the Ghanaian economy embarks on a journey of recovery after years of macroeconomic turbulence, it is with great optimism that I present the 4th edition of the *GH Bankers' Voice Magazine*, themed ***"Navigating Economic Recovery."*** The past few years have tested the resilience of our banking industry, but they have highlighted the crucial role banks play in driving economic recovery, growth and stability. I am proud of the resilience, innovation, and commitment exhibited by member banks and stakeholders throughout these challenge times.

The banking sector continues to serve as the bedrock of Ghana's economic recovery, providing essential capital to businesses, households, and government initiatives. In 2023, despite the significant challenges posed by the Domestic Debt Exchange Programme (DDEP), which resulted in over GH¢6 billion in impairment losses, our industry rebounded strongly. By year-end, total industry assets had grown by 29.7% and deposits by 34.6%, underscoring the sector's resilience and adaptability.

Our recovery has been underpinned by the collaborative efforts of banks, the government, and regulatory agencies, particularly the Bank of Ghana. Targeted policies on liquidity support and regulatory relief were vital in mitigating the impact of the DDEP, restoring financial stability, and positioning the sector for future growth. As we move forward, this spirit of collaboration will remain vital in sustaining our recovery, rebuilding trust, and advancing Ghana's development goals.

Looking ahead, the global economic landscape presents both challenges and opportunities. Inflationary pressures, currency volatility, and geopolitical tensions will continue to test our resolve. Yet, the Ghanaian banking sector has shown an extraordinary capacity to adapt and innovate. One of the most promising opportunities lies in the realm of sustainable finance and the integration of Environmental, Social, and Governance (ESG) principles. As the global focus shifts toward sustainability, Ghanaian banks have the chance to lead in green finance, aligning profitability with positive environmental and social impact. This edition of the magazine offers valuable insights into how the banking sector can leverage sustainable finance to attract foreign direct investment and support Ghana's transition to a green economy. Notably, the article *"**Financing the Green Transition to Tackle Climate Change**"* highlights the pivotal role banks can play in promoting environmentally responsible projects while driving profitability

and long-term growth.

Equally important is the ongoing digital transformation that has reshaped our industry. As customers increasingly turn to digital platforms, banks must continue to embrace innovation, collaborate with FinTechs, and enhance financial inclusion. The future of banking lies in technology-driven solutions that improve customer experiences and streamline operations. The article ***"How Digital Transformation Can Enhance Economic Resilience in a VUCA World"*** provides a forward-looking analysis of how banks can continue to leverage cutting-edge technology to enhance financial inclusion and maintain a competitive edge in an ever-changing environment.

Financial inclusion remains a priority for the Ghana Association of Banks, and our efforts in promoting financial literacy and expanding access to banking services have been fruitful. Over the past year, we have intensified outreach programmes and SME clinics which have been impactful. We have empowered businesses with capacity and the financial tools they need to thrive in an evolving market. The private sector plays a crucial role in driving Ghana's economic recovery, and banks are committed to supporting entrepreneurs through tailored credit facilities and financial products. This theme is explored in ***"Innovative Strategies for Economic Recovery: A Fintech Perspective,"*** offering valuable insights into how FinTech innovations are transforming access to finance for SMEs and start-ups.

The industry must remain vigilant in managing risk within an increasingly complex global environment. The lessons from the DDEP have highlighted the critical need for robust risk management frameworks. Banks must continue prioritizing stress testing, scenario planning, and enhancing credit risk assessments to ensure resilience against future shocks. This edition delves into these key issues through the article ***'Managing Risk in Turbulent Times: A Case for Building Resilience for Business Success,'*** which offers actionable recommendations for strengthening risk management practices and mitigating potential threats.

Non-performing loans (NPLs) continue to pose a significant challenge for the industry. The increase in the NPL ratio in early 2024 underscores the urgent need for banks to implement more stringent loan recovery measures and enhance credit evaluation processes. Effective management of NPLs is crucial not only for safeguarding bank balance sheets but also for ensuring the overall stability of the financial system. This issue is thoroughly addressed in the article ***'Addressing Non-Performing Loans: A Legal Perspective,'*** which outlines a legal framework for improving loan recovery within the banking sector.

Regional integration through the ***African Continental Free Trade Area (AfCFTA)*** offers another exciting avenue for growth. As the AfCFTA becomes operational, Ghanaian banks have an opportunity to expand their operations beyond national borders, facilitate cross-border trade, and contribute to the growth of key sectors such as manufacturing, agriculture, and infrastructure. In this edition, the article ***"Collaboration and Partnerships: Key Accelerators for Ghana's Economic Growth"***

explores the transformative potential of AfCFTA and how banks can capitalise on emerging opportunities to drive both regional and national development.

Regional integration through the African Continental Free Trade Area (AfCFTA) also presents exciting growth prospects for Ghanaian banks. As cross-border trade expands, so too will the opportunities for our banks to facilitate transactions and support critical sectors such as manufacturing and agriculture. This edition features the article '***Collaboration and Partnerships: Key Accelerators for Ghana's Economic Growth,'*** which explores AfCFTA's transformative potential and how banks can capitalize on emerging opportunities to drive both regional and national development.

The 2024 edition of the ***GH Bankers' Voice Magazine*** offers a wealth of industry insights, featuring in-depth analyses of market trends, banking performance, and regulatory developments. Notably, the article ***'The IMF Extended Credit Facility (ECF) Programme: Implications for Businesses and the Ghanaian Economy'*** sheds light on the impact of Ghana's IMF programme on the banking sector and provides strategies for navigating the economic landscape post-IMF intervention. Additionally, regular features on industry performance indicators, non-financial reporting, and financial markets offer valuable updates on the state of the banking sector and the broader economy.

As we navigate the challenges and opportunities of 2024, I remain confident that Ghana's banking industry is on a path toward sustained growth and recovery. The strong foundations we have built, combined with our commitment to innovation, sustainability, and financial inclusion, will enable us to emerge stronger and more resilient in the years ahead.

In closing, I would like to express my sincere gratitude to the Ghana Association of Banks, the Bank of Ghana, our member banks, KPMG, and all stakeholders for their continued support and dedication. I also extend my thanks to the readers, contributors, and partners who have made this fourth edition of the ***GH Bankers' Voice Magazine*** possible. I encourage you to explore the rich content of this edition as we collectively shape the future of banking in Ghana.

Thank you.

Kofi Adomakoh
President, Ghana Association of Banks

Key Messages

CEO's Message

John Awuah
CEO, Ghana Association of Banks

The Ghanaian banking industry remains the fulcrum of economic growth and stability, facilitating savings, investments, and credit creation. Despite the headwinds in the past years, the industry continues to support the transmission of monetary policy, manage liquidity, and fosters trade, financial inclusion and literacy, and infrastructure development. Given its critical role, the industry through the Association deems it prudent to provide an industry magazine – The GH Bankers' Voice, designed to provide industry insight to customers, investors, and the general public. The GH Bankers' Voice magazine is an annual publication by the Ghana Association of Banks with KPMG as our Knowledge Partner; and it features articles and interviews from key experts in the banking, finance and technology sector.
It is with great pleasure that I welcome you to the 4th Edition of the GH Bankers' Voice Magazine on the theme "Navigating Economic Recovery". I extend my heartfelt gratitude to all our readers, contributors, and stakeholders for your unwavering support and dedication to this publication.

The past year has been an extraordinary journey for the banking industry in Ghana, filled with remarkable accomplishments and important milestones.

Despite the various challenges faced in the global economic environment, supply chain shocks, geopolitical tensions, Domestic, Bilateral, Multilateral and Commercial Debt Treatment Programmes, and other factors, our member banks have shown remarkable resilience, leading the way in progress and innovation within the sector. The industry experienced a positive turnaround in performance at the end of the 2023 financial year, following significant losses in 2022 where the market lost over GH¢6.02 billion due to impairment charge

> **"The industry experienced a positive turnaround in performance at the end of the 2023 financial year, following significant losses in 2022 where the market lost over GH¢6.02 billion due to impairment charge on Government of Ghana Bonds."**

on Government of Ghana Bonds. Total industry assets experienced robust growth of 29.7 percent (year-on-year) to GH¢297.4 billion as of March 2024, surpassing the 22.8 percent growth observed in the corresponding period of 2023, according to data from the Bank of Ghana (BoG). Investments, including bills, other securities, and equity, continued to be the largest component of total assets as of the end of February 2024; growing at a rate of 32.4 percent, rebounding from a contraction of 3.8 percent in the previous year. There was a significant rise in investments, with short-term bills experiencing a notable increase during the period. Meanwhile, long-term securities saw a more modest increase, rebounding from a contraction in the previous year due to the implementation of the Domestic Debt Exchange Programme (DDEP). In February 2024, the share of investments in total assets rose to 39.3 percent, up from 35.9 percent in February 2023.

In addition, there was a significant increase in the industry's deposits, reaching GH¢214.5 billion by the end of December 2023. This represents a growth of 34.6 percent, which is higher than the 31.6 percent growth seen during the same period in 2022. The banking industry's asset and liability structure during the review period continued to favour instruments other than core risk assets as the market took a cautious approach to lending in the midst of macroeconomic uncertainties. Deposits continued to be the primary source of funding for banks on the liability side. In December 2023, the share of deposits in the banks' pool of funds rose to 86.6 percent, up

from 82.5 percent in December 2022. During the reference period, there was a significant decrease in the industry's borrowing, with the share of borrowings declining from 7.2 percent to 5.7 percent. Furthermore, credit risk remained elevated due to a significant rise in non-performing loans, resulting in an increased NPL ratio. The total gross loans and advances reached GH¢77 billion by the end of December 2023, showing a modest annual growth of 13.8 percent. This is in contrast to the significant growth of 25.5 percent observed in December 2022 due to reasons espoused in the penultimate paragraph.

In December 2023, there was a positive development in the industry's solvency. The Capital Adequacy Ratio (CAR), after adjusting for regulatory reliefs, reached 13.9 percent, surpassing the revised prudential minimum of 10 percent but slightly below the 16.2 percent recorded in December 2022. The mild decrease in CAR in December 2024 can be attributed to the DDEP which has affected the banks' financial position. However, there is ongoing efforts by banks affected by the DDEP in 2023 to meet capital restoration deadline set by the Bank of Ghana which is due to expire in 2025.

The current economic environment has presented both challenges and opportunities for our industry. We have witnessed significant regulatory changes such as the linkage of enhanced Cash Reserve Requirement (CRR) to Loan to Deposit Ratio (LDR) of Banks and reversion to CRR requirements only in the Local

At the heart of the industry's operations lies a steadfast commitment to Environmental, Social, and Governance (ESG) principles.

Currency in respect of all deposits of banks including foreign currency deposits amongst others etc., and wish to report that our member banks are making every effort to and effectively meet this new regulatory requirement albeit with some difficulty.

In today's digital era, technological advancements have become the cornerstone of banking operations. Our commitment to digital transformation has led to the collaboration with FinTechs in the implementation of cutting-edge technologies and innovative solutions across member banks. Member banks through the 3i Africa submit have also pledged some capital commitment to FinTechs, Agribusiness, SMEs growth, and innovative solutions in the entertainment industry and other sectors. These initiatives have significantly enhanced customer experience, offering seamless and efficient services to our valued clients.

At the heart of the industry's operations lies a steadfast commitment to Environmental, Social, and Governance (ESG) principles. Our sustainable banking practices and green finance initiatives reflect our dedication to building a better future with focus on meeting the needs of the present without compromising the ability of future generations to meet their own needs. As an industry, we take pride in our community engagement CSRs efforts, which have positively impacted the lives of many, especially during these challenging times.

Financial literacy remains a key priority for us. Over the past year, the Association in collaboration with the Center for Financial Literacy Education Africa (CFLE Africa) has made significant strides in bringing financial education to students and the general public. This is to help the citizenry understand aimed at equipment users of financial products with the basic knowledge to understand and be able to make informed choices on financial solutions available in the financial services sector. Through strategic partnerships and innovative solutions, we have expanded our reach and enhanced financial inclusion, ensuring that more individuals and businesses understand and have access to the financial resources they need.

While we have faced our share of challenges such as credit risk (which remained elevated reflecting the sharp increase in the stock of non-performing

Financial literacy remains a key priority for us. Over the past year, the Association in collaboration with the Center for Financial Literacy Education Africa (CFLE Africa) has made significant strides in bringing financial education to students and the general public.

loans), and cost of business operation, etc., deployment of innovative strategies with focus on building resilience in the industry has enabled banks to navigate these hurdles successfully. Looking ahead, we see emerging opportunities in the country as the economy travels on the pathway to accelerated recovery from the throes of the extensive debt restructuring. By leveraging leading technologies and fostering a culture of innovation, we are well-positioned to capitalize on these opportunities to drive further growth and anchor the fast-tracked growth prospects of the country.

As we set our sights on the future, our strategic goals are clear. We are committed to continuous scanning of the market for opportunities, growth, a customer-centric approach in all our operations while maintaining focus on cybersecurity concerns and other risk factors that confront banks. Our focus as an industry will remain on delivering exceptional value to our customers, shareholders, and communities.

In sum, I am filled with optimism for the future of the Ghanaian banking sector. I encourage you all to engage with the insightful content of this magazine and join us in the ongoing dialogue about ways to navigating economic recovery and sustaining the buoyancy of the sector. Together, we will shape a brighter and more prosperous future.

On behalf of the Ghana Association of Banks (GAB), I would like to thank all the individuals and organisations whose efforts and ideas contributed immeasurably; and in diverse ways to the success of the Fourth Edition of the Magazine. Specific mention is made of the Governing Council of the Association, Bank of Ghana (BoG) and Member Banks; Staff of GAB and KPMG for their dedicated service towards the release of this Magazine. Finally, I would like to thank all our contributors and cherished readers and wish them enjoyable reading. Thank you for your continued support.

Mr. John Awuah
CEO, GAB.

Message from KPMG in Ghana

Looking Beyond Uncertainty: Embracing Adaptability and Innovation in Banking

Anthony Sarpong
Senior Partner - KPMG, Ghana

Ladies and gentlemen, I am thrilled to introduce this edition of GH Bankers Voice, focused on the theme ***'Navigating Economic Recovery.'***

The world today is defined by unprecedented change, uncertainty, and volatility. As we navigate an era marked by rapid transformation, economic volatility, and technological disruption, banks must not only respond to uncertainty but look beyond it. The focus for survival and growth lies in adaptability and innovation—two principles that will shape the future of banking future.

In recent years, the banking industry has faced several disruptions. However, the global banking sector is projected to experience significant changes and growth by 2025. The key projections include a substantial shift towards digital banking, with increased adoption of digital channels for account opening, onboarding, and customer service. Furthermore, there will be a robust expansion, with a potential value creation opportunity of up to $20 trillion. This growth will be driven by banks realigning to compete in new arenas, leveraging technology and data to offer real-time services. In addition, enterprise IT spending in the banking and securities sector is expected to grow steadily, reaching approximately $715 billion by 2025.

In Ghana, our sector has not been immune to these pressures. The Bank of Ghana's Monetary Policy Report for January 2024 revealed that the NPL ratio rose to 20.7% in December 2023, up from 16.6% in December 2022. This signals growing stress in maintaining asset quality within the financial sector, attributed to macroeconomic difficulties such as inflation, exchange rate pressures, and economic downturns. It reflects the challenges banks face in ensuring that loans are repaid on time and that overall financial stability is maintained. Rising NPLs indicate potential risks to profitability and solvency.

This level of economic volatility, however, is congenital with the banking ecosystem. Historically, banks have weathered economic downturns and crises by evolving—innovating to meet new challenges head-on. Now more than ever, adaptability is paramount, and technology is at the forefront of this evolution.

The Role of Adaptability in the Modern Banking Environment

The world of finance is more interconnected than ever. Amid global crises like the pandemic and fluctuating economic cycles, banks have been forced to accelerate their digital transformation plans. Traditional banking models—anchored by physical branches and in-person services—are increasingly unsustainable as customer demands shift.

In 2023, KPMG surveyed 200 senior banking executives and found that investment in technology implementation continues remains a priority, despite the challenging economic environment overall. Overall, 97% of respondents indicated that even in the event of a recession in 2023, digitalization efforts in banking would either continue as planned or experience only a slight slowdown.

In Ghana, the shift towards digital banking has been similarly profound. Some few years ago, Ghanaians did not know the existence of mobile money, however in just 2023 alone, mobile money transactions in Ghana surged by 82%, reaching GHS1.91 trillion. This highlights a significant shift in the way financial services are consumed, driven by technological innovation and adoption and the convenience mobile platforms offer. It shows the growing importance of digital financial services in extending banking to previously underserved populations and reducing reliance on traditional brick-and-mortar banking.

The growth of mobile banking underscores the need for traditional banks to adapt or risk losing market share to agile fintechs. Yet it also demonstrates the potential for banks to expand their customer base by leveraging digital channels to reach the previously unbanked.

Beyond technology, adaptability requires a rethinking of risk management. The introduction of regulations such as Basel III compels banks to enhance their capital buffers and stress-testing capabilities. As banks in Ghana adapt to these global regulatory frameworks, they must remain agile in their planning to sustain growth while ensuring compliance. This demands not only flexibility in risk management but also operational efficiency in capital allocation and liquidity management.

The Innovation Imperative

Innovation is the linchpin of long-term success. With fintechs continuing to disrupt the financial services industry, banks must embrace innovation to stay relevant. Fintech investment in Ghana has grown by more than 200% since 2020, with much of this innovation centered around mobile payments, lending, and cross-border transactions. Fintechs are increasingly attractive to customers due to their speed, efficiency, and customer-first approach, which banks must emulate.

The world of finance is more interconnected than ever. Amid global crises like the pandemic and fluctuating economic cycles, banks have been forced to accelerate their digital transformation plans. Traditional banking models—anchored by physical branches and in-person services—are increasingly unsustainable as customer demands shift.

One groundbreaking development is the rise of Central Bank Digital Currencies (CBDCs).The Bank of Ghana has already piloted its own digital currency, the eCedi, as part of its broader strategy to modernize payment systems and promote financial inclusion. CBDCs present an opportunity to reduce transaction costs, enhance cross-border payments, and deepen financial inclusion, particularly in rural areas where access to traditional banking infrastructure is limited. As other central banks around the world embark on similar ventures, it's clear that the digital revolution in banking will reshape the entire industry.

In addition, the impact of blockchain and artificial intelligence (AI) cannot be overstated. AI is already transforming how banks operate, enabling enhanced fraud detection, personalized customer service, and optimized decision-making through data analytics. Blockchain technology, on the other hand, is improving transaction security and transparency, offering faster and more reliable cross-border payment solutions.

What makes these innovations particularly compelling is their ability to streamline banking operations. Banks in Ghana stand to benefit significantly from embracing AI and blockchain. Not only will these technologies improve back-office efficiency, but they will also enhance customer satisfaction by providing faster and more transparent financial products and services.

Leveraging ESG for sustainable banking

An important aspect of innovation in banking today is the increasing focus on Environmental, Social, and Governance (ESG) principles. As global banks integrate ESG into their strategic frameworks, they aim to balance profitability with positive social and environmental impact. A global investor survey on ESG investing highlighted that 79% of global investors now prioritize ESG factors when making investment decisions.

For Ghanaian banks, this represents a massive opportunity to lead by example in developing sustainable finance solutions. Banks that incorporate ESG into their product offerings—whether through green bonds or sustainable loans—will not only mitigate risks but also capture new revenue streams. Sustainable finance is poised to become a core differentiator in the future of banking, as more stakeholders prioritize institutions that align with social responsibility.

The Future of Banking in a Digital-First World

As we look ahead, it's clear that banking is undergoing a digital revolution. The era of closed, proprietary banking systems is gradually giving way to more open, customer-centric ecosystems. Open banking—which allows third-party providers to access banking

information via Application Programming Interfaces (APIs)—has already begun to reshape how consumers interact with their finances. Globally, open banking transactions are expected to exceed $330 billion by 2027, up from $57 billion in 2023.This shift presents a golden opportunity for Ghanaian banks to build trust, enhance customer experiences, and offer more personalized services.

At the same time, embedded finance is gaining traction. Rather than relying solely on traditional banking infrastructure, consumers increasingly prefer accessing financial services through everyday digital platforms. Banks that embrace this trend will find new ways to reach customers and offer value-added services without needing to invest heavily in physical infrastructure.

This growing digital ecosystem places cybersecurity at the top of the agenda. As banks digitize their operations, the risks of cyberattacks, data breaches, and fraud increase exponentially. According to IBM's Cost of a Data Breach Report, the average cost of a data breach for financial institutions is around $6 million In response, banks must invest in state-of-the-art cybersecurity systems and protocols to safeguard customer information while maintaining trust and security in the digital age.

Conclusion

The banking sector has always been an engine of economic growth and stability. However, in the current climate of global uncertainty, banks must embrace a new vision—one that combines adaptability with cutting-edge innovation. Aside merely responding to changes, there is a need for us to actively shape the future of the financial ecosystem.

For Ghanaian banks, this represents an opportunity to lead by example, developing sustainable financial products that contribute to economic growth while addressing pressing environmental challenges. The road ahead requires investment in digital infrastructure, collaboration with fintechs, and an unwavering focus on customer-centric services. By adopting technologies such as AI, blockchain, and CBDCs, we can position our industry to thrive in the global digital economy. At the same time, it's crucial that banks adapt their risk management strategies to better navigate regulatory frameworks and macroeconomic shifts.

Equally important is the growing need for banks to lead in sustainable finance. By integrating ESG principles into banking operations, Ghanaian financial institutions can not only drive economic growth but also contribute positively to the well-being of society.

While uncertainty continues to dominate the global landscape, we must recognize that uncertainty also offers unparalleled opportunities for growth and transformation. It is time for Ghana's banking sector to lead with vision, act with agility, and drive the innovations that will secure a prosperous, sustainable, and resilient future for all.

Anthony Sarpong
Senior Partner - KPMG, Ghana

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Interview with the Director Financial Markets Supervision Division

Dr. Zakari Mumuni

Director, Financial Markts, Bank of Ghana

Currency Volatility and Implications on Economic Recovery

1. Given the recent fluctuations in the Ghanaian currency despite relatively stable macroeconomic indicators and positively projected economic outlook, what do you identify as the primary drivers of currency volatility and the perennial depreciation of the Ghanaian Cedi?

The exchange rate has recently come under some pressure in recent times, driven by a combination of factors. These factors include the following:

- a weakening of the current account surplus, arising from a faster paced import demand relative to export receipts, the latter reflecting a sharp fall in cocoa export earnings.
- robust public spending on IPP arrears payment, and
- increased capital expenditure outlays alongside uncertainty surrounding the progress of debt restructuring negotiations with external creditors.

Also, there are indications of increased demand pressures from importers diverting foreign exchange requirements into informal markets, thereby heightening speculative demand for foreign exchange. These conditions have broadly fed into sentiments and contributed to additional pressures.

Furthermore, the US dollar has strengthened against other major trading currencies quite a bit in the year, arising from the tighter for longer US Fed policy stance which along with the policies of other major central banks, has kept financing conditions tighter and thus negatively affecting frontier and emerging markets currencies such as the Ghana cedi. Again, geopolitical tensions mostly between the US and China, and in the Middle East create risk aversions that trigger a flight to quality flows into safe-haven assets like the US dollar and gold, among others. In turn, these conditions spill over to the frontier and emerging markets with adverse effects on local currencies.

2. How does currency volatility impact economic recovery efforts in Ghana, particularly in terms of trade, investment, and overall economic stability?

Currency volatility impacts

economic performance by creating uncertainty in the business environment, which complicates business planning and future investment decisions. Therefore, sustained currency volatility could threaten business growth and survival with a cascading effect on employment and tax revenue that can upend the economic recovery efforts. Capital inflows needed to spur economic growth could also be impacted adversely as investor concerns about the safety and value of their investments in the country heighten. In the context of Ghana's high import dependence, the sustained exchange rate depreciation poses significant risks to the disinflation process with a potential to de-anchor inflation expectations and undermine the return to macroeconomic stability. It is for these reasons that stability in the foreign exchange market is important and taken seriously by policy makers.

3. *In light of ongoing currency volatility and depreciation of the Cedi, what measures or strategies do you believe are essential to mitigate the negative effects on economic recovery and fostering sustainable growth?*

Based on the above explanations, exchange rate stability is what is needed to sustain the recovery process and this is exactly what the central bank and the Ministry of Finance are working to restore. In the near term, the current tight monetary policy stance along with supportive fiscal consolidation efforts should help with effective management of liquidity in the economy and reestablish stability in the foreign exchange market for a sustainable recovery process. It is important to ensure that inflation expectations remain well anchored.

The Bank of Ghana remains resolute in the implementation of policies to steer inflation back to the medium-term target of 8±2%. In line with this, the Bank has also stepped up its FX market monitoring activities to ensure strict compliance with the market rules and improve inflows from remittances to shore up forex liquidity. The ongoing fiscal consolidation should support the monetary policy efforts. Additionally, the innovative Domestic Gold Purchase Programme (DGPP) which is helping to rebuild external buffers should enhance the economy's resilience to shocks. It would be recalled that in 2023, when major expected inflows from cocoa syndicated loan and second tranche IMF disbursement delayed, the market reaction was largely muted on account of the DGPP.

Overall, in the medium to long term, structural reforms aimed at improving productivity, adding value to our exports and where possible, a review of the extractive sector agreements to ensure the country maximises its benefits from the sector.

4. *Could you elaborate on the relationship between currency volatility and investor confidence in the Ghanaian market? How does this impact foreign direct investment and capital flows?*

Currency volatility is a key indicator of market uncertainty and risk. Most investors become apprehensive during such periods of volatility and react in terms of investment decisions. For example, premature redemption of bonds by foreign investors increases during periods of forex market volatility, implying an inverse relation exists between currency volatility and investor confidence.

During periods of high currency volatility, businesses are unable to plan as prices of goods and services fluctuate erratically, and consumers may in turn be compelled to shift the demand for substitutes, which to some extent, can erode business profits. Such an unstable business environment could deter foreign direct investments as capital may easily be lost. At the same time, foreign businesses in an attempt to preserve capital may repatriate profits, dividends, and initial capital. This could deprive the country of foreign direct and portfolio investments to bridge the savings gap needed to boost economic growth.

5. How do you assess the effectiveness of current monetary policies in managing currency volatility, and what adjustments, if any, do you believe are necessary to address this issue?

The current tight monetary policy stance is appropriate and has played a significant role in the disinflation process over the past year. Real interest rates turned positive recently on the back of the "tighter for longer" policy stance, effectively dampening aggregate demand pressures and aiding the disinflationary process. The recent dynamic adjustment of the Cash Reserve Ratio (CRR) for banks is expected to further bolster the monetary policy stance by draining excess liquidity from the system. The Monetary Policy Committee (MPC) remains vigilant and will take appropriate policy actions to insulate the economy from any potentially destabilising factors.

6. What role do you see financial markets playing in managing currency risk for businesses and investors, and what tools or products are available to hedge against currency fluctuations in Ghana?

For now, the Bank of Ghana remains focused on building foreign exchange reserve buffers and resilience in the financial ecosystem. This will foster market confidence and minimise potential risks in the financial markets. So far, the Bank has intensified its market surveillance that ensures strict forex market compliance to give confidence to market players including businesses and investors. By this, market sentiments are expected to be boosted without market participants worrying about future liquidity in the market. The Bank, through its Financial Markets Department, will continue to engage players in the remittance space to improve flows from the Money Transfer Organisations (MTOs) to prop up forex liquidity.

In terms of tools or products available to hedge against currency movements, efforts have been made by the Bank of Ghana with implementation of the forward forex auctions (regular and BDCs) in recent years. It is expected that this action by the central bank will guide the banks to design similar products for their clients and help deepen the forward market. Foreign exchange derivative products abound (e.g, Currency swaps, forward, forex options, etc) and we expect businesses to take advantage of these instruments to hedge against currency movements.

7. Would you agree to the views of some analysts that the parallel currency market is a major contributor to disruptions in the foreign exchange

market? How can we effectively rid the country of the negative impact of the black market?

It is true that some market participants have expressed concerns about the impact of the parallel market on the foreign exchange market. However, it is difficult to impute the disruptions in the forex market emanating solely from the activities of the parallel/black market, but we are taking such concerns seriously. Alongside working to improve market liquidity and compliance in the foreign exchange market, we are also engaging key stakeholders in the trade business (including the GAB, Bankers, GRA, etc.) to streamline and bring clarity to the documentation requirements and guidelines with the view to create incentives for redirecting FX transactions to formal systems.

8. It has been espoused by some economic watchers that until a lot more transparency and efficiency in the management of export proceeds is implemented, the phenomenon of some exporters illegally switching export proceeds with importers abroad would continue to exert further stress on the Ghanaian Cedi. Would you agree with this assertion and what in your views can be done to curb illicit switching?

An improved forex liquidity regime would be supportive of the Foreign Exchange Market. Proceeds from exports, if channelled properly, will boost forex liquidity supply and help cushion demand pressures.
Last year, the Bank of Ghana implemented some reforms within the remittance industry which has encouraged the players in the sector to channel these remittance proceeds through the approved routes. The reforms have led to an increase in the remittance flows and improved transparency in the remittance sector. There is a need to adopt a coordinated approach in accounting for exports. This approach should bring together all stakeholders in the export chain from initiation, through receipt of export proceeds and eventual conversion of these flows to support our forex market. If this is implemented correctly, the illicit switching of export proceeds will be minimised.

9. Looking ahead, what are your projections for currency stability in the near to medium term, and what factors do you anticipate will influence these trends?

The outlook for the Ghana cedi is positive given the level of external reserve buffers of the central bank. The currency is expected to be relatively stable in the months ahead.

On the demand side, the Bank has taken steps to deal with the major demand pressures on the FX market by directly absorbing FX needs of some corporate institutions (including large energy sector requests and dividends of major corporates, etc.) and this has led to a reduced pipeline demand for FX from the commercial banks.

On the supply, the DGPP is continuing to help rebuild external buffers while the expected third tranche disbursement of US$360 million from IMF and other multilateral flows should boost reserves further. The significant progress being made on the debt restructuring would also improve sentiments while the imminent rate cuts by major central banks will ease financing conditions and support emerging markets and frontier currencies.

10. From a regulatory perspective, what initiatives or reforms do you believe could enhance resilience to our base currency and support economic recovery efforts in Ghana?

The recent measures announced by the MPC adjusting the CRR is a step in the right direction to help drain structural liquidity from the banking system and the Bank of Ghana remains fully committed to ensuring stability in the FX market. Specifically, the Bank is taking measures to improve market conduct and instil sanity in the market for foreign exchange. The Bank has worked with the GAB to streamline documentation requirements for foreign payments to minimise incentives to resort to the informal markets. Also, where necessary, some of the guidelines that need review will be updated to reflect current economic conditions (for instance, the threshold for advance payments).

11. How do you perceive the impact of global economic trends and geopolitical factors on currency movements in the Ghanaian context, and how should businesses and policymakers respond to these external influences?

The current global economic landscape is characterized by tighter financing conditions and heightened levels of uncertainty stemming from conflicts in Ukraine and Gaza. These developments have contributed to a widening of sovereign spreads for EMDEs, especially, those with weak macroeconomic fundamentals, resulting in increased currency pressures in countries such as Argentina, Egypt, Nigeria, and Ghana over the past year.

These external developments present a challenge to businesses and policymakers. Nonetheless, businesses can mitigate the impact of these risks by minimizing balance sheet mismatches. Companies that do not generate foreign exchange proceeds, through exports, should resist the temptation of foreign currency borrowing, despite lower funding costs compared to loans denominated in local currency. Secondly, given the challenging global context, firms should strive to operate as efficiently as possible. This will enable them to safeguard their profit margins and absorb some of the exchange rate fluctuations without passing on the costs to customers.

Policymakers must implement prudent macroeconomic policies considering the difficult global economic conditions. Specifically, priorities should include fiscal discipline, tight monetary policy stance, accumulation of foreign exchange reserves buffers, and initiatives aimed at reducing the cost of doing business.

12. Finally, what advice would you offer businesses, investors, and policymakers in Ghana to navigate currency risks and contribute to sustainable economic development?

As mentioned earlier, businesses and investors can limit the impact of currency risks by engaging in forward contracts with banks. Policymakers should also institute measures to boost exports and increase forex earnings. Overall, structural policies that support a reduction of imports and encourage exports, or more broadly, local content in production processes alongside productivity improvement can ultimately help minimise the perennial pressure on the currency. Over the medium to long term, where possible, unfavourable mining agreements should be reviewed to increase the country's forex earning potential.


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Enterprise Computing Ltd

Industry Insights

Banking Industry at a Glance

Some Non-Financial Data from 21 Banks

89+ Digital Platforms

125 Digital Products

75+ Bancassurance Products

Highest Transaction Digital Platforms:
1) USSD
2) Banking/Mobile App

10908+ POS in Operation

657 Million 2023

Mobile Money Transaction

488 Million 2022

1,631,946+ No. of Customers

2,651,749+ No. of Accounts

29% BOD Female

26% EXCO Members Female

46% FTE Female

33% Managers Female

3.7m+ Electronic Cards Issued

Total No. of Active Accounts: **12.1m+**

Total No. of Dormant Accounts: **3.6m+**

ATM **1,393+**

Ghana Banking Industry Performance Indicators

	2019	2020	2021	2022		2023
Total Assets	129 GHS billion	149 GHS billion	180 GHS billion	212 GHS billion	▲30%	275 GHS billion
Total Deposits	83 GHS billion	103 GHS billion	121 GHS billion	159 GHS billion	▲35%	215 GHS billion
Return on Equity	20.9%	21.4%	20.6%	-3.8%	▲242%	5.4%
Number of Universal Banks	23	23	23	23	=	23
NPL Ratios	14.3%	14.8%	15.2%	16.0%	29% ▲	20.7%
Profit before Tax	4.7 GHS billion	6.0 GHS billion	7.4 GHS billion	(7.9) GHS billion	249% ▲	11.9 GHS billion

Banking Industry Insights and Outlook

Despite the challenging and restrictive macroeconomic environment , total industry deposit from customers increased from GHS159 billion in 2022 to GHS215 billion in 2023, reflecting a growth of approximately 35 percent. Total banking assets increased by 30 percent year-on-year to GHS274.9 billion in December 2023.

Total industry deposit

GHS 159 billion (2022)

GHS 215 billion (2023)

1

35% growth.

The asset base of the banking industry remained solid and continues to grow significantly. However, the top five most dominant banks—Ecobank, GCB, Stanbic, ABSA, and Fidelity—controlled 49 percent of the industry's total assets in 2023, consistent with 49 percent in 2022. Additionally, these top five banks also controlled 48.4 percent of the industry's deposits in 2023.

2

49% OF INDUSTRY TOTAL ASSETS IN 2022

48.4% OF INDUSTRY DEPOSIT IN 2022

The industry rebounded from a significant DDEP-induced loss of GHS 7.9 billion in 2022. However, through strategic policy directives from the central bank, alongside targeted marketing and numerous financial literacy programmes by banks, the industry quickly recovered, achieving a profit before tax of GHS 11.8 billion. The profits from Stanbic, ABSA, GCB, Stanchart, and Fidelity Bank accounted for 67.32% of the industry's total profit.

Total Industry Profit-before-Tax

GHS 11.9 billion (2022)

3

4

The Ghanaian banking industry in 2024 is set for cautiously optimistic growth, supported by economic recovery and stricter regulatory oversight. Key trends include increased digital transformation, deeper fintech collaboration, and a focus on financial inclusion. While challenges like non-performing loans and currency volatility remain, banks are expected to enhance profitability through operational efficiencies and customer-centric innovations, alongside integrating Environmental, Social, and Governance (ESG) practices into their operations.

Banking Industry Insights

Introduction

The Ghanaian banking industry has been the fulcrum of economic stability, financial inclusion, investment, policy impact, innovation, and technological development. There has been tremendous growth in bank account ownership in the country since 2013, reflecting a projected 78 percent penetration rate by 2028. In fact, as of 2022, nearly half of Ghana's population had an account at a financial institution (Statista, 2023).

However, the industry performance has been inconsistent since 2018 after the change in the minimum capital requirement to GH¢400 million, which saw the closure and merger of some banks. This policy decision was part of the central bank's broader agenda of cleaning up the financial sector as a result of high non-performing loans, poor corporate governance structures, risk management issues, liquidity issues, seeming insolvency, non-compliance, etc., that have inundated the sector. This adversely affected the private sector, particularly those who could not retrieve their funds from collapsed banks and individuals who lost their jobs as a result. This incident caused a steep drop in consumer confidence in the industry.

Consistent with the regulator's and researchers' almanacks, the industry experienced a boom in the following year as a result of the policy decision. However, this rebound was short-lived as the advent of COVID-19 caused significant credit risk and economic contraction. Regulatory adjustments, such as moratoriums on loan repayments, liquidity support, adjustments to capital adequacy requirements and the cash reserve ratio, and deferments of dividend payments, temporarily helped the industry weather the storm in 2020 and 2021.

However, the lingering effects of COVID-19, the Russia-Ukraine war (which has partly disrupted the global supply chain), macroeconomic instability (primarily fuelled by the global economic climate and huge public debt stock), high-interest rates, reduced money supply, more assertive regulations, and climate change have become disruptive forces reshaping the foundational architecture of the banking industry.

Despite these headwinds, the banking sector exhibited remarkable resilience, with financial institutions experiencing significant growth and adaptability to changing market conditions. In 2022, Ghana's macroeconomic environment was under stress due to revenue shortfalls and high debt levels, causing the government to solicit a credit facility from the IMF. Amongst the conditionalities for the IMF credit facility are fiscal consolidation, debt minimisation to sustainable levels (through debt restructuring), and increased revenue generation through taxation. These conditions, alongside the credit facility, are expected to exacerbate economic downturns from 2024 through 2027. However, one of the preconditions – domestic debt exchange – has caused significant impairments in the banking industry, leading to a substantial industry loss of GH¢7.4 billion at the end of the 2022 financial year. Nonetheless, the industry quickly recovered in the first quarter of 2023 with a GH¢3.2 billion profit-before-tax. This momentum was maintained throughout the year, with the industry recording a GH¢9.8 billion profit-before-tax by the third quarter of 2023.

This industry report presents key highlights on banks' assets, profitability, liquidity, efficiency, asset quality, payment systems, and the sector's performance on the stock exchange. Although there are currently twenty-three (23) universal banks in the industry, the analysis was based on 20 banks that have released their 2023 end-of-year financial statements by March 31, 2024. These banks constitute about 87% of the entire banking industry. Therefore, all estimations based on the 20 banks are representative of the industry

Rankings of 20 Banks compared to their positions in 2022

Overview of 20 Banks		Total Assets			Proft Before Tax			Deposits			Loans (Customers)		
		Rank	+/-	GHS mn	Rank	+/-	GHS mn	Rank	+/-	GHS mn	Rank	+/-	GHS mn
1	Ecobank	⇄ 1	-	33,521	⇄ 9	-	965	⇄ 1	-	25642	⇄ 1	-	9444
2	GCB Bank Plc	⇄ 2	-	26,935	▲ 3	+17	1525	⇄ 2	-	21556	⇄ 2	-	6692
3	Stanbic	⇄ 3	-	24,634	▲ 1	+7	2033	⇄ 3	-	18622	▼ 4	-2	5989
4	ABSA	⇄ 4	-	21,491	▲ 2	+17	1805	4	-	15883	▲ 3	+1	6344
5	Fidelity	⇄ 5	-	17,220	▲ 5	+12	1165	⇄ 5	-	12423	▼ 6	-2	3213
6	Standard Chartered	▲ 6	+1	13,921	▲ 4	+10	1351	⇄ 7	-	10818	▼ 11	-1	2104
7	Zenith Bank	▲ 7	+2	13,863	▲ 8	+10	1022	⇄ 6	-	11702	▲ 10	+3	2246
8	CBG	▼ 8	-2	13,692	▲ 19	+3	(714)	⇄ 8	-	10428	▼ 12	-3	1954
9	Access Bank	▼ 9	-1	12,304	▲ 7	+9	1037	⇄ 9	-	9129	▲ 9	+6	2343
10	GT Bank	▲ 10	+3	11,224	▼ 6	-5	1118	▲ 10	+3	9011	▼ 13	-2	1790
11	First Atlantic Bank	⇄ 11	-	10,466	▼ 11	-6	323	▼ 11	-1	8972	▲ 14	+3	1702
12	CalBank	▼ 12	-2	9,869	▼ 20	-1	(959)	▼ 12	-1	6945	▼ 7	-1	2754
13	Societe Generale	▲ 13	+1	8,529	▼ 10	-8	661	⇄ 15	-	5087	▲ 5	+2	3987
14	UBA	▲ 14	+1	7,921	⇄ 13	-	275	▲ 13	+1	6338	▲ 15	+1	1142
15	Republic Bank	▲ 15	+2	6,952	▼ 14	-7	231	▲ 14	+2	5868	▲ 8	+4	2429
16	OmniBSIC	▲ 16	+4	5,681	▼ 16	-6	150	▲ 16	+3	4877	▲ 20	+1	579
17	Prudential Bank	▼ 17	-1	5,279	▼ 18	-3	(604)	▲ 17	+1	4597	▼ 17	-3	1010
18	First National Bank	▲ 18	+3	3,711	▼ 17	-6	(2)	▲ 18	+3	2443	▲ 16	+4	1123
19	First Bank Ghana	▲ 19	+3	3,691	▼ 12	-9	284	▼ 20	-2	2000	▲ 19	+3	672
20	Bank of Africa	▼ 20	-1	3,255	▼ 15	-9	174	▼ 19	-1	2316	▲ 18	+1	865

▲ Increase in rank **▼ Decrease in rank** **⇄ No change in rank** **+/- Change in rank compared to 2021**

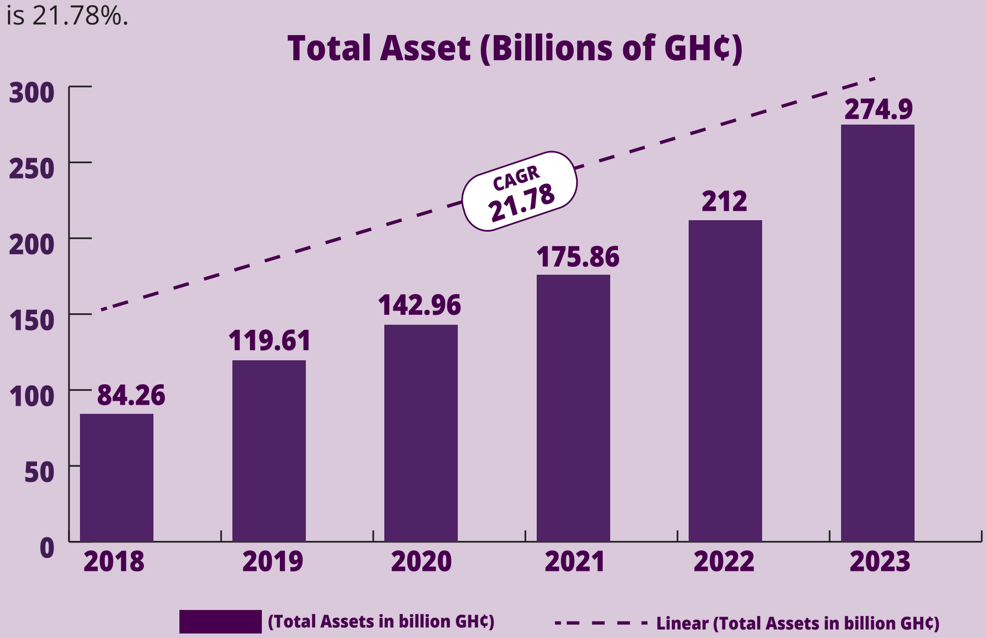
Source: Audited Banks' Financial Statements

Industry Banks' Balance Sheet

Total Assets

Total assets for the 20 banks at the end of the 2023 financial year amounted to GH¢254.2 billion, representing a 29.2% increase from the 2022 total assets of GH¢196.8 billion. The key drivers of the industry's total assets are banks' investments in securities, which constitute 31.9%, cash and cash equivalents (29.7%), and loans and advances to customers (22.4%).

All the banks under consideration experienced a significant surge in their total assets, partly attributed to the substantial increase in their cash and cash equivalents which increased by 32% and the quantum of investments in securities which increased by 60%. Out of the 20 banks, Ecobank, GCB, Stanbic, Absa, and Fidelity Bank constitute 48.72% of the industry's total assets. Despite persistent shocks such as COVID-19 and other external factors affecting the industry, total assets have maintained an upward trajectory. Additionally, using industry data from the Bank of Ghana, the compound annual growth rate (CAGR) of the industry's total assets between 2019 and 2023 is 21.78%.



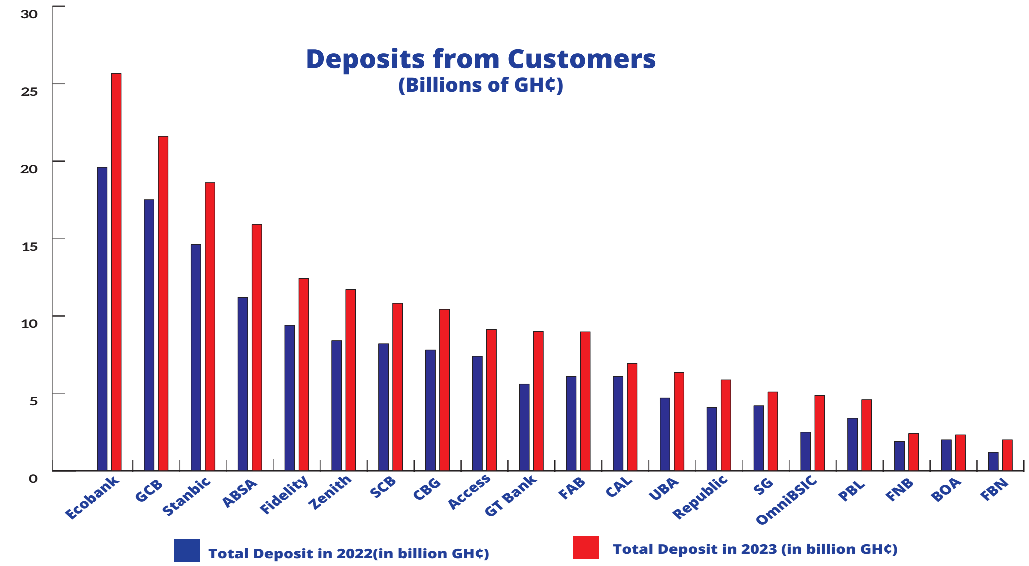
Source:
Industry Data from
BoG's Summary of Macroeconomic and Financial Data

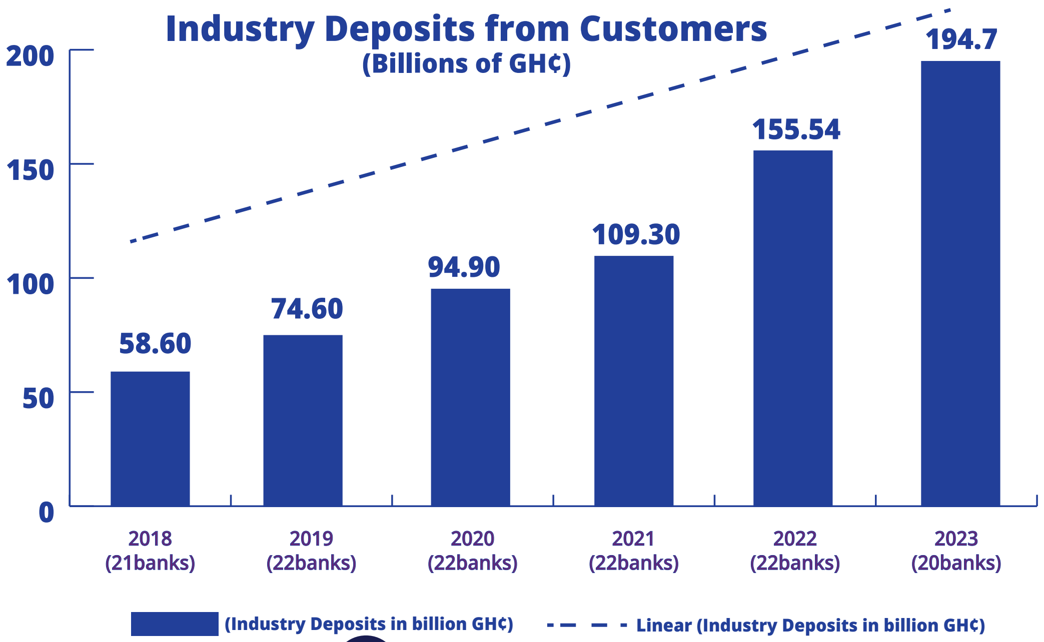
Liabilities

A The industry's total liabilities increased sharply by 26.9%, from GH¢188.4 billion in 2022 to GH¢224.7 billion in 2023. This rise was largely influenced by the increase in customers' deposits which saw an increase of 25% from GH¢155.5 billion to GH¢194.7 billion. The result suggests that, despite the DDEP and other macroeconomic upheavals, customer confidence in the industry remains strong. The industry's liabilities consist of deposits from banks and non-bank financial institutions, deposits from customers, borrowings, creditors, accruals, etc. Among the liabilities, deposits from customers constituted 86.7% of the total industry liabilities.

Deposits

All the banks in question have recorded significant increases in customer deposits. Ecobank recorded the highest deposit of GH¢25.6 billion, followed by GCB (GH¢21.6 billion), Stanbic (GH¢18.6 billion), ABSA (GH¢15.9 billion), Fidelity (GH¢12.4 billion), and others. Despite the top five banks (Ecobank, GCB, Stanbic, ABSA, and Fidelity) accounting for 48.4% of total deposits in the industry, OmniBSIC experienced the highest percentage growth in deposits, with a 93% increase between 2022 and 2023. This was followed by FirstBank Ghana and GT Bank, which recorded 66% and 60% growth in deposits, respectively. Total deposits at the end of the 2023 financial year stood at GH¢194.7 billion, representing a 33.3% increase compared to the 2022 value of GH¢146.1 billion. As indicated earlier, the increased deposits by customers could be partly attributed tois reflective of customer confidence in the industry, effective marketing strategies, and numerous financial literacy programmes.





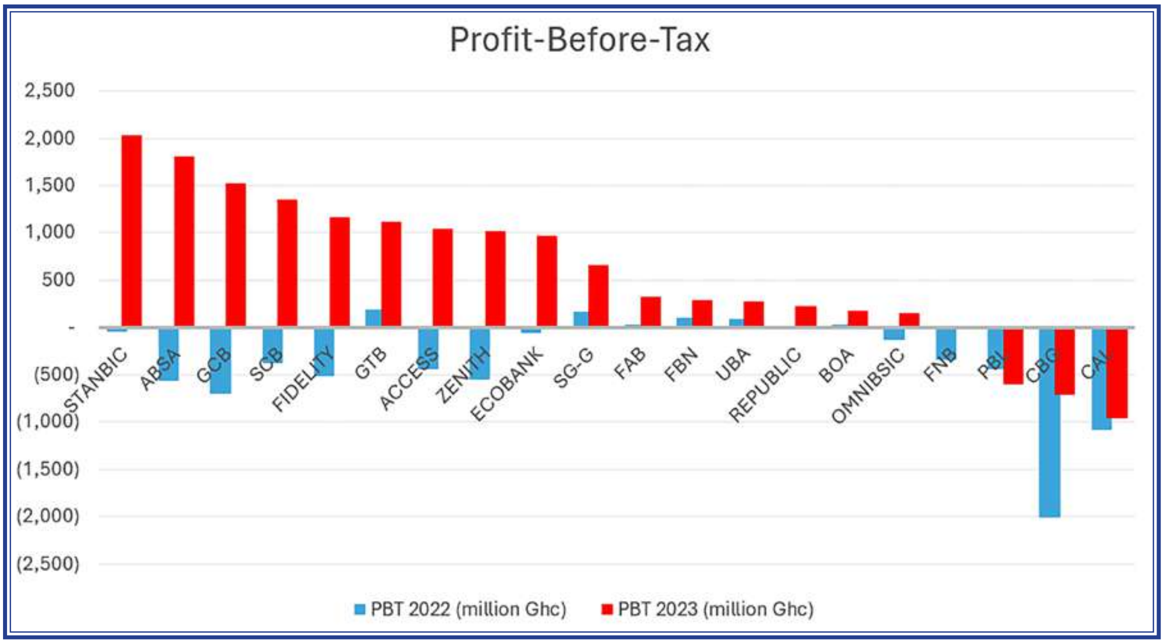
Profitability Trends

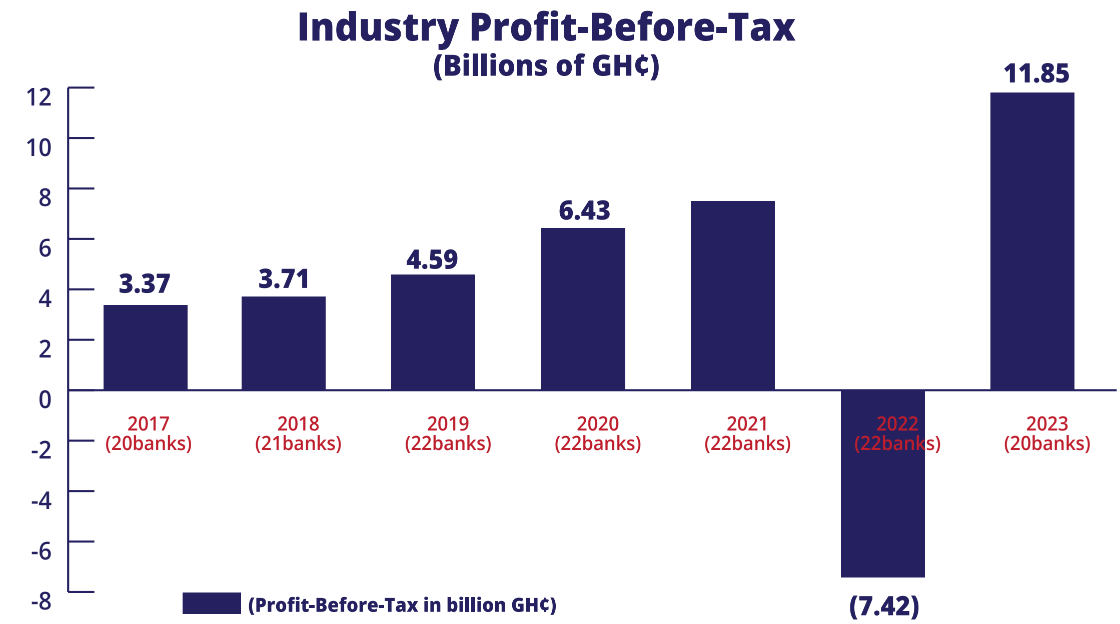
Industry Profit after Tax

After being plunged into a mammoth industry loss of GH¢7.4 billion before tax, industry data from 20 banks shows a significant profit of GH¢11.9 billion before tax which is far higher than the pre-DDEP profit-before-tax of GH¢7.5 billion in 2021. The result shows that even though some few banks may be battling solvency issues as a result of the DDEP, the industry at large remained profitable and robust; indicative of a strong capital base to withstand shocks.

The most profitable bank during the period under review is Stanbic bank with a profit of GH¢2 billion before tax, and a GH¢1.28 billion profit-after-tax. In summary, All the banks recorded profits-before-tax in 2023, with the exception of Cal bank, CBG, First National Bank, and Prudential bank who recorded losses as a result of the DDEP. Whiles the loss-before-tax component for Prudential bank increased from GH¢438 million (2022) to GH¢604 million (2023), CBG, and First National Bank work assiduously to bring down their losses.

Profit-After-Tax (PAT) 2022 & 2023

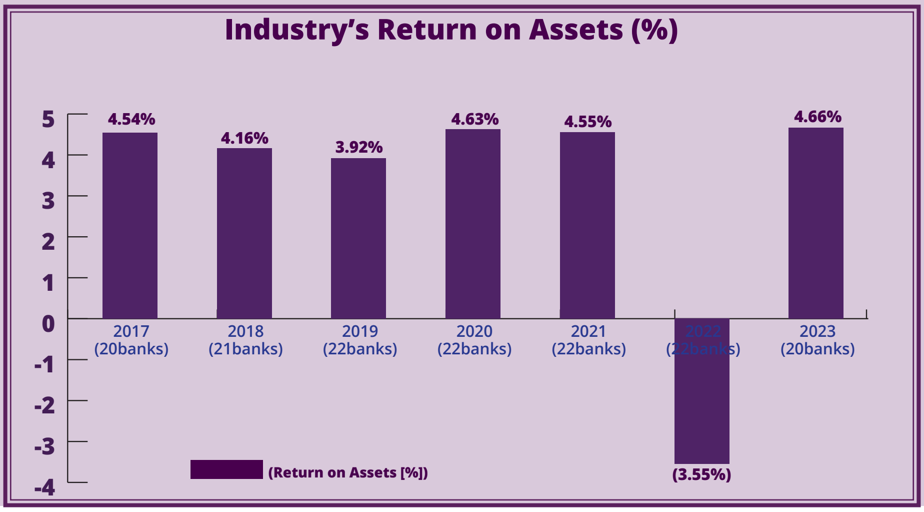




Asset Utilisation and Efficiency Trends

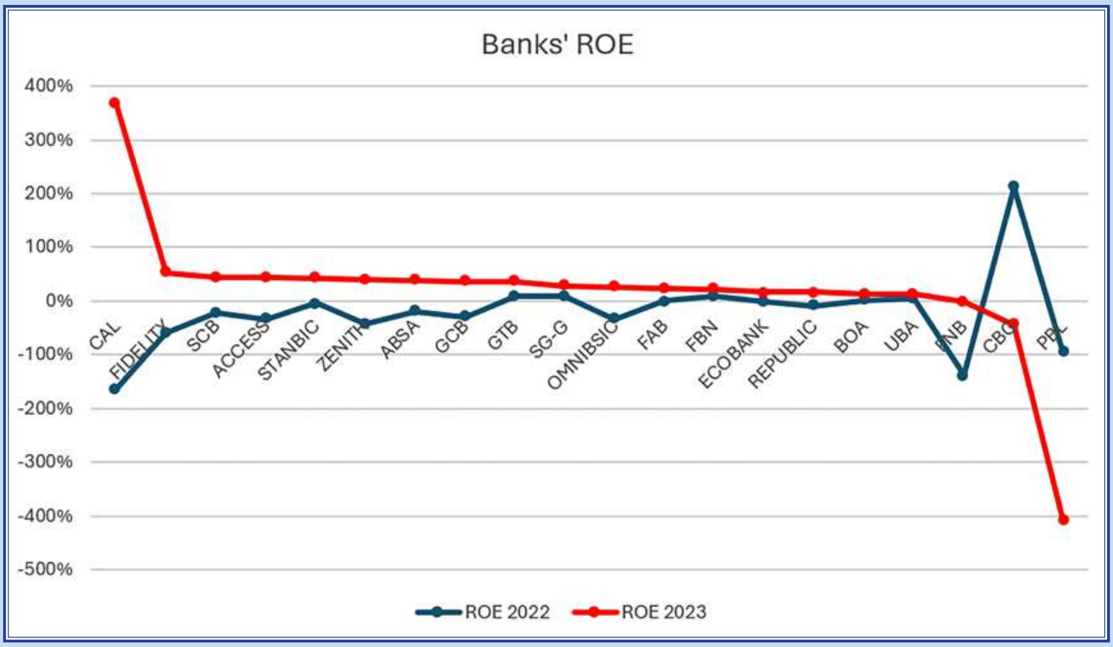
Return on Assets

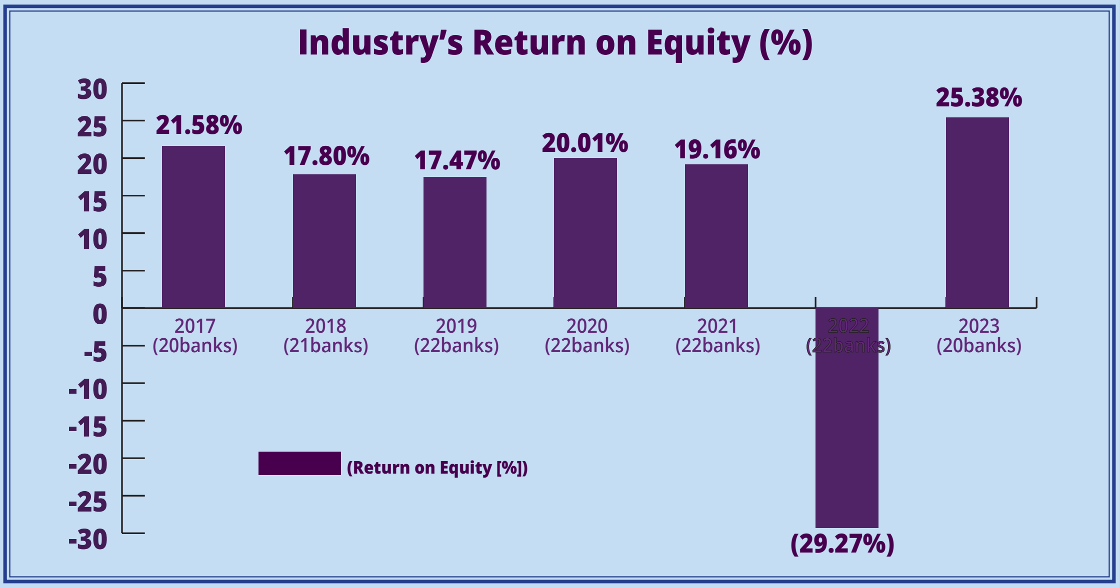
Industry return on assets (ROA) experienced a wavelike pattern from 2018 through 2021 but dipped sharply into negative returns (-3.55%) in 2022 as a result of the DDEP. However, it rose sharply to 4.66% at the end of the 2023 financial year, showing a significant increase in the asset quality of banks in the industry which can be attributed to the 43% increase in net interest income and 64% decrease in impairment charges from the 2022 figures recorded. Apart from Cal Bank, CBG, First National Bank, and Prudential Bank, which recorded negative returns on their assets, all the banks recorded a significant increase in their ROA. The negative ROA accrued by the aforementioned banks was occasioned by the lingering effect of the DDEP, which significantly repressed the returns on banks' assets, especially banks that were more exposed to government in terms of their investments in government securities.



Return on Equity

Consistent with the ROA results, the industry's Return on Equity (ROE) (after tax) hovered between 17% and 26% but dropped significantly to -29.27% in 2022. However, the situation was reversed in 2023, with the industry experiencing an ROE of 25.38%. As a result of the strong recovery in the sector primarily driven by increased interest income and significant reduction impairment charge during the period., there was a relative increase in banks' ROE, with Fidelity Bank (52.12%), Stanchart (44.91%), Access Bank (44.09%), Stanbic (43.01%), and Zenith (40.77%) recording over 40% ROE, depicting efficient management of shareholders' capital. Although Cal Bank recorded an ROE of 367.91%, it was merely a drift from a huge loss (GH¢815 million) in 2022 to a relatively lower loss position of GH¢680 million in 2023. Amongst the banks under consideration, Cal Bank was the only bank that recorded negative equity of GH¢184.9 million. As indicated earlier, the loss incurred was largely influenced by the DDEP, which caused significant impairment in the industry.



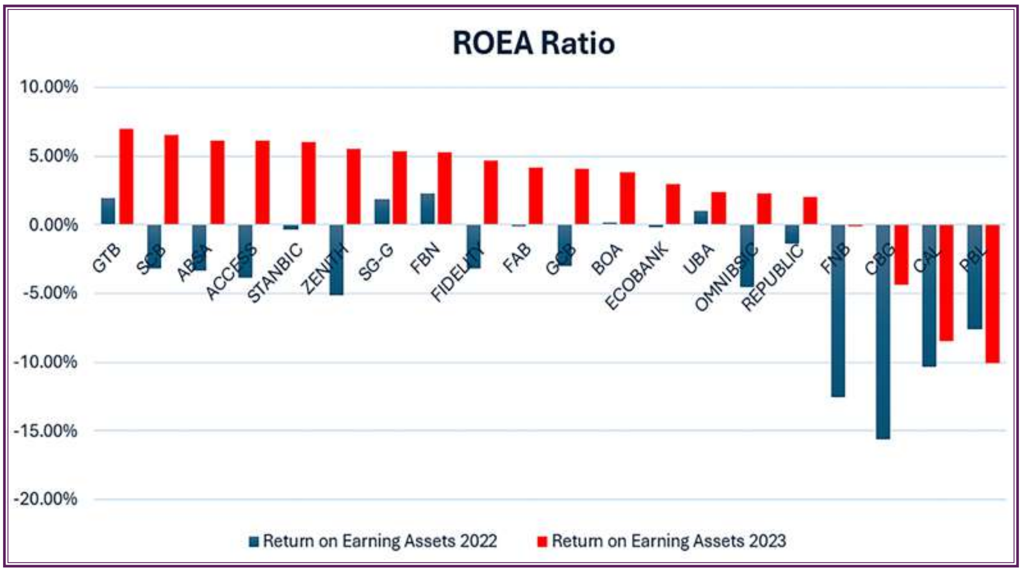


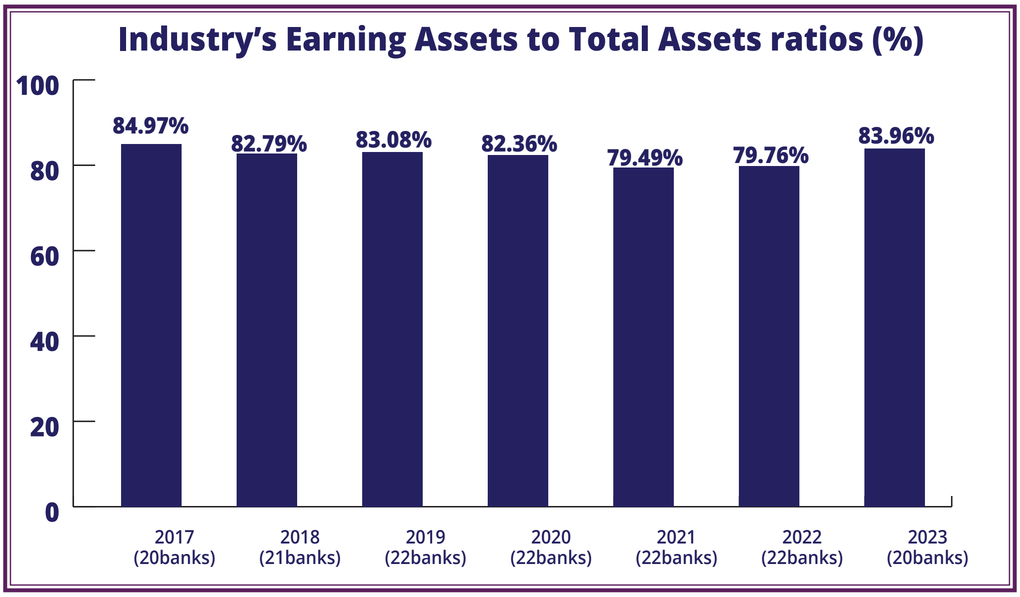
Asset Utilisation and Efficiency Trends

Earning Assets

The asset mix of banks in 2023 is dominated by investment securities, cash & cash equivalents, and loan & advances to customers, which constitutes about 84% of banks' assets. Earning assets to total assets ratio for the industry dipped marginally from 83.1% (2019) to 82.4% (2020); it declined further in 2021 to 79.8% in 2022 before surging to 84% in 2023.

Similarly, return on earning assets (ROEA) for all banks in 2022 was negative, except for Bank of Africa, First Atlantic bank, FirstBank Ghana, GT Bank, Societe Generale Ghana, and UBA. ROEA in 2023 has improved significantly for all banks with the exception of Prudential Bank which recorded -10.06% of ROEA in 2023 compared to -7.63% in 2022; indicating a further deterioration of the bank's assets.





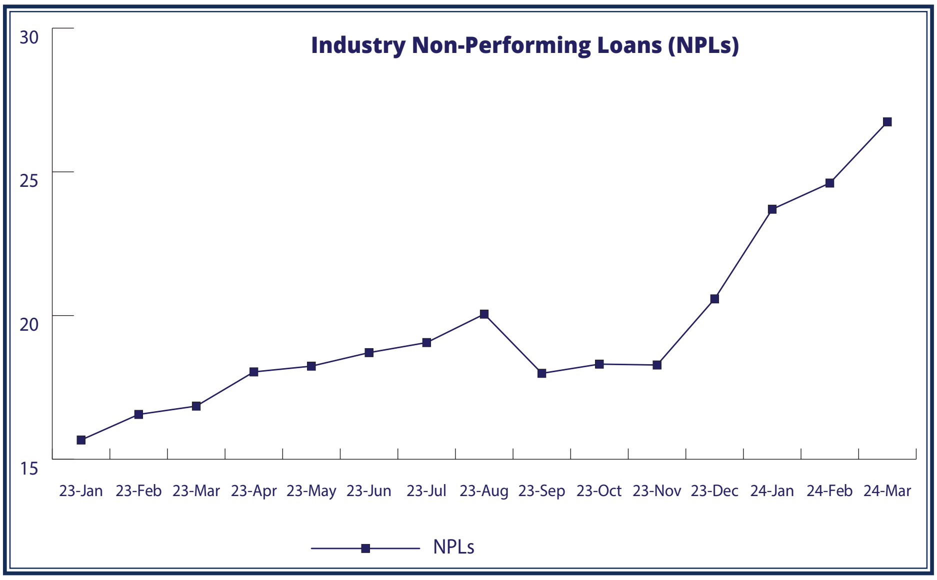
Asset Quality and Financial Soundness

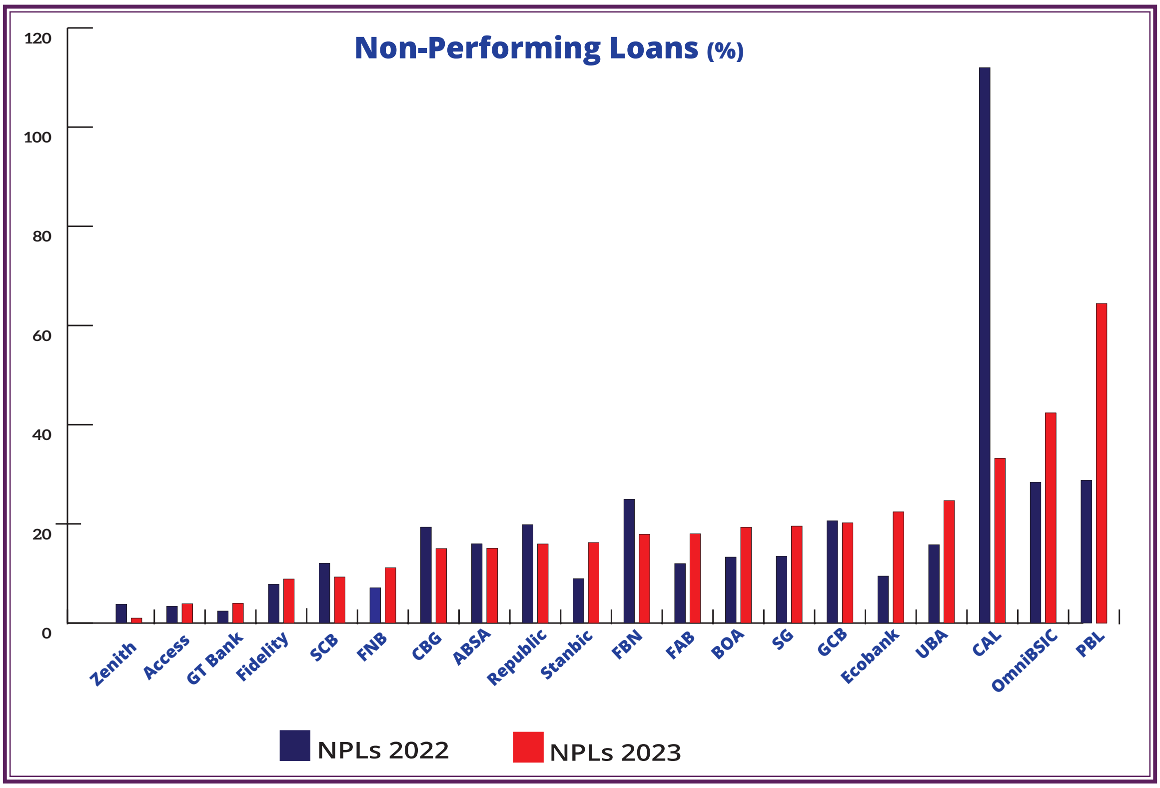
Non-Performing Loans (NPLs)

Non-performing loans (NPLs) have been the bane of the banking industry, posing a serious threat to banks' assets and overall credit accessibility in the country. NPLs in the banking industry have shown significant variability over the past year, with the lowest in 2023 being 15.67% and the highest 20.58%. This volatility suggests that the determining factors of NPLs are diverse, including credit culture, interest rates, inflation, exchange rates, economic performance, taxation, and external factors. Although NPL levels in 2023 ranged from 15% in January to approximately 21% at the end of December 2023, they increased sharply in the first quarter of 2024, rising to 26.74% by the end of March 2024.

Amongst the banks, Zenith recorded the lowest NPL of 1%, followed by Access

Bank (3.90%), GT Bank (3.96%), Fidelity (8.88%), and Stanchart (9.29%); the rest of the banks recorded NPLs above 10%. Prudential Bank had the highest NPL at 64.44%. Empirical evidence shows a negative correlation between NPLs and profitability; hence, banks with lower NPLs tend to have higher profitability.

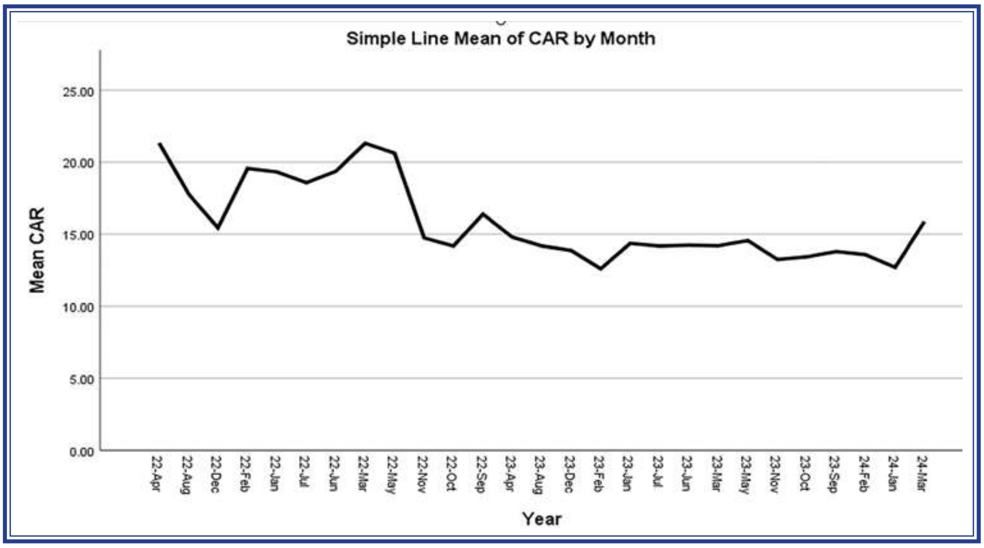


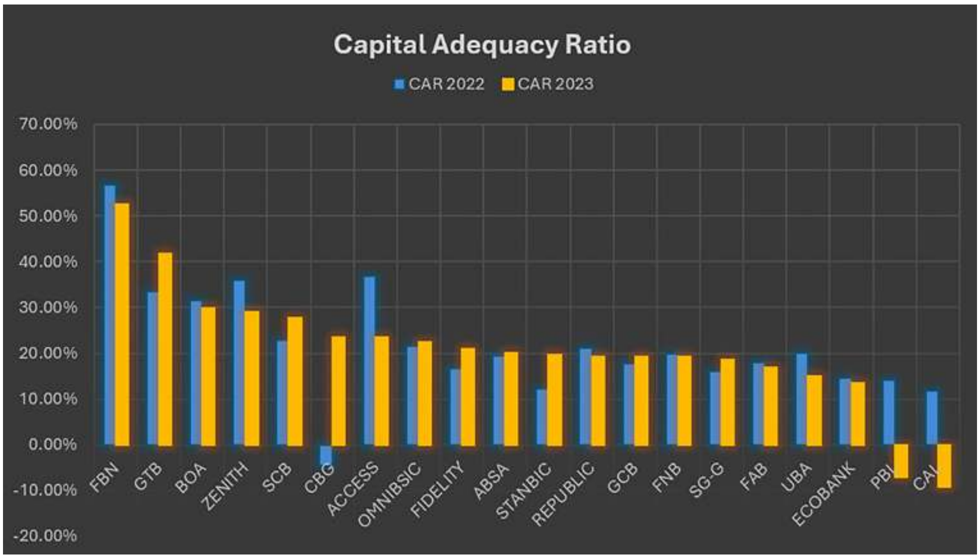


Capital Adequacy Ratio

In 2023, the average minimum capital to risk-weighted assets ratio for the banking industry decreased dramatically from 18.22% to 13.96%, which is somewhat higher than the revised regulatory minimum of 10%.

Again, the ratio has consistently remained above the minimum threshold set by Basel II and Basel III, suggesting that banks maintain a strong level of capitalization and possess sufficient reserves to withstand a respectable amount of losses. Nevertheless, the consistent decrease in the CAR indicates a certain degree of weakness in the industry that must be addressed in order to prevent any potential systemic risk that may arise from insolvency. The central bank, in partnership with the World Bank, has established the Financial Stability Fund to provide support to a small number of banks facing solvency problems due to the DDEP.



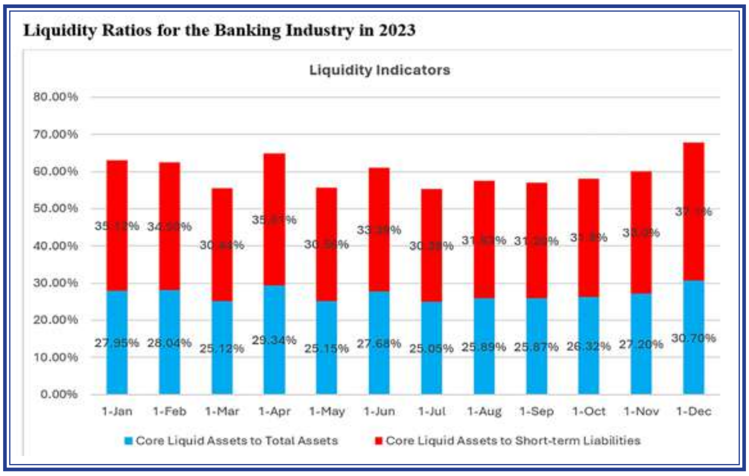


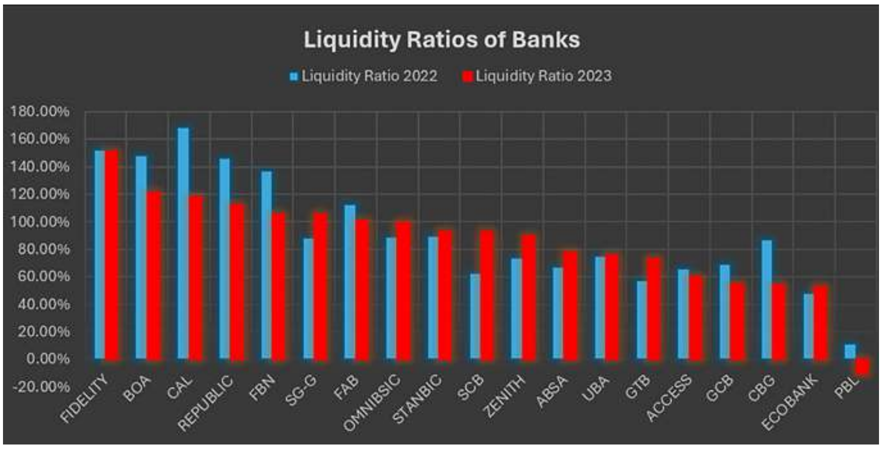
Liquidity Indicators

The liquidity of the banking sector is crucial in preventing bank runs and the cascading effect on the entire financial system. Understanding liquidity ratios is crucial for assessing an organization's capacity to efficiently convert assets into cash to meet its financial obligations. Data on the banking industry in 2023 indicated the banking sector is relatively liquid; as the average ratio of core liquid asset of banks to short-term liabilities has increased from 30.6% (2022) to 32.89% in 2023; and the ratio of core liquid assets to total assets also increased from 23.8% (2022) to 27.03% in 2023. The latter (27.03%) was above the required minimum limit for liquidity ratio (11.5%) sanctioned by the regulator. The analysis suggests liquidity of the banking industry remained strong and efficient, in spite of the economic uncertainty and the DDEP experienced during 2023.

Furthermore, out of 19 banks, 10 banks namely; Access bank, Bank of Africa, Cal bank, CBG, Fidelity, First Atlantic bank, FirstBank Ghana, GCB, Prudential Bank, and Republic Bank have experienced a marginal decline in their liquidity in 2023 compared to 2022. The remaining 9 banks experienced a marginal increase

in their liquidity in 2023 compared to 2022. Overall, majority of the banks are highly liquid, with 74% of them having liquidity ratios above 70%.

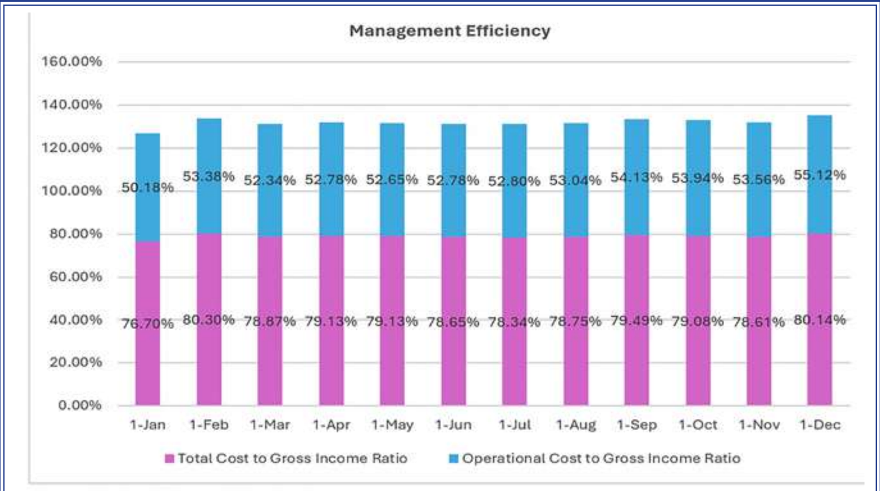




Management Efficiency

■ Total Cost to Gross Income Ratio
■ Operational Cost to Gross Income Ratio
■ Net Interest Marging

The management efficiency of the sector is evaluated by analysing the total cost-to-gross income ratio, operational cost-to-gross income ratio, and net interest margin. The average total cost-to-gross income ratio for the banking industry declined marginally from 82.81% in 2022 to 78.93% in 2023. The average operational cost to gross income ratio also declined slightly from 56.7% (2022) to 53.06% in 2023, however, the average net interest margin (NIM) increased marginally from 8.18% (2022) to 9.72% in 2023, indicating efficiency in revenue generated from the banks' interest-bearing assets. Though there was a marginal decline in total cost to gross income ratio, and operational cost to income, the efficiency indicators remained adequate; implying the banking industry was relatively cost-efficient during the year under review.

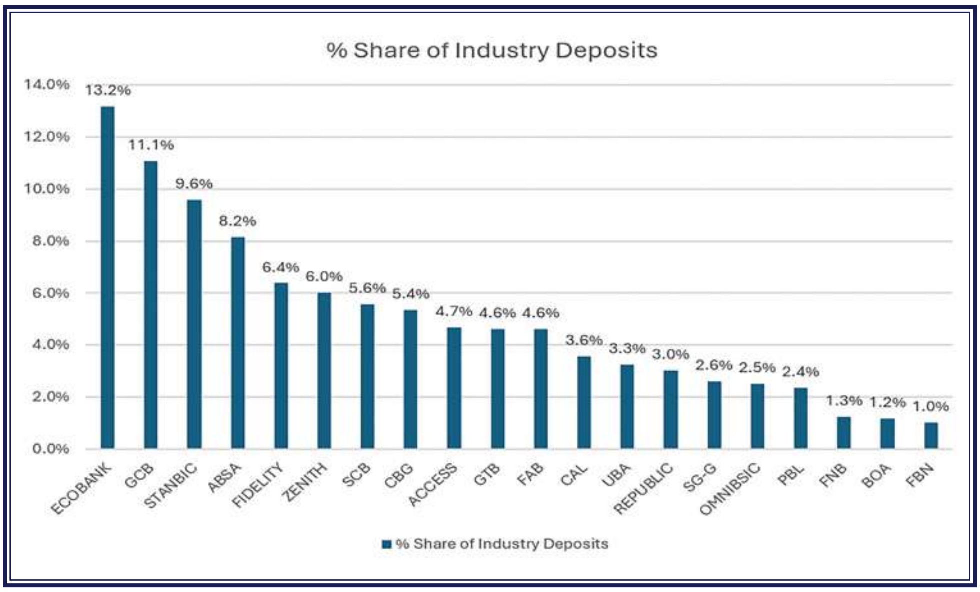


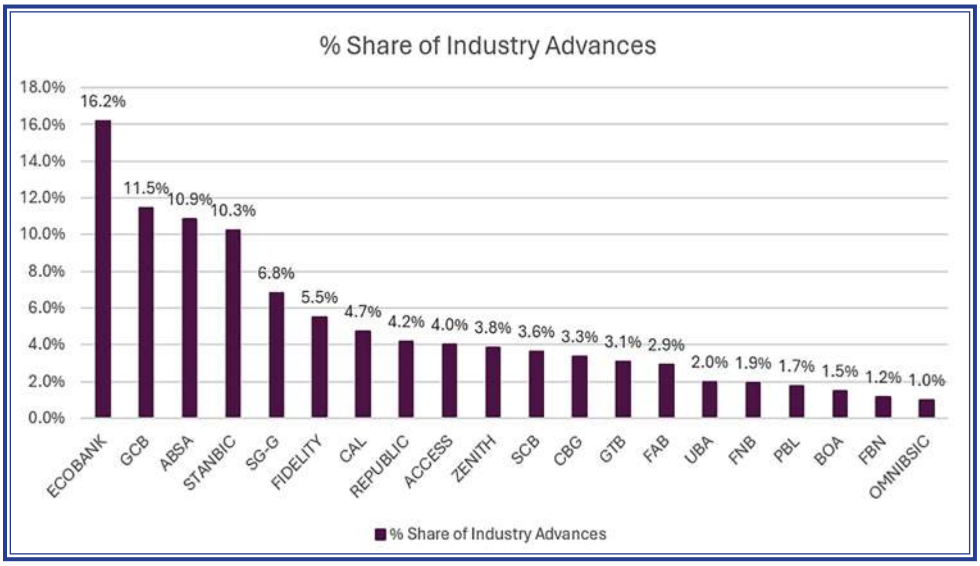
Source: Bank of Ghana online database

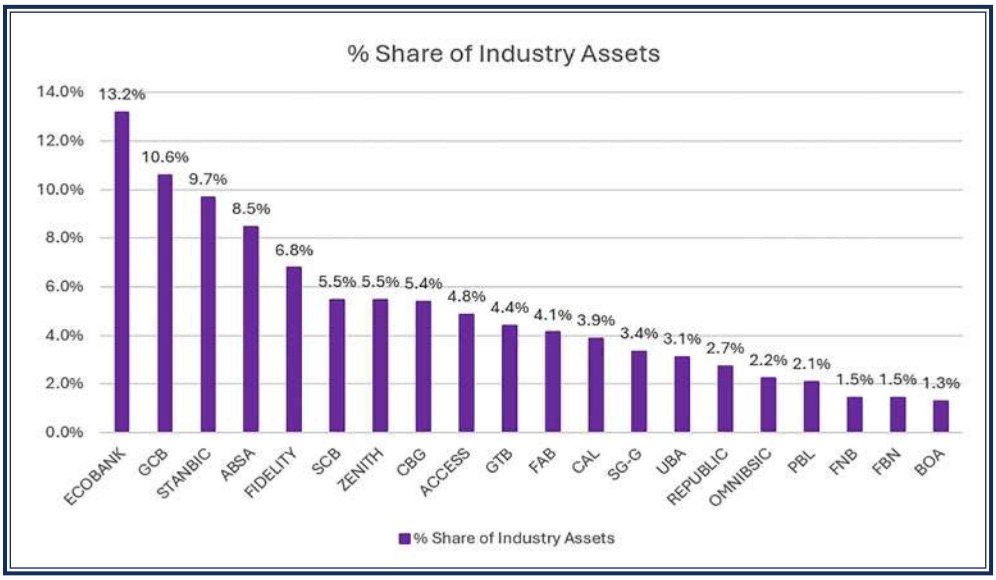
Market Share Analysis

%Share of Industry Deposits
%Share of Industry Advances
%Share of Industry Assets.

The share of industry deposits, advances and assets is grossly concentrated among five major banks, namely Stanbic, Ecobank, GCB, Absa, and Fidelity bank. These banks have 48.35% share of the industry's total deposits. Furthermore, 54.26% of the industry's advances is under the management of these banks; while 48.72% of the industry assets is accounted for by the five banks. Generally, the 2023 data has shown a significant improvement in the banks' growth in deposits, advances, assets, and profitability compared to 2022.

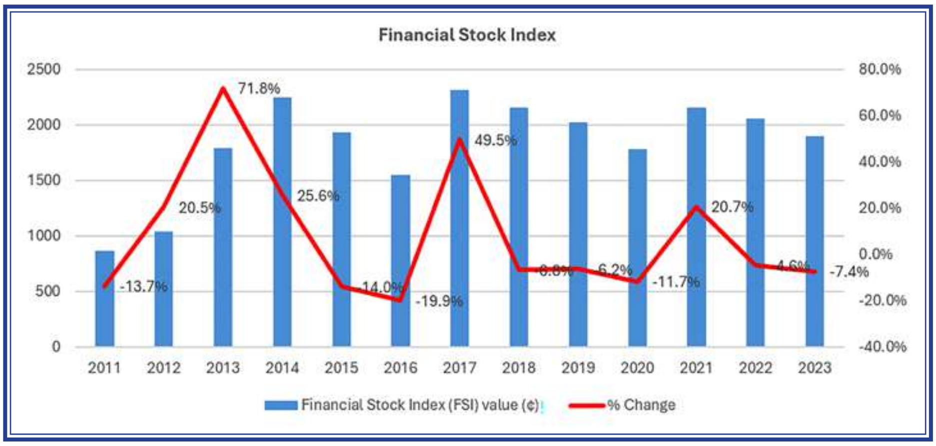

% Share of Industry Deposits
14.0%
12.0%
10.0%
8.0%
6.0%
4.0%
2.0%
0.0%
13.2% 11.1% 9.6% 8.2% 6.4% 6.0% 5.6% 5.4% 4.7% 4.6% 4.6% 3.6% 3.3% 3.0% 2.6% 2.5% 2.4% 1.3% 1.2% 1.0%
ECOBANK GCB STANBIC ABSA FIDELITY ZENITH SCB CBG ACCESS GTB FAB CAL UBA REPUBLIC SG-G OMNIBSIC PBL FNB BOA FBN
% Share of Industry Deposits


% Share of Industry Advances
18.0%
16.0%
14.0%
12.0%
10.0%
8.0%
6.0%
4.0%
2.0%
0.0%
16.2% 11.5% 10.9% 10.3% 6.8% 5.5% 4.7% 4.2% 4.0% 3.8% 3.6% 3.3% 3.1% 2.9% 2.0% 1.9% 1.7% 1.5% 1.2% 1.0%
ECOBANK GCB ABSA STANBIC SG-G FIDELITY CAL REPUBLIC ACCESS ZENITH SCB CBG GTB FAB UBA FNB PBL BOA FBN OMNIBSIC
% Share of Industry Advances


% Share of Industry Assets
14.0%
12.0%
10.0%
8.0%
6.0%
4.0%
2.0%
0.0%
13.2% 10.6% 9.7% 8.5% 6.8% 5.5% 5.5% 5.4% 4.8% 4.4% 4.1% 3.9% 3.4% 3.1% 2.7% 2.2% 2.1% 1.5% 1.5% 1.3%
ECOBANK GCB STANBIC ABSA FIDELITY SCB ZENITH CBG ACCESS GTB FAB CAL SG-G UBA REPUBLIC OMNIBSIC PBL FNB FBN BOA
% Share of Industry Assets

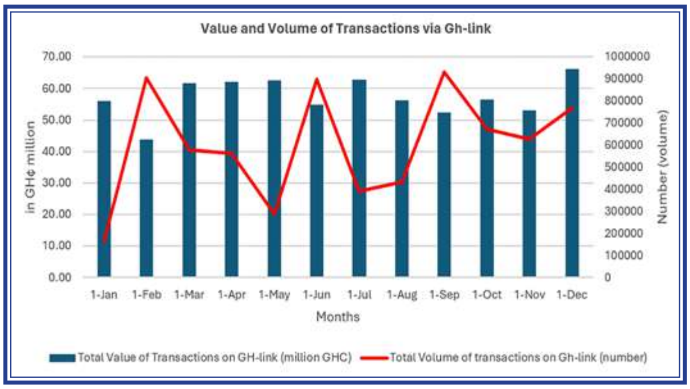
Financial Stocks Performance on the Ghana Stock Exchange

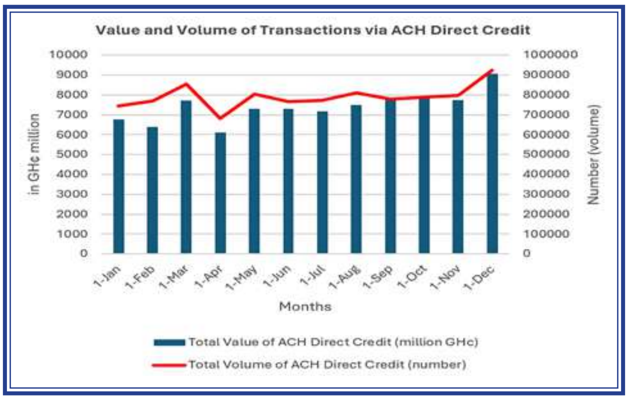
The banking sector has been performing well on the stock exchange, with a consistent rise in the value of the Financial Stock Index (FSI). Nevertheless, the index value has experienced a slight decline following the cleanup of the financial sector, causing investors to exercise caution when investing in financial stocks. There was a decrease in the index value from 2310.58 in 2017 to 2153.74 in 2018. The FSI value experienced a significant decline, dropping from 2019.65 to 1782.76 due to the impact of the Covid-19 pandemic. In the midst of the 2021 economic recovery, there was a significant surge in the index value, which rose by 20.70% to reach 2151.85. Unfortunately, the DDEP in 2022 resulted in yet another decline in the value of the financial stock index, which continues to persist in 2023 with the index being valued at 1901.57. In 2023, the financial sector stocks had the second highest trading volume, reaching 12,445,653 traded equities, with a total value of GH¢6,547,737.47.

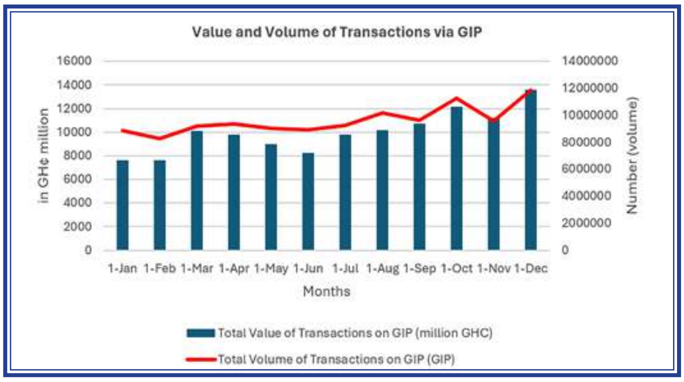


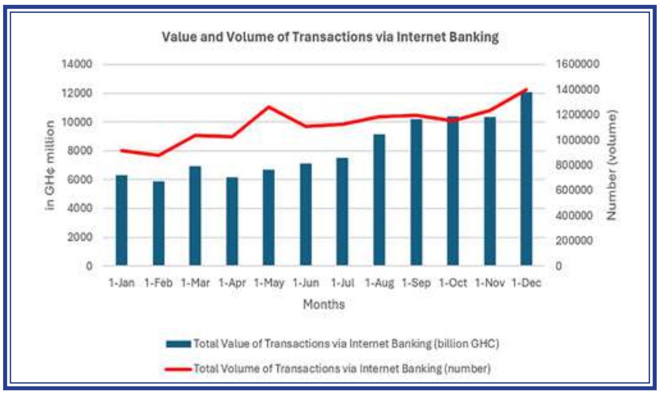
Payment System in the Banking Sector

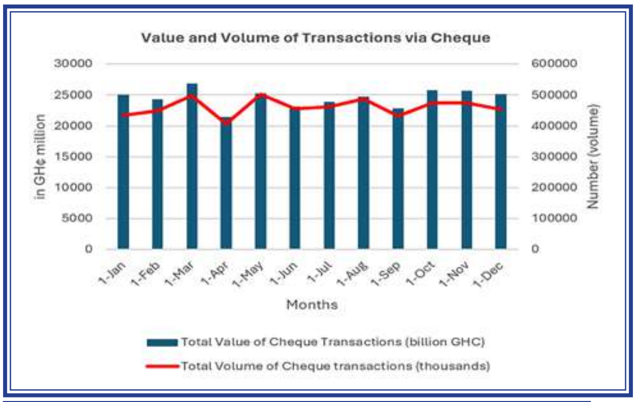
The payment system in the financial sector is crucial for promoting financial inclusion, increasing the velocity of money in the economy, and driving efforts to create a cash-lite society. Once again, mobile money continues to dominate the financial sector as the most popular payment platform. It boasts an impressive average transaction value of Gh¢159.36 billion and an average volume of 566.9 million mobile money transactions. In addition, the rise of Fintech companies has resulted in the growth of various payment platforms that are playing a crucial role in advancing financial inclusion and facilitating remittances. Here are the different payment systems commonly used in the banking industry.

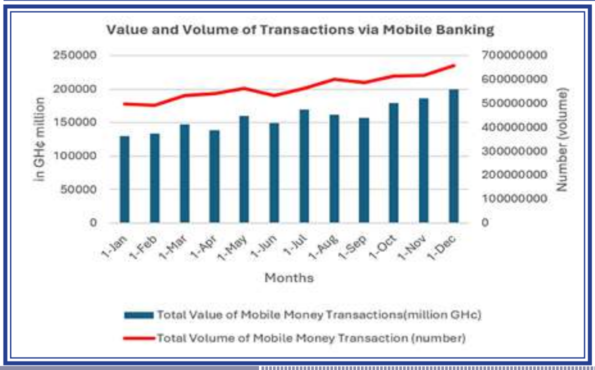












Conclusion

In sum, the Ghanaian banking industry demonstrated a remarkable resilience and growth in 2023, recovering from previous economic shocks such as the Domestic Debt Exchange Program (DDEP) and the COVID-19 pandemic. Total assets for the 20 analysed banks increased by 29.2% to GH¢254.2 billion, driven by investments in securities, cash equivalents, and loans to customers. Liabilities, particularly customer deposits, also saw a sharp rise, indicating strong customer confidence. Despite the macroeconomic challenges, including the Russia-Ukraine war and high-interest rates, the sector's liquidity and capital adequacy remained robust, supported by the Financial Stability Fund.

Profitability in the sector improved substantially, with a turnaround from a GH¢7.4 billion loss in 2022 to a GH¢9.8 billion profit-before-tax by the third quarter of 2023. Key financial metrics such as Return on Assets (ROA) and Return on Equity (ROE) showed significant improvement, indicating effective asset and equity management. Non-performing loans (NPLs), while still a concern, were managed better, though they showed an uptick in early 2024. The sector's liquidity ratios also improved, with most banks maintaining ratios above the regulatory minimum, ensuring they can meet short-term obligations.

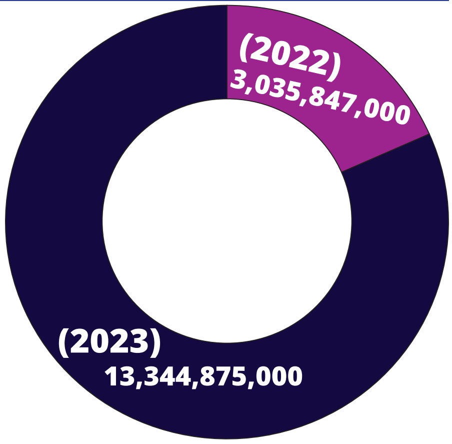
The market share analysis highlighted the dominance of major banks like Ecobank, GCB, Stanbic, Absa and Fidelity which hold significant portions of the industry's assets, deposits, and advances. The sector's stock performance on the Ghana Stock Exchange was stable, though it faced mild declines due to external economic pressures. Mobile money transactions continued to dominate the payment landscape, reflecting the sector's push towards financial inclusion and digital transformation. Overall, the sector's adaptability and strong financial performance position it well to navigate future challenges and capitalize on emerging opportunities.

Non-Financial Analysis

Review of Industry Non-Financial Data from 21 Banks)

The non-financial performance of banks in Ghana during 2023 highlights the significant role banks play in community development, customer engagement, staff management, and overall contribution to the social fabric of the country. The data received from 21 banks operating in Ghana gives a comprehensive view of their corporate social responsibility (CSR) initiatives, employee management, customer service, and operational practices.

Amount Spent on CSR Activities

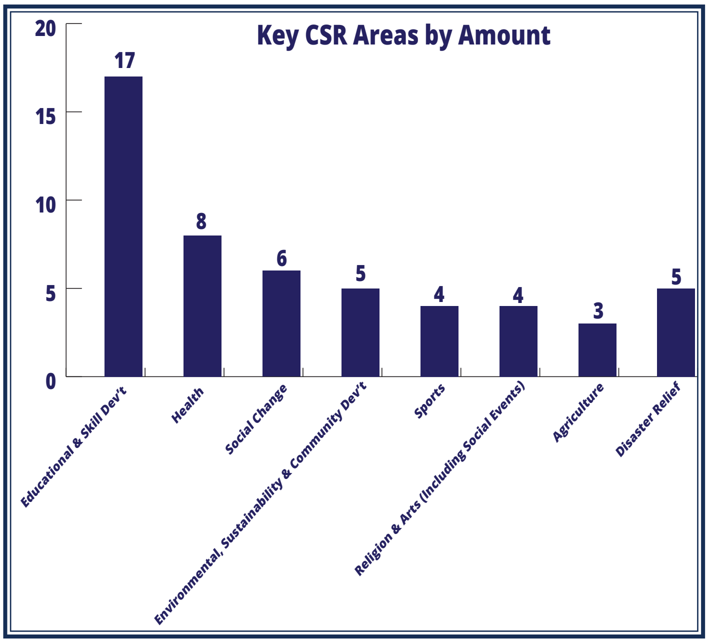


Corporate Social Responsibility (CSR)

In line with their commitment to the communities in which they operate, banks have intensified their CSR activities, increasing spending significantly. In 2022, banks spent over GH¢3 billion on CSR, a figure that surged to over GH¢13 billion in 2023, reflecting the growing importance of CSR in the banking industry. It also reiterates banks commitment human and community development which is essential to the overall economic development agenda. The key areas of focus for CSR spending included:

- **Educational and Skills Development:** 17 banks prioritised this area, underscoring the industry's recognition of the importance of education in driving sustainable economic success.
- **Health Initiatives:** Eight banks dedicated funds to support healthcare projects, aligning with the belief that a healthy population is key to national productivity.
- **Social Change and Environmental Sustainability:** Banks contributed significantly to social causes and environmental sustainability efforts. Five banks also supported agriculture, while four invested in sports, religion, and arts.

This strong commitment to CSR, particularly in education, health, and community development, showcases the banking sector's role in supporting national development beyond financial services.



Staffing and Gender Representation

The total headcount of staff in the banking industry for 2023 highlights a focus on permanent, contract and outsourced staffing. The total workforce consists of:

- Permanent Staff: 18,828
- Contract Staff: 2,247
- Outsourced Staff: 6,568

This breakdown shows the sector's reliance on outsourced staff for non-core operations, reflecting a strategic focus on efficiency and cost management. Notably, the outsourcing of services such as security, payment and cash-in-transit (CIT) services, recruitment, and cleaning or janitorial services were among the top functions outsourced by banks.

In terms of gender representation, the data reveals:

- Male Employees: 12,110
- Female Employees: 10,311

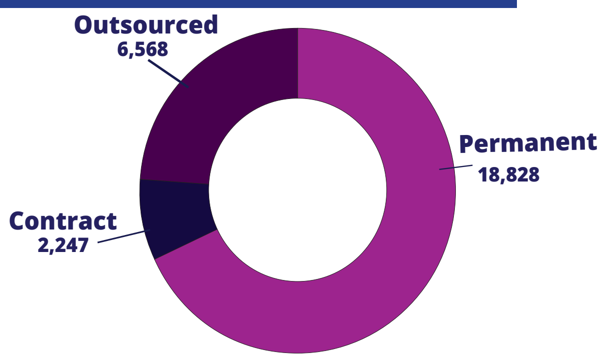
While the workforce is still slightly male-dominated, significant progress has been made in promoting gender diversity, especially in leadership roles. For instance, of the 188 executive committee (EXCO) members across the 21 banks, 65 are female, illustrating the banking industry's effort to break gender barriers.

Additionally, in senior leadership roles:

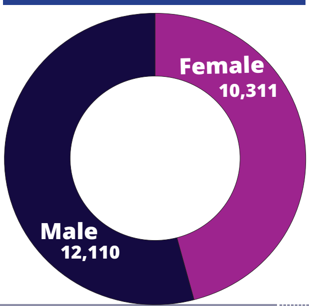
- **Male Managing Directors/CEOs:** 19
- **Female Managing Directors/CEOs:** 2
- **Male CFOs:** 20
- **Female CFOs:** 1

Gender representation among board members is also noteworthy, with 145 Ghanaian board members and 46 non-Ghanaian board members. Efforts are being made to enhance female representation in these leadership roles.

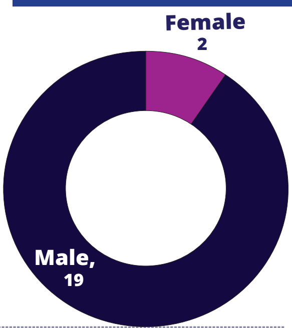
Total Head Count of Staff (2023)



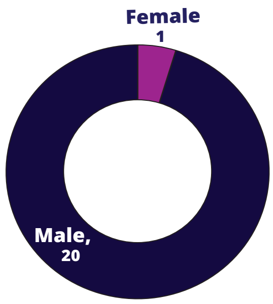
Head Count (FTE) (2023)



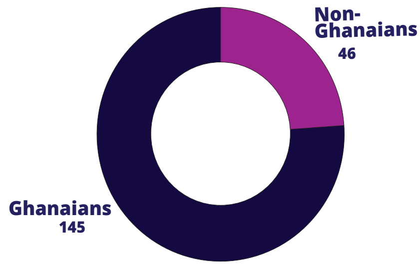
Gender of MD/ CEO (2023)



Gender of CFO (2023)



Nationality of Board Members (2023)



Customer Service and Complaints Management

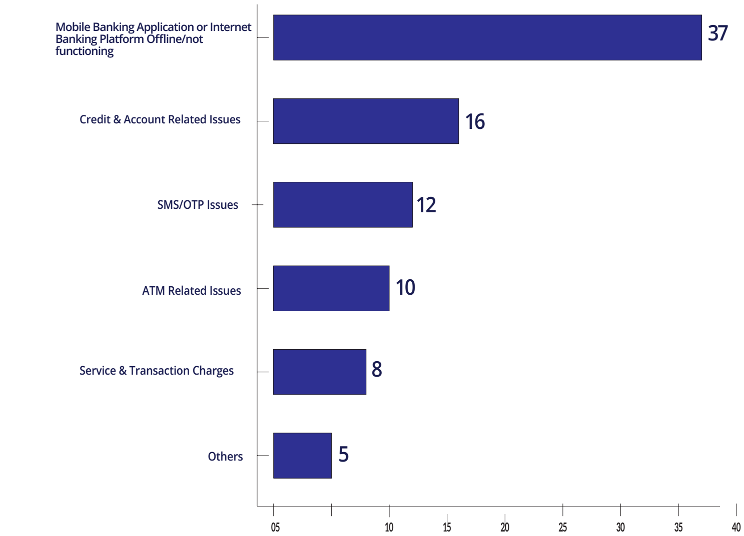
Customer satisfaction and service quality remain at the forefront of the banking industry's goals. In 2023, banks received feedback through various channels, with in-person or walk-in visits remaining the most popular channel for complaints, followed by social media, call centres, and email.

The most common complaints received included:

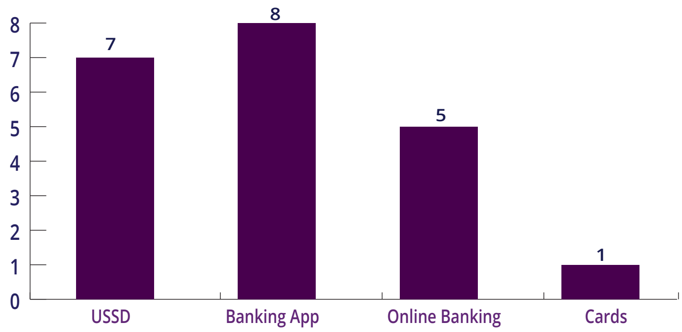
- Issues related to mobile banking applications (non-functioning or offline)
- Credit and account-related issues
- SMS/OTP problems
- ATM-related issues

These customer complaints provide valuable insights into areas where banks can improve their services. Despite the challenges, banks continue to innovate and address customer concerns, reflecting their commitment to improving customer experiences.

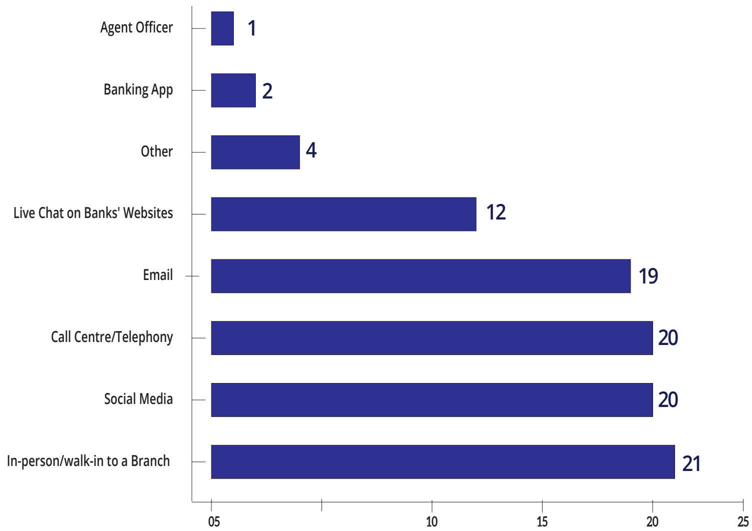
Summation of Banks' Top 5 Complaints from Customers



Highest Transaction Digital Platform used by Customers



Channels Customers used in making Complaints

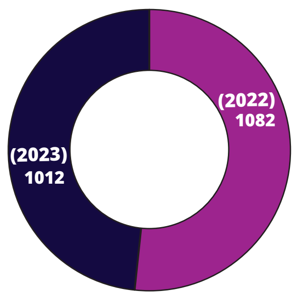


Branch Networks and ATM Services

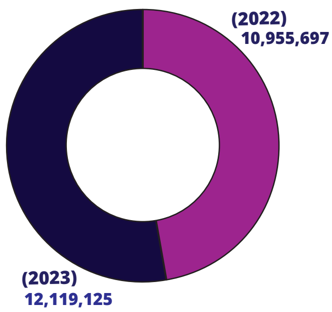
The number of bank branches saw a slight decline from 1,082 in 2022 to 1,012 in 2023, as banks continue to optimise operations and invest more in digital channels. Despite this, the number of active accounts increased from 10,955,697 in 2022 to 12,119,125 in 2023, showing that customer engagement remains high.

On the other hand, the number of ATMs decreased from 1,393 in 2022 to 1,305 in 2023, as banks rely more on digital banking platforms and reduce dependence on physical touchpoints.

Number of Banks' Branches



Total Number of Active Accounts

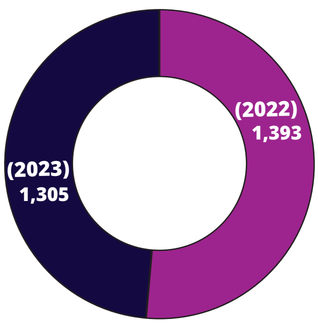


Digital Transformation

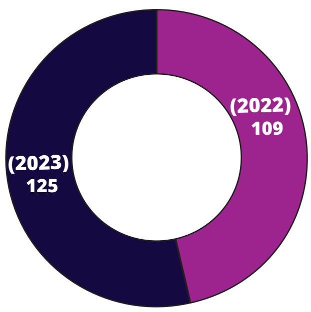
Digital transformation continues to be a major trend in the Ghanaian banking industry, with banks investing heavily in digital platforms to enhance customer experiences. In 2023, mobile banking applications emerged as the most widely used digital transaction platform, followed by USSD services and online banking.

The number of digital products offered by banks also increased from 109 in 2022 to 125 in 2023, reflecting the growing demand for digital banking solutions. Banks are partnering with fintech companies to offer seamless services, and the number of fintech partners increased from 85 in 2022 to 98 in 2023.

Total Number of ATMs



Number of Digital Products



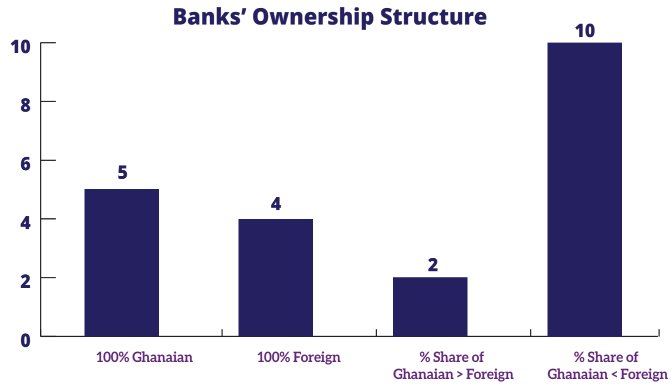
Ownership and Governance

Banks operating in Ghana exhibit diverse ownership structures:

- 5 banks are fully Ghanaian-owned
- 4 banks are fully foreign-owned
- 2 banks have Ghanaian shareholders holding a greater share than foreign shareholders
- 10 banks have foreign shareholders holding a greater share than Ghanaian shareholders

This ownership diversity brings a mix of local and international expertise, which contributes to the robustness of Ghana's banking industry.

Banks' Ownership Structure



Conclusion

The non-financial data from 2023 highlights a banking sector that is continually evolving in response to both local and global challenges. Banks in Ghana remain committed to corporate social responsibility, driving digital transformation, and maintaining high levels of customer satisfaction. Additionally, gender diversity in leadership roles and reliance on outsourced services reflect strategic shifts aimed at improving operational efficiency. As banks deepen their engagement with communities and invest in digital innovation, they are well-positioned to continue contributing meaningfully to Ghana's economic development in the coming years.

Lawrence Sackey
Research Manager, GAB.

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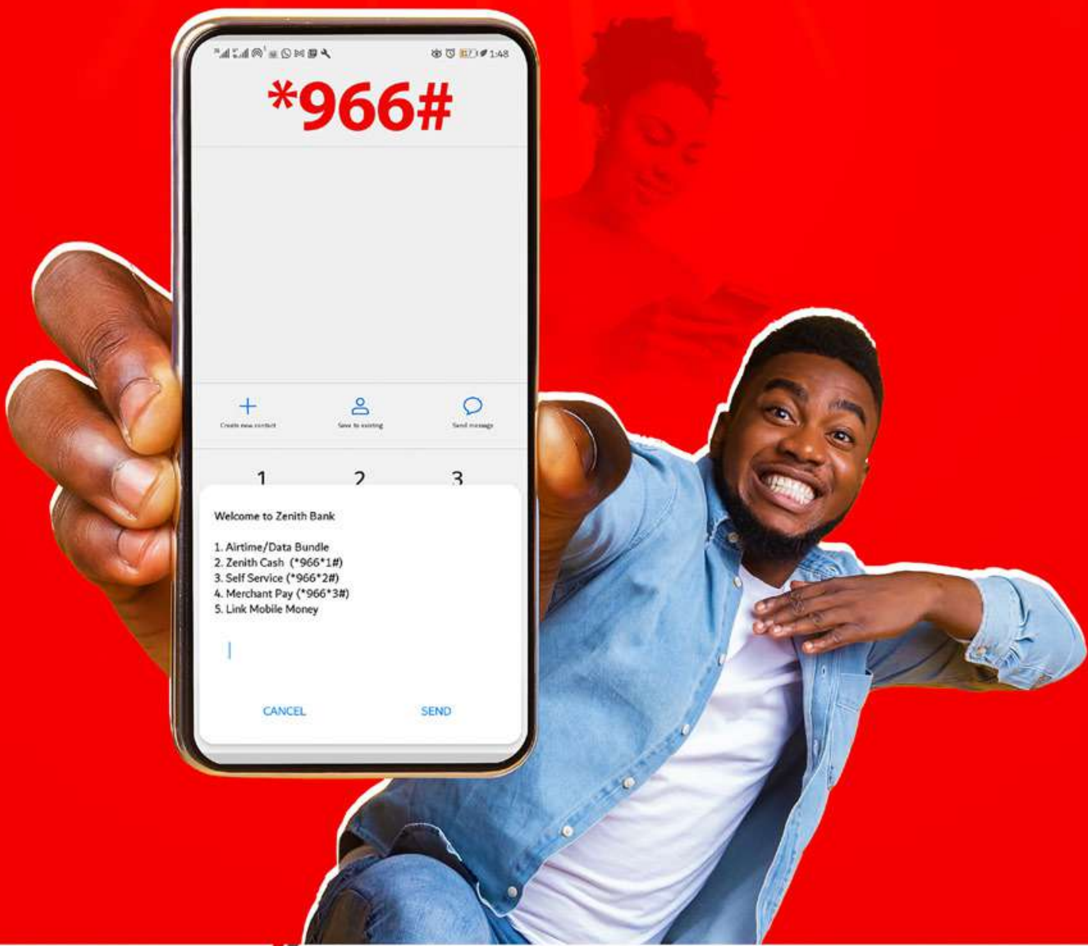

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Featured Articles

Addressing Non-Performing Loans: A Legal Perspective

HL. Gertrude Sackey Torkornoo

Chief Justice of the Republic of Ghana

'Faint heart never won fair lady: the dilemma of democratic rule directing the unruly horses of market forces'.

Introduction

The ouroboros, we are told, is an ancient symbol depicting a serpent or dragon eating its own tail. The issue of loan recovery in Ghana seems to have taken on ouroboros dimensions for decades.

Between 2004 and 2012, I spent seven years in the Commercial Court as a trial judge and experienced the unsustainable levels of debt unleashed on borrowers by an interpretation of the rules of court in **Courts (Award of Interest and Post Judgment Interest) Rules, 2005, CI 52**, as statutory license to apply compound interest in credit agreements. Simple debts escalated into mountains that borrowers simply got buried under.

I heartily agreed at the time with HL Justice S A Brobbey JSC (and I still do), in a presentation titled **'Judicial decisions affecting interest rates in Ghana'** in which he said inter alia: '.... Many businesses have collapsed as a result of interest rates. The net effect is that interest rates are a disincentive to doing business in Ghana. *Interest rates need to be examined and aggressively tackled before they cause more misery and hardship in our nation*...'. The emphasized part of the opinion is what drives me to continue writing on this subject.

In 2014, in an article titled **'Debt Recovery and Interest Rates- An uneasy Marriage'**, I started a discussion with Judges[i] on how an unhealthy deficit of borrower integrity and commitment to loan repayment in Ghana's financial system, an anomaly in any sound money market, has arisen out of confusing signals thrown by the engineering of legal and policy regimes on interest rates. The essence of the discussion was to point out that high interest rates drive a weak debt repayment culture, and a weak repayment culture is the reason behind unsustainable levels of interest rates. Together, they have led to cyclical crashes of the financial market.

In 2015, I wrote a second article **'The enforcement mechanism under the Borrowers and Lenders Act 2008 (Act 773) – How effective'** to recommend that if the nation strengthened awareness of the principles of contract, efficacy of securities, and enforcement procedures

> **"Interest rates need to be examined and aggressively tackled before they cause more misery and hardship in our nation"**

for credit agreements, these interventions could work together to reduce the weak debt repayment culture of the country. Soon thereafter, Ghanaians woke up in 2017 to find that the nightmare of non-recovery of loans, which led to the dissolution of banks in the mid-1990s, had been revisited on the country again despite several legislative attempts to strengthen interest rate regimes in the early 1990s. A culture of non-repayment of loans stultifies the very blood flow of an economy. Loans may be used for working capital, investment capital and even equity of businesses. In this regard, when a country cannot seem to respond to the issue of making loans accessible at an affordable cost, or recovering same when given out, there is every reason to doubt the sustainable health of the entire economy. Consistent review of how legal and policy regulation affect the culture of loan repayment is therefore critical for policy makers, implementers and courts.

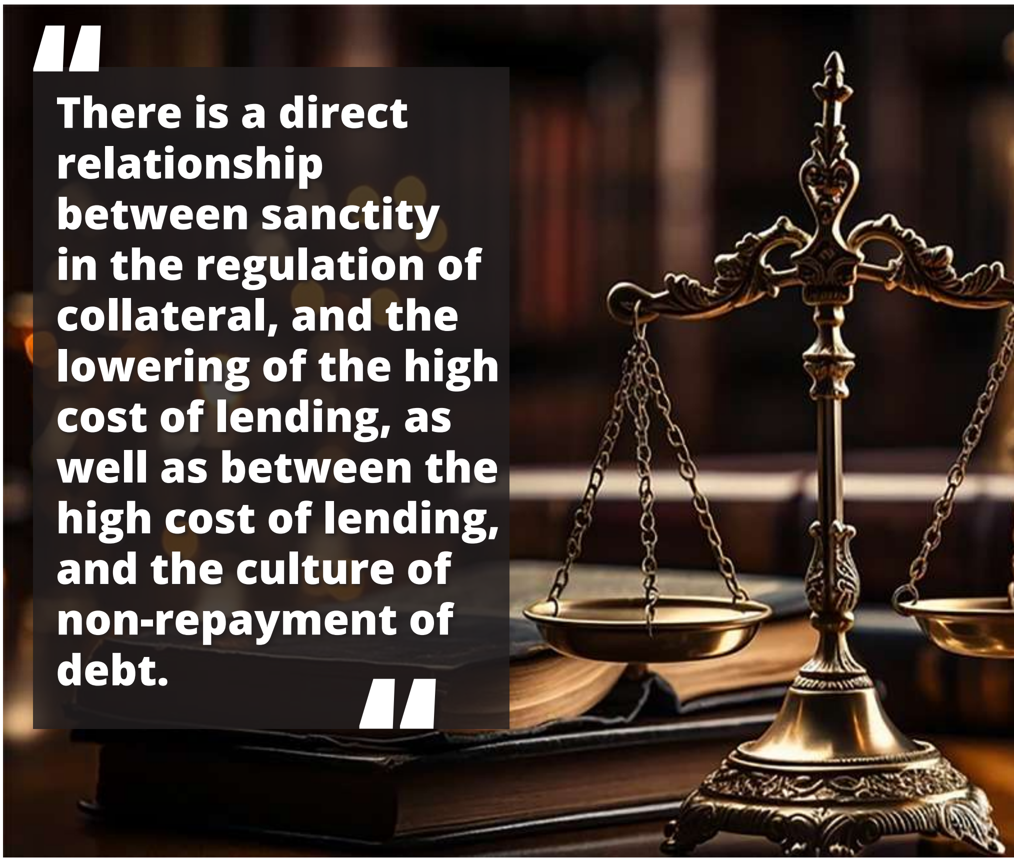
Despite the recent history of bitter cycles of unsustainable loan non-repayment, there continues to be much room for concern about the nation's reception to the critical question of high interest rates that are constantly compounded, along with high inflation, high debt to GDP ratio, and high foreign exchange rates. All fuelled, inter alia, by a weak debt repayment culture. This paper, in summary form, examines the legal journey undertaken to regulate interest rates in the country in recent history, the market place effect of these shifts in legal regulation of interest rates on the culture of borrowing and non-repayment of loans, and the response of the courts. It proposes solutions.

Legal history

Dr Kwaku Addeah[ii] (of blessed memory) describes four phases of legal regulation in Ghana's financial industry. Phase one run from the colonial period of 1896 to 1957. Phase two was the mixed socialist and capitalist era between 1957 and 1983. Phase three was dubbed the Economic Recovery Structural and Adjustment Structural Adjustment Era from 1983 to 2000. These programs had a 'focus' on restoration of macro-finance stability in the economy which had by then, become characterized by high inflation, high interest rates, weak debt recovery, and a culture of non-performing loan recovery. The fourth phase was the era of globalization in finance. It run from 2000. I wish to add a fifth phase to Dr. Addeah's designations. This era, like a fifth column[iii], is the post CI 52 of 2005 era of un-restrained compounding of interest on loans.

In the colonial era, Dr Addeah presents that the business of banking was introduced by an agreement dated June 16, 1896 between the Gold Coast colonial government and the Bank of British West Africa for the establishment of a branch of that bank. There was no legal, institutional and regulatory framework and supervisors for the development of a buoyant banking, insurance and capital market. Just two colonial banks - Bank of British West Africa and Barclays Bank - whose main objective was to support colonial rule by providing banking services for the British colonial

administration and companies. The Bank of the Gold Coast was set up in 1952. The lack of clear policy to develop a firmly directed money market continued post-independence. From a veneer of socialism supporting a capitalist actuality, economic regulation took the turn of focusing on the State as the backbone for the private sector. State owned banks and insurance companies were set up for development purposes, rather than market promotion.



Legislation

The major legislation regulating loan recovery pre- and post independence until the 1990s was the **Loans Recovery Act of 1918 Cap 175** and the **Moneylenders Act of 1941, Cap 176. In Section 3** of **Cap 175**, the law provided for a court before whom satisfactory evidence is placed of excessive interest, expenses, enquiries, fines, bonus, premium, renewals charged, to reopen any such lending transaction that is harsh and unconscionable, and take an account between the parties. The court could relieve the borrower from payment of any sum in excess of the sum adjudged by the court to be fairly due in respect of such principal, interest and charges. **Section 15 (1) of Cap 176** specifically prohibited compound interest and made it illegal for a loan contract to charge compound interest on a loan.

This strict regulatory and judicial supervision of applicable interest rates was reinforced by **Order 13 (3)** and **Order 42 Rule 15 of Subsidiary Legislation L.N.140A,**[iv] **1954.** While **Order 13 Rule 3 of LN 140A** gave directions for prevailing bank interest rates to be awarded on judgments taken in default of appearance by a judgment debtor, which interest rate was to be capped 5% per annum, **Order 42 rule 15** of **LN 140A** provided that unless a contrary interest rate had been agreed, post judgment interest awarded by a court was to be capped at 4 pounds percent per annum by a court.

In 1984, the C**ourts (Award of Interest) Instrument, 1984, LI 1295** amended **Order 13 (3)** and removed the cap of 5% interest, allowing default judgment to be taken with prevailing bank interest. However, the amendment ended with ***'but no compound interest shall be awarded'.***

Illegality of the phenomenon of compound interest remained the law in Ghana from the directions of **Cap 176**, and **LI 1295**, until 2009 when **Cap 176** was repealed by the **Non-Bank Financial Institutions Act 2008 Act 774. L I 1295** of **1984** also provided the prevailing court rules on courts awarding interest until **CI 52** was passed in 2005.

As noted above, **Cap 176**, a substantive law declaring contractual provisions on compound interest illegal, was repealed by **Act 774** in January 2009. And yet from the passing of **CI 52** in 2005, market forces and the courts began to treat compound interest as legal. Loan agreements containing provisions applying interest compounded monthly until date of final payment were regularly enforced by courts. What was the language of **CI 52**?

Rule 1(1), 1(1) (a) and 1(1) (b), of CI 52 provided that if a court decides to make an order for payment of interest on a sum of money due to a party in an action,

that interest shall be calculated **at simple interest**. In sub-rule **1(1)(b),** it provided further that 'but where an enactment, instrument or agreement between the parties specifies a rate of interest ***which is to be calculated in a particular manner, the court shall award that rate of interest calculated in that manner'***

This reference to ***'interest calculated in a particular manner'*** in CI 52, was interpreted to mean legislative license to compound interest. It is not clear to me how the whole legal community did not recognize that for the period 2005 to 2009, it was legally anomalous for CI 52, a subsidiary legislation, to be interpreted to contradict the strict prohibition of compound interest in **Cap 176,** a substantive legislation. But it would seem that Ghana had become like a hungry deer at a brook with the liberalization of the money markets and the specter of multiplied sums through compounding of interest was too attractive not to grasp, despite its dire effect on borrowers and the fledgling economy.

By keeping tight rein on applicable interest through law while attempting industrialization post-independence, these laws started the culture of incoherence between a financial sector legislative framework that was unresponsive to market forces, and an industrial policy desirous of economic development driven by private sector capital, though it made no room for private capital sustainability. It is little wonder that the first wave of post-colonial industrialization could not be sustained when the state power that held it up crumbled after the 1966 coup d'etat.

It is also not surprising that debtors taken to court during the SAP and ERP period preferred judgment to be taken against them for non-payment of loans. The applicable interest rate became immediately and drastically reduced after judgment was entered and frozen at the reduced rate. Beside the ill effect of **rule 42 (5) of LN 140 A** on the culture of non-repayment, the dominance of the **1918 Cap 175 and 1941 Cap 176** as legislation overseeing the economic reform initiatives of SAP and ERP ill equipped the building of a sustainable financial sector. Litigation over debts were driven by the ubiquitous defence of 'harsh and unconscionable interest' a legal doctrine lifted from **Section 3 of Cap 175**.

It seems to me, and I stand to be corrected, that the liberalization of the financial sector that started haltingly in the 1990s was done without any well thought out regulatory bridge being built between the high interest rates of the era, and the capping provisions of **LN 140A**. Even more disruptingly impromptu was the introduction of **CI 52**, which had repealed **LI 1295** with its strict prohibition of compound interest to the courts. The courts were jumped from being restraining hands under **LI 1295,** to giving out outrageously generous reliefs in response to '*interest calculated in*

a particular manner' in contracts that held out **CI 52** as legal foundation.

A new phenomenon of chipping away at the doctrine of 'harsh and unconscionable interest' started with the Supreme Court guiding courts to give commercial justice from the late 1980s. In **Merchant Bank v Ghana Primewood Ltd 1989-90 2 GLR 551**, the Supreme Court determined that 'Order 42 rule 15 did not forbid the levying of interest above four percent. It only required that the higher interest rate should have been agreed by the parties...interest would accrue at the contractual rate *so long as the moneys remained unpaid'.* It affirmed this position in **Royal Dutch Airlines (KLM) v Farmex 1989-90 2 GLR 623,** by deciding that 'When a defendant keeps a plaintiff out of the use of money, the plaintiffs are entitled.....to interest on the said money *beyond the date of judgment to date of payment.'*

Case after case led to the courts[v] turning away from the philosophies behind **Cap 175** and the directions of **Cap 176** even when they had not been repealed. Finally in 2008, substantive statute caught up with the trajectory that the courts were forcing, and the **Borrowers and Lenders Act 2008 Act 773** was enacted, as well as the **Non-Bank Financial Institution Act 2008 Act 774** which repealed **Cap 176. Act 773** made provision for regulating transactions between borrowers and lenders, established a Collateral Registry, provided a legal framework for the registration and enforcement of security interests in collateral, established an order of priority of security interests, and provided for credit agreements and other related matters.

But an unpleasant outcome of newly liberated financial market was the proliferation of micro finance businesses which could charge unrealistically high and compounded interest rates with the attraction of giving quick loans that did not require the laborious due diligence checks of banks. The result was a rush for loans, and the inability of borrowers to pay the loans, with corresponding inability of financial institutions to call up the loans.

The weakness of the national identity and property registration systems, and chaos in land regulation heavily increased the risk of financial institutions in debt recovery. An attempt to correct imbalances in interest rate setting and judicial interventions in debt recovery may have been made, but the imbalance in asset regulation, a critical part of debt risk management, sent the oroborous back to its tail. Once again, the courts sat at the center of protracted litigation over matters that should have been settled by proper national policy, and statutory and institutional oversight. Hence the next heavy crash of the financial markets between 2015 to 2017.

Where do we go from here? And are we going where we ought to go?

In 2020, came the enactment of the **Borrowers and Lenders Act of 2020 (Act 1052)**, to enhance the oversight provided in Act 773 and Act 774. The Act covers a broad scope of credit agreements between borrowers and lenders. It regulates transactions, promotes

transparency, a balanced lending environment, protection of the interests of both borrowers and lenders, and facilitation of efficient debt recovery processes in Ghana. The Act re-establishes the Collateral Registry for lenders to register their security interests in collateral, ensuring transparency and enforceability of collateral[vi]. Act 1052 goes on to establish an order of priority for security interests[vii], assuring that lenders' claims are appropriately ranked, enhancing predictability and fairness.

Part of the legislative reforms to strengthen the integrity of Ghana's financial and banking sectors after the trauma of the unbridled lending era include the **Banks and Specialized Deposit Taking Institutions Act, 2016 (Act 930)**, the C**ompanies Act, 2019 (Act 992), The Securities and Exchange Act, 2019**

Act 1025 further makes provision for alternate modes of recovering debts through court, or by realizing assets after due notice is given to a debtor, or by appointment of a receiver or manger. A significant gap in legislative support is provided for in **section 66**. Where the property is being realized under the **Auction Sales Act, 1989 (P.N.D.C.L. 230)**, the process of realization by the lender shall be deemed to be an execution of a judgment debt and, any transfer of legal title in property to purchaser shall be confirmed by the court on notice. A purchaser of value obtains the interest of the borrower in the property so realized. In **section 68 of Act 1052**, where a security is sold under **section 66 of the Act,** all other security interest in the property and its proceeds become extinguished. Undoubtedly, these provisions can work together to promote a fair, transparent, and competitive credit market while reducing non-performing loans. They respond to my 2015 desire for strengthening of enforcement procedures for credit agreements. However, the record is that Non-Performing Loans (NPLs) reported by the Bank of Ghana Monetary Policy Report stood at 14.5billion as at September 2023 as against 9.5 billion in August 2022, signifying a 53.6% increase from the August 2022 to September 2023[iii]. The problem is not tamed.

Opinions have been expressed on the factors that have generally accounted for the default culture. Factors such currency depreciation, revaluation of foreign currency NPLs, increasing fuel prices and frequent increases in the cost of living[ix]. The Bank of Ghana[x] cites poor corporate governance practices, weak risk management practices, and regulatory breaches as some of the reasons why banks collapsed. Challenges in securing court judgment and enforcing same always add to the list.

I return to the other two recommendations because I believe that they are critical to the fuelling of the culture of debt non-repayment. The strengthening of awareness of the principles of contract, and strengthening efficacy of securities.

Correlation between a culture of compliance and debt sustainability

The repealed Section 18 of Act 773, and the current sections 55, 57 and 58 of Act 1052, are designed to halt any un-

conscionable conduct within credit relations and remove the horrible specter of compounding of interest from the jurisdiction. Section 18 of Act 773 provided for 'Pre-agreement disclosure' of all terms of the entire debt transaction. The Schedule of the law provided a model statement that required the lender to specify the principal amount, interest rate, other credit costs, the total amount involved in the proposed agreement, and the basis of any cost that may be assessed if the borrower breaches the contract. This statutory direction was more honored in the breach than observance. Courts hardly held creditors to it.

Act 1025 has now taken the protection through contract terms further. Protection from usurious compounding of interest calculated on a monthly basis and interminable applications of interest that started from CI 52 and the jurisprudence of the late 1980s are tackled by pre-agreement disclosures. Section 55(2) of Act 1925 provides expressly

(***2) A lender shall, in a credit agreement, impose on a borrower an interest rate that is calculated <u>on an annual basis only'</u> (emphasis mine)***

This direction in the substantive law on credit agreement means that even if parties to a credit agreement agree to compound interest on a monthly basis, their agreement cannot be enforced pursuant to the license to allow interest calculated in a particular manner under **CI 52,** because **CI 52** is subsidiary to Act 1052. Act 1025 has set the nation back on track to application of simple interest calculated annually, and also to avoid harsh and unconscionable interest rates. The ball now lies in the hands of the courts to keep a keen enforcing eye on litigants, and for regulators to keep a keen overseeing eye on the market.

Correlation between Collateral and Capital

My second recommendation calls for Ghana to think seriously about the correlation between collateral and capital. There is a fundamental misfit between the chaotic handling of land title and interests in land, and the desperate requirement for integrity in the records of collateral needed for any sustainable financial market. Any form of wealth creation must be properly pillared on access to equity. Equity lies in latent assets that can easily be exchanged for any form of wealth, a concept appreciated in the comprehensive provisions of **Act 1052.** However, can the average person grow equity when our institutional regulation of the customary law forces that drive the market on landed property is so chaotic? Almost every Ghanaian is a beneficial owner of landed property. And yet this critical asset is taken away from Ghanaians in a strange arrangement where the lands of families and clans are treated as private assets by heads of the governing unit. So the average Ghanaian applies for loans without weighty collateral. When they have managed to acquire some form of interest in land, its definition in terms of a site plan, in terms of registrable interest in an indenture, are all obscured by incorrect preparation of documents, or chaotic claims over the head interests in that land.

Our customary law arrangements and unprofessional management of land records are strangulating the necessary processes of a market economy, and this correlation should not be lost on those who are designing solutions for the financial markets. There is a direct relationship between sanctity in the regulation of collateral, and the lowering of the high cost of lending, as well as between the high cost of lending, and the culture of non-repayment of debt. Ghana must boldly tackle the matter of creating clean collateral through properly registrable interests, and a just distribution of landed assets to the Ghanaian – from their family and ethnic customary birthright. Other nations have done this to pillar development, and we must think of it through national conversations, national awareness, and national demand for answers from traditional authorities, and not just political leaders. 'Faint heart never won fair lady'. It may be a dilemma in this era of democratic rule to think of regulating landed property interests. However, there is a desperate need in this direction.

Conclusion

The two recommendations described above may be termed as the wholesale reforms and initiatives that can begin the process of a level playing field in taming spiraling debt and compelling debt sustainability. As they are put firmly in place, other retail measures such as building capacity for efficient use of the provisions of Act 1025, and efficient litigation by financial institutions can be engaged on the foundation laid to increase order and serenity in the money market.

i. Published in the Judicial Journal (now THE BENCH) of Association of Magistrates and Judges (AMJG)

ii. Financial Services Laws of Ghana Stakeholders Handbook, Waterville Publishing House 2010,

iii. A fifth column is any group of people who undermine a larger group or nation from within, usually in favor of an enemy group or another nation. According to Mylonas, Harris; Radnitz, Scott, eds. (2022). Enemies Within: The Global Politics of Fifth Columns. New York: Oxford University Press. p. 17. ISBN 978-1107661998, "fifth columns" are "domestic actors who work to undermine the national interest, in cooperation with external rivals of the state".The activities of a fifth column can be overt or clandestine. Forces gathered in secret can mobilize openly to assist an external attack. Fifth column - Wikipedia

iv. The then Rules of Court pursuant to the Courts Ordinance (CAP. 4)

v. Decisions worth studying include DUA vs. AFRIYIE [1971] 1 GLR 260 (CA); YEBOA vs BOFOUR 1971 2 GLR 199 CA;
ROYAL DUTCH AIRLINES (KLM) vs FARMEX 1989 90 2 GLR 623 (SC); MERCHANT BANK vs GHANA PRIMEWOOD LTD 1989-90 2 GLR 551(SC); GPHA vs ISSOUFOU [1993-94] 1 GLR 24; NIB LTD vs SILVER PEAK LTD [2003-2004] SCGLR 1008; and BUTT vs CHAPEL HILL PROPERTIES [2003-2004] 1 SCGLR 626. AKOTO vs GYAMFI-ADDO [2005-2006] SC GLR 1018, DELLE & Another; DELLE vs OWUSU AFRIYIE [2005-2006] SCGLR 60, ATTITSOGBE vs CFC CONSTRUCTION (WA) LTD [2005-2006]SCGLR 858, DA COSTA vs OFORI TRANSPORT [2007-2008] SC GLR 602, SMITH vs BLANKSON 2007-2008 SCGLR 374, HANNA ASSI vs GIHOC REFRIGERATION HOUSEHOLD PRODUCTS LTD (2) [2007-2008] SCGLR
16, R. vs HIGH COURT (FAST TRACK DIVISION) ACCRA EXPARTE PPE LTD AND PAUL JURIK (UNIQUE TRUST INTERESTED PARTY) [2007-2008] SCGLR 199, NTHC vs ANTWI 2009 SCGLR 117, ACKAH vs PERGAH TRANSPORT LTD ; OTHERS [2010] SCGLR 728, GPHA vs NOVA COMPLEX LTD [2010] SCGLR 1 and MENSAH vs AHENFIE CLOTH SELLERS ASSOCIATION [2010] SCGLR 680.

vi. Borrowers and Lenders Act 2020, Act 1052; section 18

vii. Act 1052, Section 33-35,

viii. The Chief Executive of the Ghana Association of Banks (GAB) John Awuah (2023), on Joy Business: Banks intensifying efforts to recover over ¢2.4bn bad debt – GAB reported October 2023 and accessed 30/03/2024 on https://www.myjoyonline.com/banks-intensifying-efforts-to-recover-%E2%82%B52-4bn-bad-debts-gab/

ix. Gafaru Ali (2023) on thebftonline.com: Debt and debt recovery: strategies and approaches for an improved recovery rate reported on February 20, 2023 accessed on 30/03/2024 on https://thebftonline.com/2023/02/20/debt-and-debt-recovery-strategies-and-approaches-for-an-improved-recovery-rate/.

x. Bank of Ghana(2019): Restoring Confidence and Building a Resilient Banking System for Ghana accessed 30/03/2024 on https://www.bog.gov.gh/wp-content/uploads/2019/07/Restoring-Confidence-and-Building-a-Resilient-Banking-System-for-Ghana.pdf

Switzerland's efforts in Strengthening Ghana's Financial Sector

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Introduction

Switzerland enjoys broad and long-lasting relations with Ghana. One of the strongest pillars of our partnership is the economic development cooperation financed by Switzerland's State Secretariat for Economic Affairs, SECO, since 2002. Strengthening partner countries' framework conditions for economic growth is always at the core of Switzerland's economic cooperation. This makes the financial sector one of the main areas of technical support. In Ghana, Switzerland closely cooperates with the International Finance Corporation (IFC), a member of the World Bank Group. IFC has a global network of highly qualified technical experts providing their advisory services to government institutions and economic sectors alike. Switzerland is one of the main financiers of IFC's advisory services globally. In Ghana, the joint efforts, in close collaboration with the Regulator, have inter alia led to the establishment of a more modern mortgage scheme, the establishment of private credit bureaus and movable assets-based lending. Innovative financial products like the warehouse receipt are under development.

Some of the Challenges in Ghana's Financial Sector

Financial sector data shows quite clearly that most lending goes into trade and retail finance, while small and medium-sized enterprises (SMEs), especially those active in production, have difficulties accessing affordable finances. This presents a key obstacle for economic growth, which was confirmed by a recent World Bank Group Enterprise Survey. Moreover, commercial lending to SMEs is often heavily dependent on a collateral, typically in immovable assets. This strong reliance on traditional collateral and financial strength criteria restricts the capacity of most SMEs to obtain necessary working capital for expansion. Women-led businesses find it the hardest to access formal financing. From the perspective of the financial sector, information gaps about the credit worthiness of borrowers and associated risks make SME lending a risky and cumbersome endeavor.

The Role of IFC and SECO in the Collateral Registry Reform

To address some of these issues, IFC and SECO worked with the Bank of Ghana (BoG) to establish the Ghana Collateral Registry. In 2008, this was a pioneering initiative in Africa aimed at improving SME financing by leveraging movable assets as collateral. Phase I of the collaboration (2008-2014) laid the groundwork by creating a legal and regulatory framework for secured lending and supporting the establishment of the collateral registry. A next phase (2016-2019) focused on strengthening the legal framework and developing movable asset financing. Key activities included facilitating legal and regulatory changes to the Borrowers & Lenders Act, technical assessment of the collateral registry system, public awareness as well as education, training, and capacity building on movable asset-based lending for regulators and industry stakeholders.

As a result, the Borrowers & Lenders Act was amended and re-enacted as the Borrowers & Lenders Act, 2020 (Act 1052), which now addresses previous legislative gaps (such as competing priorities, improving security, conflicting clauses with other Acts) and is aligned with international best practices. This set a strong foundation for the development of movable asset-based lending in Ghana.

From our cooperation with IFC worldwide, Switzerland is fully aware that such financial infrastructure reforms take a long time. However, once realized and in use, they do contribute not only to access to finance, but also to more resilience of the financial sector."
With a similar objective, SECO and IFC also worked on strengthening the credit information sharing system in Ghana, again in close cooperation with BoG.

Credit Information Sharing Reforms

By reforming collateral laws to favor movable assets like machinery, inventory, and receivables, the financial sector can widen its lending practices and choose from more options for securing loans. Ideally, this brings borrowers, who previously could not access loans due to lack of collaterals, to the formal financial sector. A similar effect is observed when better credit information becomes available.
The technical advisory by IFC, again financed by SECO from 2014 onwards, led to the enactment of the Credit Reporting Regulation (2019). This reform increased the sources of data available to credit bureaus, now newly including telcos and utility service providers; along with this, the protection of privacy of data was also much strengthened by the regulation. The efforts under the project, which again provided knowledge and capacity building to industry, consumers and the regulator alike, resulted in an increase in the credit bureau coverage. The percentage of the adult population with records at the credit bureaus stands at some 33%, which is high compared to the Sub -Saharan average of some 11%.

Improving Access to Finance for Smallholder Farmers

Ghana's agricultural sector is predominantly made up of smallholder farmers who cultivate an average of two hectares of land. This sector contributes approximately 23% to the GDP, accounts for 54% of employment, and generates 45% of export earnings. However, the sector is constrained by a significant financing gap, as financial institutions are hesitant to adapt their services and products to meet the needs of farmers, who

> **"Financial sector data shows quite clearly that most lending goes into trade and retail finance, while small and medium-sized enterprises (SMEs), especially those active in production, have difficulties accessing affordable finances."**

often lack the necessary collateral for loans. The sector's growth is further stifled by inadequate legal and regulatory frameworks for agricultural lending and poor storage facilities, which result in substantial post-harvest losses.

To enhance access to credit and market opportunities for farmers, traders, processors, and the entire agricultural supply chain, IFC and SECO are working on the development of a Warehouse Receipts System (WRS). This project closely cooperates with the Ministries of Finance, Trade & Industry, Food & Agriculture, the Securities and Exchange Commission (SEC), the Ghana Standards Authority (GSA) and the Ghana Commodity Exchange (GCX)

WRS financing is a secured, movable asset-based lending method that allows depositors to obtain finance secured by commodities stored in a warehouse. The WRS project aims to provide technical support to enhance the legal framework of the WRS, assist in the drafting of a national WRS bill, offer technical advice and training to improve warehouse receipts financing, and increase farmers and traders' participation in the WRS. It also aims to implement an electronic WRS linked to a tracking platform and central commodity depository, as well as advising regulators to develop grading standards and quality certifications.

As a result of the project so far, over 6,000 farmers have been trained on post-harvest management and structured trading. This has enabled farmers to meet the grading standards established by the GSA and adopted by the GCX. Consequently, the quality of grains from beneficiary farmers has improved, and they now secure better prices for their commodities by deferring sales, accessing warehouse receipts, or through aggregation. This has facilitated loans for over 1,000 farmers valued at $480,000 using the WRS, with zero defaults recorded to date. It is anticipated that farmers will continue to maintain their grain standards and access GCX-managed warehouses. The GCX has been established and is fully operational, providing market access and a state-of-the-art trading platform for farmers and aggregators across multiple commodity value chains nationwide. It operates an electronic warehouse receipts financing system in collaboration with participating financial institutions. This online platform supports electronic warehouse receipts, remote trading, and market information, offering a secure and efficient alternative to paper receipts. Representatives from 18 financial institutions (rural banks, MFIs, and savings and loans) were trained on the WRS system with seven successfully onboarded and participating in the GCX-operated e-WRS platform so far.

On the regulatory level, a Warehouse Receipts System Bill is under development to establish a comprehensive legal framework for licensing and certifying eligible warehouses and to streamline the issuance of warehouse receipts. Currently, one of the limitations of the WRS is the very low availability of accredited warehouses to implement the WRS. We therefore hope that the bill, which was widely consulted, will be processed for cabinet approval soon.

SECO

> "In today's business world, the integration of environmental and social considerations is not just a moral imperative but a strategic necessity."

Strengthening Environmental, Social Practices

In today's business world, the integration of environmental and social considerations is not just a moral imperative but a strategic necessity. Traditional business models that neglect the triple bottom line "people, profit, and planet" are increasingly seen as unsustainable and uncompetitive. Consequently, the financial sector plays a pivotal role in the sustainability conversation by initiating measures to incorporate these considerations into financing decisions.

Environmental, Social, and Governance (ESG) practices refer to the three central factors in measuring the sustainability and ethical impact of an investment in a company or business. These criteria help to better determine the future financial performance of companies, including both returns and risks. Strengthening ESG practices is also essential in achieving the Sustainable Development Goals (SDGs), fostering economic development, and tackling the climate crisis. While ESG considerations can sometimes be perceived as barriers to private sector growth and investment, particularly in developing countries, IFC and SECO's efforts in Ghana are aimed at turning these challenges into opportunities. Evidence shows that companies that adhere to ESG have better risk management and are more likely to succeed in the long term.

The BoG, with IFC and SECO technical assistance, launched the seven Ghana Sustainable Banking Principles (GSBP) in 2019 to guide financial institutions in managing risks, enhancing transparency, and promoting sustainability. The GSBPs cover the following areas: environmental and social risk management, corporate governance, gender equality, financial inclusion, climate change, operational excellence, reporting and disclosure.

In the context of Ghana's finance sector, ESG practices are still somewhat underused: Despite the introduction of the GSBP, less than half of the lending activities are evaluated against environmental and social standards (bank survey conducted by Kantar, an independent evaluation firm, in 2021). The slow adoption of ESG practices can be attributed to insufficient ESG expertise and integration within financial institutions and limited understanding of ESG's application in the real sector.

In 2023, the BoG and the Chartered Institute of Bankers Ghana, with support from IFC and SECO, launched the Integrated ESG (IESG) program to assist Ghanaian banks and businesses in implementing the BoG mandated GSBP and integrating them into their operations.

This support is designed to provide Ghana's banks and businesses with the necessary tools to better manage and assess risks, thereby improving their sustainability and long-term performance. At the regulatory level, it also aims to build BoG's capacity to monitor the implementation of the GSBPs. To address the shortage of local ESG professionals, a sustainable banking and finance course has been developed under the project for mid-to-senior-level professionals working within banks or as consultants for the banking sector. Two rounds of two-day trainings to over 120 participants from the banking sector on the GSBPs were already delivered under the project.

Following these training sessions, more focused training on specific principles will be introduced, such as deep-dive training on implementing an E&S risk management system for banks and managing sector-specific risks. The program team have also taken proactive steps ESG market-level awareness and capacity building. It has organized events focused on the banking sector and companies listed on the Ghana Stock Exchange (GSE), as well as stakeholders of the Institute of Directors, thereby fostering a more informed and capable financial community, recognizing that strong ESG practices are essential building blocks for sustainably growing economies.

Future Directions and Projects

Switzerland remains committed to advancing the financial sector development in Ghana.

We are looking forward to soon launch a new project together with IFC that will address remaining challenges in the area of credit information sharing and movable asset financing.

Recently, the project will address the increase in non-performing loans (NPLs), which went up to an unhealthy 20.0% within a year. IFC and SECO will be supporting the operationalization of the Corporate Insolvency & Restructuring Act, 2020, and the development of a robust NPL management framework. This initiative is vital for improving creditor recovery practices, reducing the risk associated with lending, and fostering a more resilient financial sector.

In conclusion, Switzerland's engagement in Ghana's financial sector is strategically aimed at fostering a more inclusive and resilient financial landscape. We count on the financial sector to empower SMEs, strengthen financial system's robustness, and drive sustainable economic development.

Fiscal and Monetary Policies: Balancing Act for Economic Stability

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Introduction

Like many emerging economies, Ghana contends with the complexities of sustaining growth, curbing inflationary pressures, and fostering employment opportunities while ensuring financial resilience and stability. At the heart of this endeavour lie fiscal policies about government revenue, expenditure and debt management. In contrast, monetary policies regulate the money supply, interest rates, and credit conditions. In this article, we attempt to answer specific pertinent questions about coordinating these two policies for economic stability in Ghana. The central bank's independence has been noted in the literature to enhance the operational effectiveness of monetary policy significantly. It is also a precondition for successful inflation targeting, and the monetary policy framework practised in Ghana is the absence of fiscal dominance and minimal government interference. We ask if there is evidence of government interference and fiscal dominance in Ghana and how that has affected the effectiveness of monetary policy. Has the coordination between monetary and fiscal policies produced desirable outcomes in Ghana and elsewhere? The government in Ghana generates lower revenue coupled with an underdeveloped capital market, yet it is confronted with substantial developmental challenges. How should the two cooperate to enhance our developmental outcomes while ensuring fiscal prudence and effective monetary policy?

The Conduct of Fiscal and Monetary Policy

Monetary and fiscal policies are two ways a government corrects an economic fluctuation. Fiscal policy influences economic activity through government spending, direct/indirect taxation, and transfer payments. The government undertakes fiscal policy and works via the multiplier effect. For instance, an increase in government spending has an injection into the circular flow and will lead to a rise in national income; the size of this increase depends on the value of the multiplier. An increase in direct taxation will reduce the disposable income of households and lead to a decrease in consumption, thereby reducing aggregate demand. Reducing direct taxation or increasing government spending will have the opposite effect, increasing aggregate demand.

On the other hand, monetary policy is primarily concerned with managing interest rates and the total supply of money

"The combined pursuit of the government's fiscal and monetary policy initiatives should be reflected in the economy's movements, particularly in the variables of the balance of payments, unemployment, inflation, and position in the domestic and external credit markets."

in circulation, and the central bank, the Bank of Ghana, undertakes it. The central bank acts "independently" of the government, or should I be politically correct by saying that it is "supposed to act independently" and is charged with altering interest rates to help stabilise the economy. The Bank of Ghana uses its framework for conducting monetary policy, known as Inflation Targeting (IT), to set the monetary policy stance and anchor inflation expectations in the economy. This framework was officially adopted in 2007. In this framework, the central bank estimates and makes public a projected, or "target," inflation rate and then attempts to steer actual inflation toward that target, using such tools as monetary policy rate changes. In doing so, the central bank first forecasts inflation rates in the medium term and compares it with the target inflation rate. The difference, or the "gap" between the forecasted inflation rate and the target, determines how much monetary policy has to be adjusted. As such, it is typically forward-looking. The Bank of Ghana's medium-term inflation target is 8% with a 2% margin of error.

An adequate inflation targeting framework necessitates adherence to two fundamental criteria: 1) the central bank must possess a level of independence enabling it to execute monetary policy independently; 2) monetary authorities must demonstrate a commitment to exclusively targeting inflation, without diverting focus to other metrics such as wages, employment levels, or exchange rates. Additionally, the International Monetary Fund (IMF) advocates for supplementary prerequisites, including establishing explicit quantitative targets for inflation over specified time horizons; unequivocally communicating to the public that achieving the inflation target supersedes all other monetary policy objectives; implementing a model or methodology for forecasting inflation that integrates various indicators predictive of future inflation trends; and devising a forward-looking operational strategy wherein monetary policy instruments are adjusted in anticipation of future inflation dynamics to achieve the designated target.

The combined pursuit of the government's fiscal and monetary policy initiatives should be reflected in the economy's movements, particularly in the variables of the balance of payments, unemployment, inflation, and position in the domestic and external credit markets. As such, these two policies are used in various combinations to direct a country's economic goals. Better coordination between them can improve the combination and effectiveness of these policies.

The Independence of the Central Bank

Central bank independence encompasses both de jure and de facto aspects. De jure independence refers to the legal authority granted to the central bank to set interest rates without government interference. However, de facto independence is equally crucial. It ensures that when the central bank adjusts interest rates, it does so without concern for the potential impact on government indebtedness or default risk. In many developed economies, central banks wield considerable power in setting interest rates, aiming to stabilise inflation and, in some cases, achieve full employment. This approach, often termed monetary dominance, relies heavily on central bank independence. This might not be the case in most developing countries, at least for the de facto independence.

Central bank independence is rooted in its role as a guardian of economic stability, allowing it to make monetary policy decisions based on economic indicators rather than political factors. This autonomy enables swift responses to changing economic conditions, reducing the risk of inflation or economic downturns. An important aspect of central bank independence is its influence on government borrowing costs through interest rate changes. As central banks raise rates to tackle inflation, governments face higher borrowing costs, prompting them to reassess spending priorities, potentially leading to fiscal consolidation and economic cooling. The independence of central banks is particularly crucial during economic uncertainty or crises, as credibility is essential for public and investor confidence in monetary policy decisions.

It is important to note that central bank independence has its challenges. Critics argue that it can lead to a democratic deficit, as unelected officials wield significant influence over economic policy. Moreover, there is a risk of central bank overreach, where policymakers may pursue overly restrictive monetary policies, stifling economic growth. Nevertheless, the benefits of central bank independence in promoting economic stability and mitigating inflationary pressures are widely recognised. It provides policymakers the flexibility and autonomy to navigate uncertain financial waters, ultimately contributing to sustainable growth and prosperity.

The Bank of Ghana Ordinance of 1957 initially endowed the Bank of Ghana with both statutory and operational autonomy. However, this independence was curtailed with the enactment of the Bank of Ghana Act 1963 (Act 183), permitting governmental intervention in the central bank's operations for almost fifty years. In 1992, the Constitution reinstated the Bank of Ghana's independence. Subsequently, Parliament passed the Bank of Ghana Act 2002, Act 612, to formally reinstate the institution's legal autonomy.

Over the years, concerns have emerged regarding the Bank of Ghana's capacity to maintain its independence, wield influence, and effectively contribute to shaping the nation's economic trajectory. Two recent examples that come to mind: the Banking sector clean up, where the licenses of five (5) universal banks, twenty-three (23) insolvent savings and loans companies and finance houses, and one-hundred and ninety-two (192) microfinance companies were revoked; and the participation in the Domestic Debt Exchange Programme (DDEP). These actions by the central bank have been questioned as being influenced by pressure from fiscal authorities. However, the real question that one must ask is whether the central bank's explanations and the immediate outcomes of the actions were compelling. For example, the clean-up exercise led to a well-capitalized banking sector in the former case. In the latter case, the government secured an IMF deal. I will argue that these actions must be seen as the operationalisation of the mandate in Section 3(2) of the Bank of Ghana Act 2002, Act 612. The section states that "without limiting subsection (1), the Bank shall

a) Support the general economic policy of the Government
b) Promote economic growth and development, and effective and efficient operation of the banking and credit system; and
c) Contribute to the promotion and maintenance of financial stability in the country.

The Issue of Policy Objective Divergence

The reality of coordination between monetary and fiscal

policy has often been less than ideal. It can be characterised by disjointed policy actions and conflicts between the two policy authorities. This is because the monetary and fiscal policy objectives may often work oppositely. A simple model of this would be a case in which one of the policies is working to expand the economy and the other is seeking to contract it.

Like the Bank of Ghana, the central bank has the authority to formulate and implement monetary policy independently of government influence. Its primary mandate often revolves around maintaining price stability, typically keeping inflation within a target range. This focus on inflation stems from recognising that runaway inflation can erode purchasing power, disrupt economic activity, and undermine long-term growth prospects. On the other hand, fiscal policy, which the government determines, is subject to political dynamics and reflects the priorities and preferences of elected officials. Governments usually rely on public support for their legitimacy and reelection. Consequently, they may prioritise policies to minimise unemployment, as high unemployment rates can have significant social and political ramifications, including public discontent and electoral backlash.

In the above context, governments may be more inclined to pursue expansionary fiscal policies during economic downturns to stimulate employment and

economic growth, even if it means tolerating higher inflation levels in the short term. This preference for reducing unemployment over controlling inflation may differ from the central bank's focus, which prioritises maintaining price stability as a foundation for sustainable economic growth. The differing priorities between the government and the central bank can sometimes lead to tensions or conflicts, particularly if the government's pursuit of expansionary fiscal policies contradicts the central bank's efforts to contain inflation. However, in an ideal scenario, monetary and fiscal authorities have a degree of coordination and communication to ensure their policies are complementary and contribute to overall economic stability and prosperity.

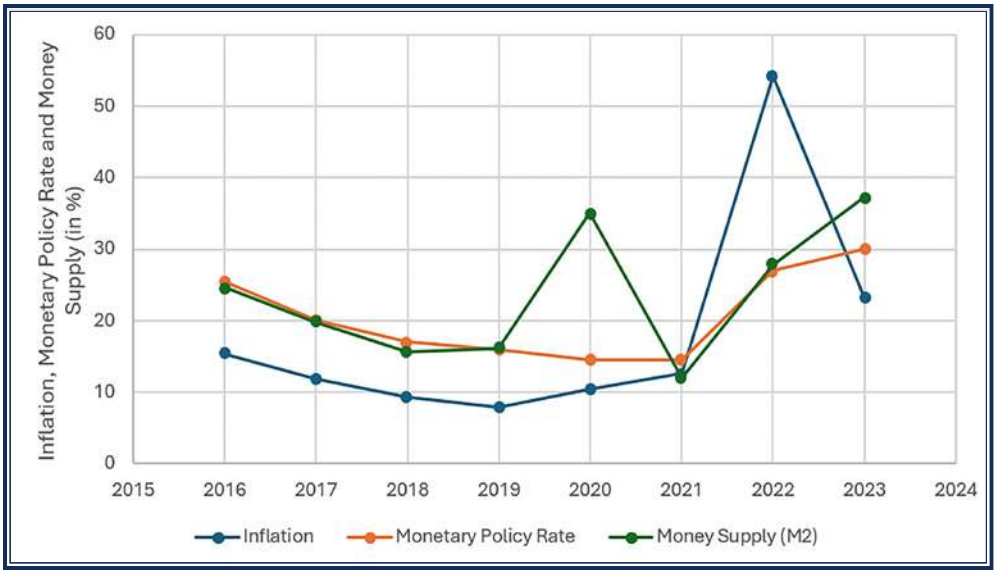
Policy Coordination in Time of Crisis

It is essential to distinguish between policies' coordination and actions' uniformity in the initial instance. Policies can be coordinated without being uniform. Monetary authorities can seek to offset the effects of what it sees as an inappropriate shift in the stance of the fiscal authorities, for example, by altering interest rates, while fully recognising that given the operation of automatic stabilisers, the monetary operation may have to be in a direction contrary to the budgetary change. Automatic stabilisers might be influenced in such a situation, but it is still possible for the fiscal and monetary policies to have been coordinated. Similarly, a change in interest rates might be explicitly designed to offset the effects of a particular budgetary action. Yet the monetary move and budget change might be separate and unrelated.

Compelling policy coordination needs to occur on two distinct fronts. Firstly, it's necessary to address short-term constraints related to the operational procedures of monetary and fiscal policies. Secondly, long-term macroeconomic effects stemming from an imbalanced policy mix must also be managed. In the short term, policy coordination aims to ensure orderly financial conditions, including price stability. Attention is primarily directed towards monetary policy and public debt management. In the long term, the challenge of policy coordination lies in designing a well-balanced mix of economic and fiscal policies conducive to sustaining the economy's equilibrium growth path while controlling inflation and fostering conditions for sustainable growth. This entails restricting the fiscal deficit to a manageable level that can be financed through capital markets operations without distorting resource allocation, avoiding direct monetary financing from the central bank, and minimising reliance on excessive external borrowing.

During the COVID-19 crisis, circumstances changed dramatically. Government spending rose sharply in most economies. In Ghana, the government provided stimulus packages in the form of free water, distribution of cooked food, etc. In the USA, highly concentrated support in the form of "stimulus checks" was sent directly to households. European countries initially implemented somewhat more modest programs (primarily focused on preventing workers from being let go) and spending programs to assist the green and digital transitions. As such, fiscal expansion seems to have been most countries' primary driver of inflation. All these COVID-19-related expenditures were financed mainly through the accumulation of public debt. The Bank of Ghana accommodated its fiscal policy stance by monetising the government debt —that is, by purchasing government securities

Figure 1: Inflation, Monetary Policy Rate and Money Supply



Source: BoG's Summary of Macroeconomic and Financial Data, 2016-2023

that the private investors won't buy. A 10-year government bond with a face value of GHc 10 billion (2.6 per cent of GDP) was purchased by the Bank of Ghana. The accompanying buildup of public debt raised the possibility of fiscal dominance—in which public deficits do not respond to monetary policy.

The crisis also accompanied supply chain disruptions, leading to higher inflation. In an ideal situation, the Central bank would like to hike interest rates to rein in inflation, whereas governments hate higher interest expenses. However, since we were in a crisis, the Bank of Ghana took a coordinated policy stance to steer the economy out of the downturn. On March 18, 2020, the Monetary Policy Committee (MPC) cut the policy rate by 150 basis points to 14.5 per cent. A comprehensive set of measures was also announced to counteract the pandemic's disruptive effects. These included a reduction in the primary reserve requirement from 10 to 8 per cent, a decrease in the capital conservation buffer from 3 to 1.5 per cent, adjustments in provisioning and classification rules for specific loan categories, and initiatives aimed at streamlining and reducing the cost of mobile payments. On May 31, 2021, MPC lowered the policy rate by 100 basis points to 13.5 per cent. Their decision rested on the observation that the near-term inflation risks remained subdued at the time.

Although some of these actions have been criticised, the counterfactual would have been scary: a total collapse of the Ghanaian economy. Now that the economy is showing some resemblance of recovery, the central bank has started increasing the policy rate to rein in inflation, and their action has yielded some results. Inflation has dropped from 54.1% in 2022 to 23.4% in 2023. The IMF projects that inflation will fall further to single digits (8%) by the end of 2025.

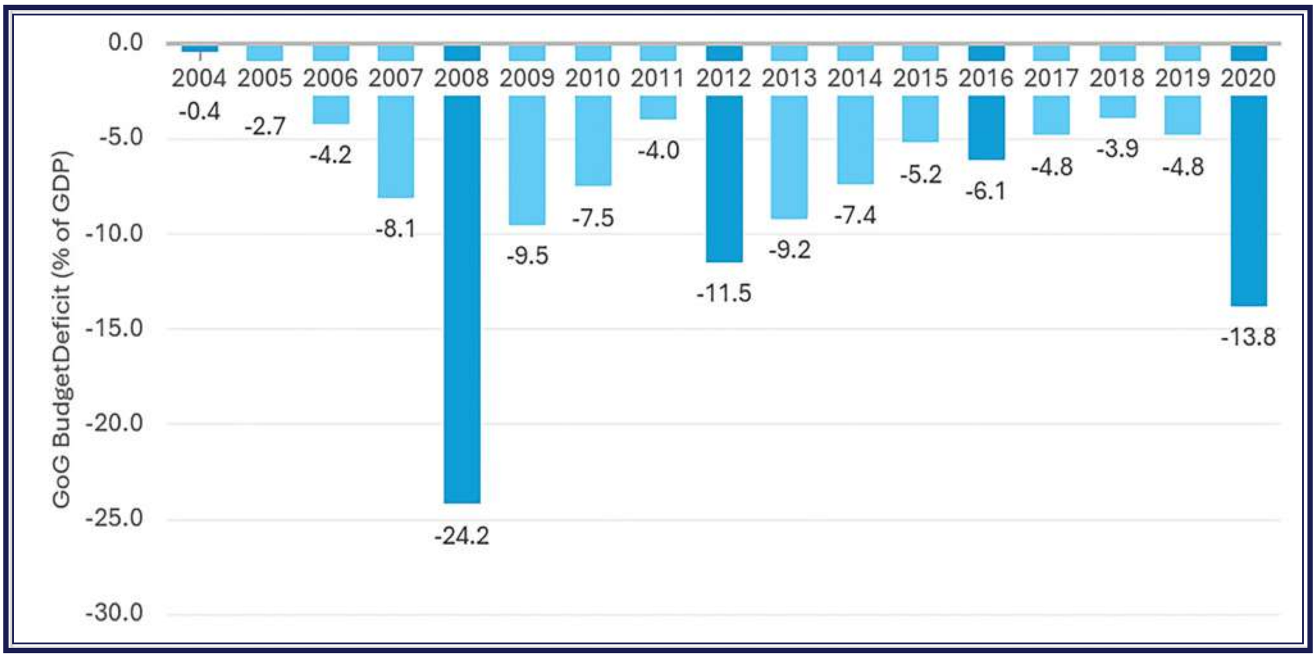
The Election Year Dynamic, Will the Presence of the IMF Help?

Election years historically witness increased income and expenditure disturbances as incumbent governments aim to maximise re-election prospects by stimulating economic activity through heightened spending. This spending surge impacts society, fostering a reliance on government programs. Politically motivated spending escalates during election cycles to improve public sentiment and enhance incumbents' chances of staying in power. While debated, the coordination between fiscal and monetary policies often confronts challenges due to the political business cycle. In such cycles, the central bank's policies may align with elected officials' objectives, leading to increased money supply, aggregate demand, and potentially inflation, driven by government spending.

As illustrated in Figure 2, election years in Ghana have consistently been marked by significant budget deficits. This trend is primarily attributed to the incumbent government's propensity to overspend to secure electoral victory. The allure of rewards and benefits associated with winning elections is a significant motivation for political parties vying for power.

Ghana entered its 17th IMF programme in 2023. IMF programmes typically come with policy conditions that borrowing countries must follow. These conditions are generally an attempt to improve the countries' underlying economic problems but often exclude considerations of political constraints and realities countries face. The specifics of IMF conditions are likely to affect the ability of monetary and fiscal authorities to coordinate policy. For instance, if the central bank is required to raise interest rates as a condition for reducing a budget deficit, this could conflict with the monetary authorities' desire to

Figure 2: GoG Budget Deficit



Source: Ministry of Finance, 2024

lower interest rates to stimulate the economy.

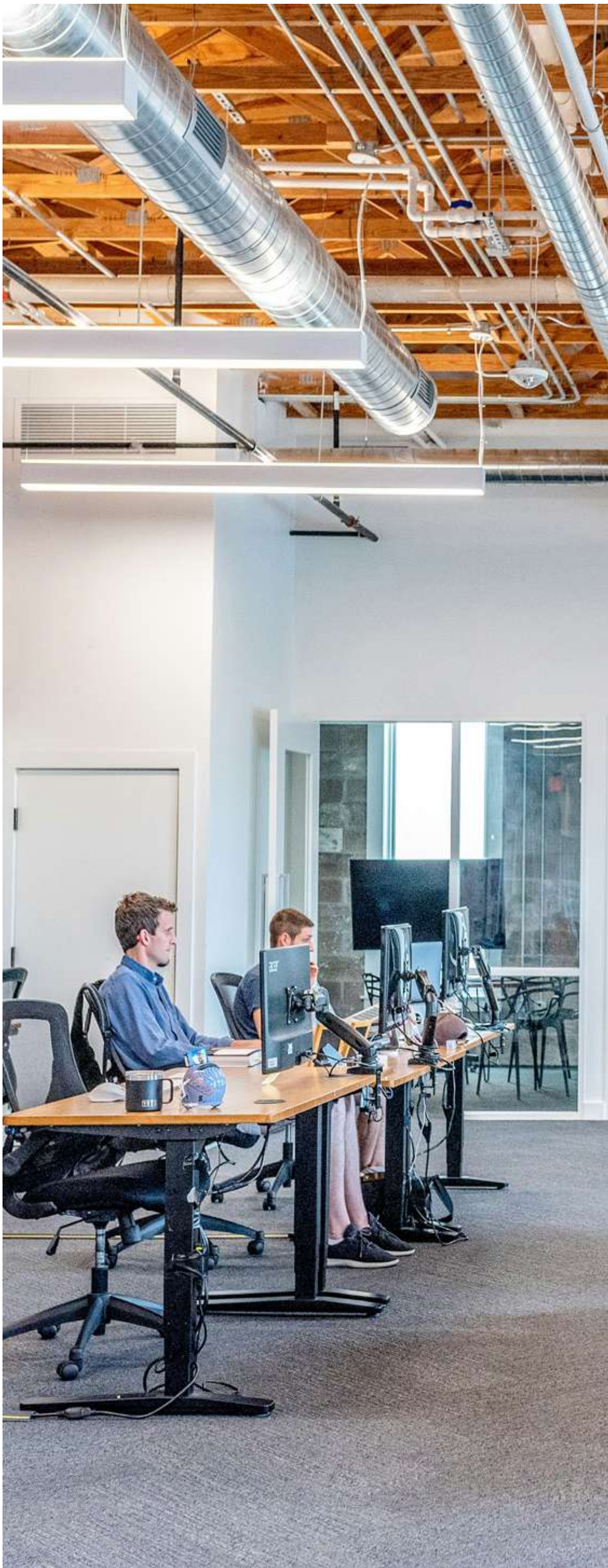
A critical question that must be asked is whether IMF programs serve as an international oversight mechanism that restrains incumbents from manipulating fiscal policy for electoral gains. There are several reasons to believe that IMF programs might diminish the extent of the political budget cycle in low-income countries (LICs) like Ghana. LICs entering IMF agreements are bound by conditionality, which often includes adopting sustainable macroeconomic policies. Consequently, this conditionality limits government finances if enforced, making it harder for administrations to pursue expansionary fiscal measures around election periods. Research and empirical evidence support this notion, suggesting that IMF oversight and the pressure to uphold sustainable fiscal policies reduce the likelihood of pre-electoral manipulation of government finances. Upon reflection, and as depicted in Figure 2, it becomes apparent that Ghana experiences a temporary upturn when under a fund program, lasting for a year or two, before retrogressing when the program ends.

How Should Coordination Look Like Going Forward

Macroeconomic policy aims to attain sustainable economic growth with stable prices and balanced external accounts. Close coordination among policymakers in monetary and fiscal realms is essential. The impact of actions taken in either sphere will heavily rely on how they interact with policies in the other domain. With adequate policy coordination, financial stability may arise, resulting in elevated interest rates, pressures on exchange rates, rapid inflation, and its attendant detrimental effects on economic

growth. Efficient coordination is therefore vital to maintain stability and foster sustainable development.

Effective coordination of monetary and fiscal policies must prioritise policy sustainability from the outset. Each policy must follow a sustainable trajectory for efficient coordination to be possible. Even if policymakers closely align their strategies, coordination will only succeed if both policies' medium-term direction is sustainable. Thus, ensuring the sustainability of both monetary and fiscal policies is a necessary condition for successful coordination.
Establishing credibility for monetary and fiscal policies is equally vital within the overarching policy framework. Successful stabilisation of expectations through monetary policy hinges on public finances not generating destabilising expectations. If fiscal credibility is lacking, pursuing price stability could result in excessively high interest rates or significant depletion of international reserves due to market scepticism about the fiscal stance. Conversely, a lack of credibility in monetary policy places a heavier burden on fiscal policy, as interest rates tend to rise higher than they otherwise would. Thus, credibility is essential for both policies to function effectively and minimise economic adverse impacts.



The coordination process must also consider that monetary and fiscal policy adjustments operate on different time scales. Typically, changing the budgetary stance through policy action is a lengthy process. In contrast, monetary policy can swiftly adjust to modify monetary conditions daily. Consequently, monetary policy is often responsible for any "fine-tuning" of stabilisation policies, given its ability to respond more rapidly to economic conditions.

There needs to be an improvement in the domestic capital markets to support government borrowing. Enhancing domestic capital markets to support government borrowing necessitates an even higher level of coordination between monetary and fiscal policies. The potential benefits of such enhancement are immense for ensuring the country's stability. Domestic financial markets offer the least distortionary means of financing budgetary deficits, while market-determined debt service costs serve as a deterrent against excessive deficits. Moreover, these markets enable the central bank to conduct monetary policy more effectively through indirect, market-based instruments. Additionally, domestic financial markets impose discipline on monetary and fiscal authorities by requiring them to ensure a stable economic environment that maintains orderly and efficient market conditions. □

Impact of Global Economic Trends on Ghana's Banking Industry

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Introduction

A strong and stable banking industry is essential for efficient intermediation of savings to promote investment and economic growth. A strong economy is also a prerequisite for a resilient banking sector. Thus, the banking industry and the economy share a mutually-beneficial symbiotic relationship. In Ghana's immediate post-independence period, the banking industry comprised only a few colonial banks engaged largely in the finance of trade between the country and metropolitan Britain. Over the years, the industry grew, with increasing entry of local banks, some of which were given specialised functions like financing agriculture, industry and construction. As the functions, products and ownership of the banking industry became increasingly diverse, so did vulnerabilities and risks increase. Consequently, over the past 35 years or so, the banking industry has experienced a number of major crisis episodes, with varying degrees and origins. As the Ghanaian economy became increasingly integrated with the global economy through trade, investment and financial flows, external risks to the banking sector also increased.

This paper examines how global economic trends influence the operations and strategies of Ghana's banking industry and how the industry can adapt to the different effects of external factors. To better understand how external factors influence Ghana's banking industry, it is important to first recount the crises episodes in the industry, how they were resolved, and the legacies that heightened the industry's vulnerabilities.

Crises Episodes in Ghana's Banking Industry

Ghana's banking industry has experienced four major crises in its modern history, spanning 1988-2022. These are: i) The 1988-89 crisis; ii) The 2007-08 crisis; iii) The 2016-19 crisis; and iv) The 2022-23 crisis.

The 1988-89 Crisis

In the three decades after obtaining independence in 1957, Ghana experienced a high spate of political instability that led to extreme economic volatilities. These impacted negatively on the banking industry. By 1988, the industry had become severely distressed. The distress was largely concentrated in the indigenous banking subsector due to its overexposure to the public sector along with pervasive management and governance

Table 1 . Ghana: Selected Financial Soundness Indicators (in percent), Dec-2015/Jun-2023

	Dec-15	Dec-16	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Jun 23
Capital Adequacy									
Regulatory capital to risk weighted assets	17.8	17.8	15.6	21.9	20.9	19.8	19.6	16.6	14.3
Regulatory Tier I capital to risk-weighted assets	14.6	14.4	13.5	21.0	19.1	17.9	17.7	14.9	11.5
Asset Quality									
Nonperforming loans to total gross loans	14.7	17.3	21.6	18.2	13.9	14.8	15.2	14.8	18.7
Nonperforming loans net of loan-loss provision to capital	14.7	15.8	14.9	11.5	5.7	5.2	6.4	4.5	14.3
Profitability and Earnings									
Return on assets (after tax)	3.3	2.5	2.4	2.3	2.9	3.0	2.9	1.9	3.6
Return on equity (after tax)	22.2	17.6	18.7	18.5	19.9	21.4	20.6	24.2	37.6
Liquidity									
Liquid asset to total assets	22.3	21.6	22.3	23.4	22.5	20.1	20.0	27.7	27.7
Liquid asset to short-term liabilities	28.9	27.9	28.6	31.2	29.0	26.3	25.9	35.3	33.4
Liquid assets/total deposits	34.3	33.9	35.8	36.8	35.2	28.9	29.7	38.8	35.8

Source: IMF and Ghanaian authorities

weaknesses. Non-performing loans of many banks had escalated along with erosion of their capital, severely impairing their individual viability and the stability of the industry as a whole. In response, a comprehensive banking sector reform programme was implemented. In the process, distressed banks were recapitalised, while their nonperforming assets were taken off their books and consolidated under the aegis of a Non-Performing Assets Recovery Trust (NPART). The NPART was charged to recover as much of the non-performing assets as possible, including through the judicial process, if required. The NPART, however, achieved limited success, unable to recover most of the non-performing assets, which had to be ultimately subsumed under the public debt.

The 2007-08 Crisis

During 2007-08, the world was hit by a financial crisis characterised by severe contraction of liquidity in global financial markets that originated in the United States as a result of the collapse of the U.S. housing market. The US crisis spread quickly through the interconnected global financial system and threatened to destroy the system as a result of failure (or near-failure) of several major investment and commercial banks, mortgage lenders, insurance companies, and savings and loan associations. The crisis precipitated a severe economic recession, considered to be the worst economic downturn since the Great Depression of 1929–30. The Ghanaian economy was impacted by the global economic downturn that affected commodity prices and financial flows. The effect of the crisis on Ghana's banking industry was, however, muted. This is because the banking industry was less connected with the global financial system.

The 2016-19 Crisis

Having largely survived the 2007-08 international financial crisis, by 2016, Ghana's banking sector was severely distressed, evident by capital and liquidity inadequacies, overexposure to the Central Bank, management and governance weaknesses and regulatory lapses. The indigenous banking sector was more severely affected due to its management and governance weaknesses and overexposure to the public sector and government-indebted clients. To address the banking industry's deficiencies, the Bank of Ghana (BoG) implemented a comprehensive restructuring plan between 2018 and 2019. The plan involved recapitalisation of banks, strengthening of management and governance systems and closures or mergers. The restructuring led to the overall improvement of banks' capital adequacy, nonperforming loans, profitability and liquidity during 2018-21 (See Table 1).

The 2022-23 Crisis

In December 2022, Government carried out a Domestic Debt Exchange Programme (DDEP), entailing discounts on interest on existing government debt and the lengthening of maturities. The DDEP was part of a general debt restructuring programme to ensure debt sustainability as a requirement under the IM-sponsored Extended Credit Facility (ECF) program. The banking sector was heavily exposed to Government in terms of holdings of government bonds. As such, the sector was hugely impacted by the DDEP. Because of the 2018-19 bank restructuring, most banks entered the DDEP in a strong position. Nevertheless, with government securities representing about a third of banks' assets, the effect of the DDEP on banks' capital was significant.

As Table 2 shows, majority of Financial Soundness Indicators (FSIs), including capital adequacy, liquidity and non-performing loans indicators worsened during Dec 2022-Sep 2023.

So, clearly, after the 2018-19 bank restructuring led to improvement in most FSIs, the DDEP weakened the industry.

Table 2: Financial Soundness Indicators, Sep-2021/Sep-2023

	Sep-21	Sep-22	Dec-22	Sep-23
Solvency Indicator				
Capital Adequacy Ratio	19.9	16.4	16.6	13.8
Earnings Indicator				
Return On Assets (ROA) - Before Tax	4.6	4.5	3.1	5.3
Return On Equity (ROE) - After Tax	21.1	21.9	14.6	35.6
Liquidity Indicator				
Core Liquid Assets to Total Assets	19.1	24.4	27.7	25.9
Broad Liquid Assets to Total Assets	66.7	62.8	63.5	65.9
Core Liquid Assets to Short-term Liabilities	25.3	31.5	35.3	31.2
Broad Liquid Assets to Short-term Liabilities	88.1	81.0	80.7	79.4
Asset Quality Indicators				
Non-Performing Loans (NPLs)	16.8	14.1	14.8	18.0
Adjusted NPLs	6.5	3.5	4.8	6..7

Source: Bank of Ghana

Legacies of Previous Banking Crises

The current state of Ghana's banking industry reflects the effects of previous crises and their resolution. The 2024 Budget Statement and March 2024 Monetary Policy Committee (MPC) Statement together provide evidence of the current state of the banking industry as it begins to recover from the DDEP.

The 2024 Budget Statement recognised the negative impact of the DDEP on the banking industry and noted that, considering the critical role of banks in pursuing growth and development within a stable macroeconomic environment, it was important to ensure that the impact was contained. The Budget indicated that a swift implementation of a financial sector strengthening strategy, a structural benchmark under the ECF program, would be crucial to preserving financial stability. To that end, the BoG had approved recapitalization plans submitted by undercapitalized banks, ensuring that banks' capital needs had been estimated based on reasonable forward-looking assessments of losses from government debt restructuring and NPL increases. For viable state-owned banks, Government was said to be committed to providing solvency support through a Ghana Financial Stability Fund (GFSF). Given the government's limited access to new financing, part of this support would be provided through marketable recapitalization bonds. The World Bank would also help to fund the GFSF. Undercapitalized banks would at a minimum inject one-third of the capital required annually for each of the three years ending in 2025 to reach a 13 percent CAR (without regulatory forbearance), and banks would inject in 2023 the minimum necessary to ensure solvency by the end of 2023. The Ghanaian authorities would also aim to address the legacy issues of the financial sector and strengthen the governance and risk management systems of state-owned banks to

ensure their long-term viability.

More recently, in the March 2024 Monetary Policy Committee (MPC) Press Statement, the Governor of Bank of Ghana was more upbeat when he stated that the banking sector's performance had rebounded after the implementation of the DDEP. According to him, in the first two months of 2024, total assets of the Banks increased by 21.0 percent, while total deposits and advances rose by 25.5 percent and 1.8 percent, respectively. The large gap between increases in deposits and advances reflected deprivation of the private sector of much-needed credit that is being gobbled up almost entirely by Government (See below a report on banks' credit to the private sector vis-à-vis their investments in Government instruments). The Governor added, however, that trends in key FSIs were mixed. The Capital Adequacy Ratio, adjusted for reliefs, was 13.6 percent in February 2024, above the regulatory minimum threshold of 13.0 percent, compared with 12.6 percent in February 2023. Liquidity and profitability ratios also improved compared to a year earlier. The nonperforming loan ratio, on the other hand, increased to 24.6 percent, reflecting the downgrading of several large exposures to the banks. NPLs, excluding loss category, however, remained in single digits at 9.8 percent. According to the Governor, banks impacted by the DDEP in 2023 continue to implement their approved capital restoration plans in line with BoG's requirements. Broadly, the banking sector remained stable, according to him, "despite the elevated credit risks." The Governor indicated that banks' liquidity and profitability positions had continued to improve. Out of a total of 23 banks, more than half were said to be fully capitalised and had no need for recapitalisation. Further, most of the outstanding banks were reported to have met more than two thirds of the required recapitalisation over a three-year period within one year as at the end of 2023. The BoG expected that early completion of recapitalisation efforts would lead to more resilience of the banking sector and position it to provide stronger support for real sector recovery.

In terms of credit support to the private sector, which should be mutually-beneficial to the banking industry through its potential positive impact on the economy as a whole, the Governor mentioned that such support "continued to remain weak." According to him, as at February 2024, private sector credit growth was only 5.1 percent compared to 29.5 percent recorded in February 2023. Indeed, in real terms, credit to the private sector contracted by 14.7 percent, which followed 15.3 percent contraction in the year to February 2023. Credit to the private sector as a share of GDP has remained low in Ghana compared to peer countries and has been declining over the past decade. In contrast, as at February 2024, banks' investments in Government of Ghana (GOG) and Bank of Ghana (BOG) instruments stood at GHS53.6 billion, an increase of 67.6 percent year-on-year, which followed an increase of 36.9 percent in the corresponding period of 2023. These developments reflect massive crowding out of the private sector by deficit financing and the misplaced monetary tightening response. The lack of access to finance is often cited by the private sector as a key constraint to investment, particularly for small and medium-sized enterprises. The squeeze in private sector credit is having deleterious effect on investment and economic growth. Fiscal retrenchment through expenditure and deficit control is critical to provide needed credit to the private sector to boost investment and growth, which, eventually, would benefit the banking industry. It has to pointed out that the growing exposure of the banking sector to Government is worrying as it poses a potential interest rate risk to financial stability as the DDEP experience has shown.

The monetary policy stance has also not been helping the banking industry. At its last meeting in March, the MPC decided to maintain its Policy Rate (PR) at 29.0% at a time when the last measure of inflation in February was 23.2%. While inflation has more than halved from 54.1% at the end of 2022 to the current rate of 23.2% (a reduction of 30.9 percentage points), the PR has been reduced by a mere 1.0 percentage points during the period. The result is that monetary policy is unnecessarily tight. This is partly because of the use of the PR, a demand instrument, almost exclusively to fight inflation that has strong supply and cost undercurrents, especially food prices, fuel prices, utility tariffs, transport fares and the exchange rate, which the MPC itself recognised in its statement. The approach has led to artificially-

and prohibitively-high interest rates. These rates represent a drag on investment and growth, which is potentially harmful to the banking industry. Further, the high interest rate regime created poses a high risk to the baking industry. Fiscal retrenchment and measures directly targeted to the supply/ cost drivers of inflation would be needed to control inflation more effective without the need to hike interest rates to the current prohibitively-high levels.

The Governor also announced other measures to complement the PR, which would be inimical to the banking industry. A new Cash Reserve Ratio (CRR) regime was announced as follows: i). Banks with Loan to Deposit Ratio above 55 percent would have to meet a CRR of 15 percent. ii. Banks with Loan to Deposit Ratio between 40 percent to 55 percent would have to meet CRR of 20 percent. iii. Banks with Loan to Deposit Ratio below 40 percent would be required to hold CRR of 25 percent. These CRRs are unjustifiable. While the Governor suggested the new CRR regime would encourage credit to the private sector, this goal may not necessarily be achieved. To the extent that the high CRRs have the effect of raising the effective cost of funds to banks, the banks may respond rather by raising their lending rates rather than expanding their credit to the private sector. Also the effect of the higher CRRs is to further tighten monetary policy as they limit the funds available to banks to lend. In fact, in most jurisdictions, reserve requirements have been completely abolished and so Ghana's monetary policy seems to be totally outdated.

External Influences on the Banking Industry and How to Respond and Adapt to Them

Being intertwined with the economy as a whole, the banking industry is susceptible to global economic trends. Covid-19 and the Russia-Ukraine war have severely impacted the global economy in terms of subdued growth and macroeconomic instability. The Ghanaian economy has not been spared the impact of these external shocks. Growth has slowed and inflation has escalated, with adverse effects on businesses and consumers. These developments, in turn, have had negative effects on the banking industry arising from the slowdown in credit demand, increased loan defaults and associated erosion of banks' capital and assets.

Foreign ownership concentration of the banking sector increased significantly following the 2018-19 restructuring, which affected mostly local banks, several of which were consolidated. Increased foreign-ownership concentration implies increased links with, and exposure to, the international financial system through parent and correspondent banks. Vulnerability of the banking industry to external shocks has, therefore, increased and would continue to be a source of risk.

Even the IMF recognises possible risks to financial stability that could pose potential risks to Ghana's Extended Credit Facility (ECF) program. These include: sharp swings in real interest rates and risk premia, and asset repricing amid economic slowdowns and policy shifts, which "could trigger insolvencies in countries with weak banks..., causing market dislocations and adverse cross-border spillovers." In terms of potential impact, the IMF notes that global factors could exacerbate the impact of large domestic debt haircuts to banks' holdings of sovereign claims on banks' capital adequacy and adversely affect their capacity to lend and, thereby, dampen credit to the private sector and economic activity. In terms of policies for mitigating the risks, the IMF proposes: a) strengthening financial safety nets and closely monitoring banks' liquidity as well as asset quality; b) designing an adequate bank recapitalization strategy; and c) encouraging acquisitions or mergers, if needed.

Strategies to adapt to potential external shocks and ensure financial stability should involve individual banks' strategies, regulatory strategies and macroeconomic policy strategies.

For individual banks, they have to ensure that they are adequately capitalised continually. They should adopt financially-prudent practices. Banks should maintain strong management and governance systems. They should reduce the incidence of non-performing loans and loan defaults through strong project-appraisal and stringent project-financing processes. Banks should adopt cost-saving practices, including by reducing their operational inefficiencies. They should improve their working processes and systems, including through modernisation and application of new IT processes. Banks should reduce their paper overload, economise on time, reduce staff delinquencies and marathon meetings, and have a strategic company focus and foresight planning. Banks should reduce their operating and overhead expenses, including by keeping the right size of staff and reasonable levels of staff pay, keeping material, equipment and rent expenses under control and economising on the use of utilities. Banks must avoid unnecessary location dependency practices in terms of penchant for spatial opulence in the form of luxurious office edifices that lock up their capital and increase their liquidity risks.

On the regulatory side, there is a need for the banking regulator to reinforce regulatory mechanisms through comprehensive and stringent on-site and offsite audits of banks' operations and

finances. The regulatory authority should strengthen safety nets to protect banks' lending portfolios. In particular, the Credit Reference scheme must be strengthened to provide adequate information on the creditworthiness of borrowers so as to reduce borrower risks and incidence of loan defaults. The Deposit Insurance scheme must be reinforced as a protection against potential liquidity-demand pressures on banks in times of uncertainties. The regulator should ensure that its monetary policy does not impose high costs on banks, including through high cost of funds and costly reserve requirements.

Government, on the other hand, has a responsibility to maintain a stable macroeconomic environment to stem potential erosion of banks' capital and assets, which otherwise increase their vulnerability to shocks. Government should also limit its demand for loanable funds that may crowd out the private sector while exposing the banking industry to Government debt-induced interest rate risk. Further, Government should streamline banks' taxes to help reduce their costs and should provide a level playing field in respect of corporate taxes so as not to unduly disadvantage the banking industry.

Conclusion

Ghana's banking industry has had its share of crises spanning 1988-2022. The crises have had both internal and external origins. The symbiotic relationship shared between the banking industry and the economy implies that the former is vulnerable to shocks to the latter—and vice versa. Over the years, the share of foreign-owned banks in the industry has increased. The 2018-19 banking restructuring that affected mostly indigenous banks and led to consolidation of some of them, further increased the concentration of foreign ownership of the industry. As a result, vulnerability of the industry to external economic trends has heightened through parent and correspondent relationships.

The new trends in the banking industry ownership—and heightened vulnerability to risks—call for vigilance and strategies to respond quickly to emerging crises before they take root. Strategies required to protect the banking industry against global economic trends should involve simultaneous actions by the bank themselves, the regulatory authority and government. Above all, the strategies must ensure that the banking industry is easily adaptable to external influences, whose frequency of occurrence is likely to increase in an increasingly uncertain global environment.

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Dr. Kwakye was a former staff of the Bank of Ghana (BoG) and the International Monetary Fund (IMF) and a former member of the Monetary Policy Committee (MPC).

"Government has a responsibility to maintain a stable macroeconomic environment to stem potential erosion of banks' capital and assets, which otherwise increase their vulnerability to shocks."

Navigating Global Economic Crises: Quick turnarounds and laying the foundations for future success

Prof. Noel Tagoe

CEO, Sandhils Advisory Services

THE GLOBAL ECONOMIC CRISES

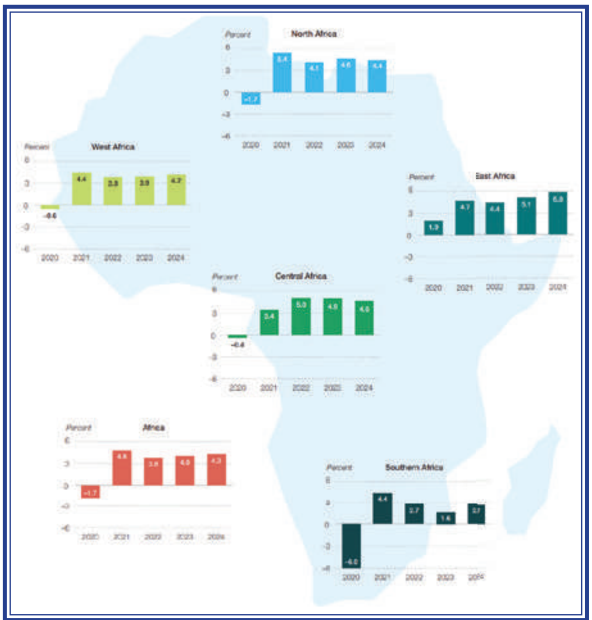
The global economy has been in crises since the effects of the covid-19 pandemic started feeding through into both the developed and emerging economies. Public policy was aimed at saving lives and livelihoods. To save lives governments policy was geared towards low or no touch interactions. Industries which involved close physical interaction between economic actors came to a halt. To save livelihoods policy makers increased expenditure to support vulnerable groups. Thus, governments faced fiscal pressures from two sides – low revenue from taxes due to the severe reduction in economic activity and expanded expenditure required to safeguard lives. The expectation was that with covid-19 under control and a return to normalcy, economic activity would quickly pick up and the deterioration of the public finances could be remedied. However, this was not to be as Russia-Ukraine war which followed soon after exacerbated the crisis. Supply chains were disrupted, inflation rose to record levels, economic growth stalled and the debt profiles of countries – particularly emerging economies worsened.

In its World Economic Outlook, published at the end of 2022, the International Monetary Fund (IMF) observed as follows: "Global growth is forecast to slow from 6.0 percent in 2021 to 3.2 percent in 2022 and 2.7 percent in 2023. This is the weakest growth profile since 2001 … Global inflation is forecast to rise from 4.7 percent in 2021 to 8.8 percent in 2022 but to decline to 6.5 percent in 2023 …. Upside inflation surprises have been most widespread among advanced economies with greater variability in emerging market and developing economies (p. xvii).

Within this context African economies also faced multiple and dynamic shocks which weighed on their growth momentum. The African Development Bank (AfDB) estimated GDP in Africa to fall from 4.8 percent in 2021 to 3.8 percent in 2022 with a slight rise to 4 percent in 2023. The growth rates varied for different parts of the continent.

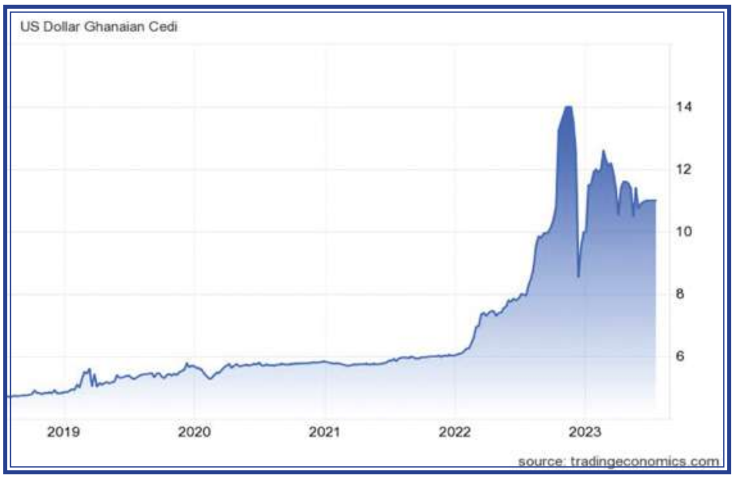
The situation in Ghana followed the global pattern but with more pronounced effect. Inflation rose from 12.6 percent in December 2021 to a high of 54.1 percent in December 2022 and fell to 42.5 percent in June 2023.

Figure 1: Growth performance and outlook for Africa by region 2020-24



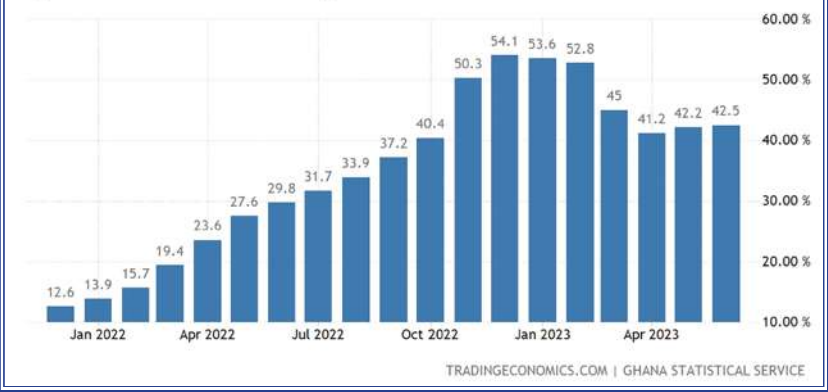
Source: Source: African Economic Outlook 2023 (African Development Bank 2023)

Figure 3: US Dollar to Ghana Cedis rate late 2019 – mid 2023



To summarize, the global financial crisis translated into low GDP growth and high inflation. The trend was replicated in Ghana. In addition, the value of the local currency depreciated sharply against the US dollar and other major currencies.

Figure 2: Ghana inflation rate (December 2021 – June 2023



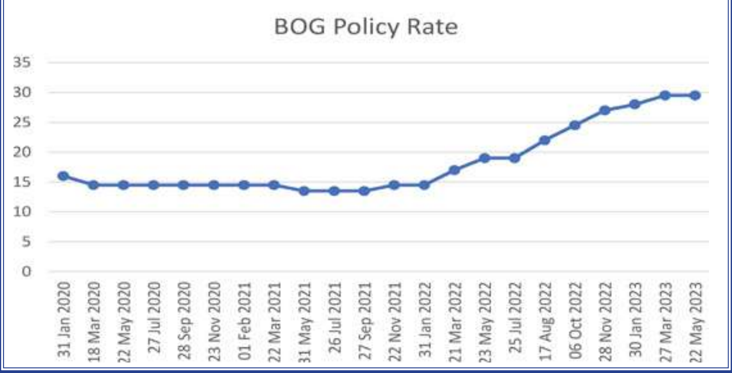
The pressures on the economy also meant that the value of the local currency fell dramatically against its major trading currencies. In late 2019 the US dollar sold for under 6 Ghana cedis. However, late 2022 to early 2023 the US dollar sold for about 14 Ghana cedis. The rapid fall in the local currency was due to a number of factors. Chief among them was the structure of the economy which is dependent on imports and the country's restricted access to the global financial markets due to the downgrading of its creditworthiness by the credit rating agencies. The downgrade reflected the dire fiscal position of the government and the worsening debt sustainability profile of the country.

MACRO AND SECTORAL RESPONSE TO GLOBAL FINANCIAL CRISES

The government of Ghana (GoG) and the Bank of Ghana (BoG) used three main policy levers to respond to the global financial crises. The first policy lever was to seek a f USD 3 billion facility from the IMF because GoG had been frozen out of the international financial markets. To obtain the IMF facility, the GoG had to restructure its debts to bring them down to sustainable levels. This resulted in a domestic debt exchange programme (DDEP) which affected the banking sector adversely in massive impairment costs (this will be discussed later).

Monetary policy provided the basis for the second policy lever. BoG consistently raised the policy rate from 13.5 percent in September 2021 to 29.5 percent in May 2023

Figure 4: BoG Policy Rates from January 2020 to May 2023



Source: Source: Bank of Ghana

Although the rate of inflation has fallen in recent months, it is still far higher than the 12.6 percent level in December 2021. Commentators believe that the current situation reflect supply-side (or cost push) inflation rather than demand-side inflation. Therefore, they have questioned whether monetary policy was the right tool to use to address inflation on this occasion. This echoes the warning of the IMF that monetary policy "could miscalculate the right stance to reduce inflation .... More energy and food price shocks might cause inflation to persist for longer" (IMF, 2022 p. xvii).

To soften the impact of the DDEP on the banking sector BoG provided regulatory forbearances to the banks. This constituted the third policy lever.

Figure 5: BoG Policy Rates from January 2020 to May 2023

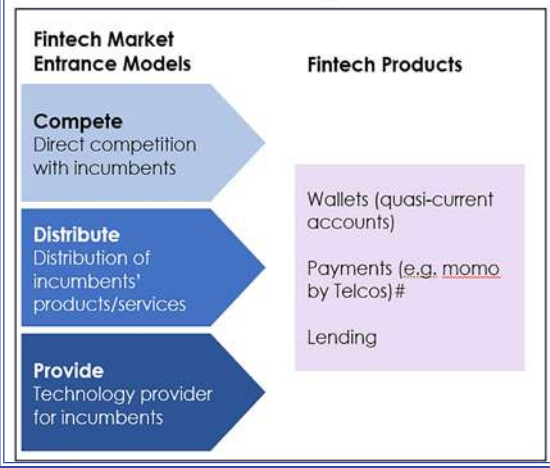
Regulatory Capital	RWA (%) Without Forbearance	RWA (%) With Forbearance
Minimum CET1	6.5	5.5
Maximum AT1	1.5	1.5
Minimum Tier 1 Capital Ratio	**8.0**	**7.0**
Maximum Tier 2	2.0	3.0
Minimum Capital Adequacy Ratio	**10.0**	**10.0**
Capital Conservation Buffer (CCB1)	3.0	3.0
Minimum CAR plus CCB1	**13.0**	**10.0**

IMPACT ON THE BANKING SECTOR IN GHANA

The global economic crises and policy responses led to:
Massive impairment losses due to DDEP (over GHS 17 billion for banks and over GHS 40 billion for BoG)
Erosion of capital requiring banks to recapitalize to meet regulatory requirements and to be able to do certain ticket size transactions
Deterioration of the credit environment making lending riskier and more difficult.

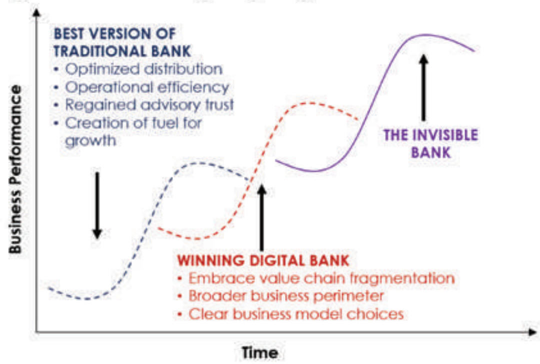
These impacts came on top of disruptions already taking place in the sector even before the covid-19 pandemic. The earlier ones came from the rapid deployment of digital technologies in the financial services industry by financial technology firms (fintechs)

Fig 6: Fintech Penetration Strategies and Products



The onset of covid-19 also led to rapid adoption of digital technology. This development also changed the nature of the banking sector. The sector is still evolving (see Fig 7).

Fig 7: Evolution of banking in digital age

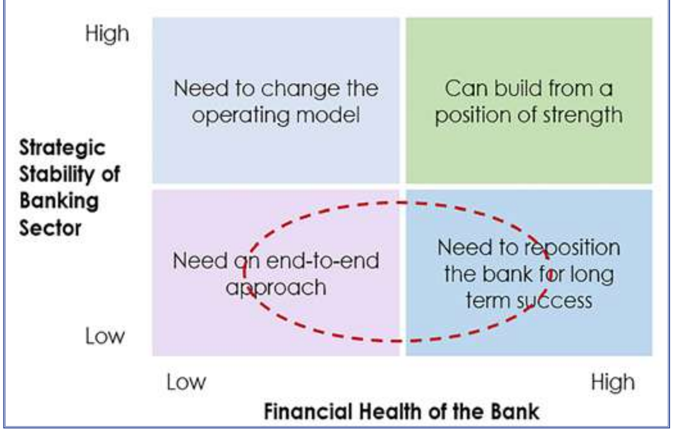


The overall impact for the banks was the compression of profit and in many cases led to losses. In addition, the deterioration of the credit environment led to increased cost of risk (particularly credit risk). This is the situation that banks faced at the end of 2022 in Ghana. The banks needed new strategies and approaches to address the challenges outlined above. These strategies are detailed in the following sections.

RESPONSE OF THE BANKING SECTOR IN GHANA

The first is the diagnosis of the kind of crisis they are in so that they will decide the right approach. The preceding discussion shows that the global economic crises lowered the strategic stability of the banking sector in Ghana. Although the financial health of all banks were impacted negatively, some banks are more resilient than others. Thus, some banks would need to reposition their banks for long-term success (see Fig 8). The turnaround strategy discussed in this paper addresses both approaches.

Fig 8: Type of Transformation Required by Banks



QUICK TURNAROUND FOR BANKS IN GHANA

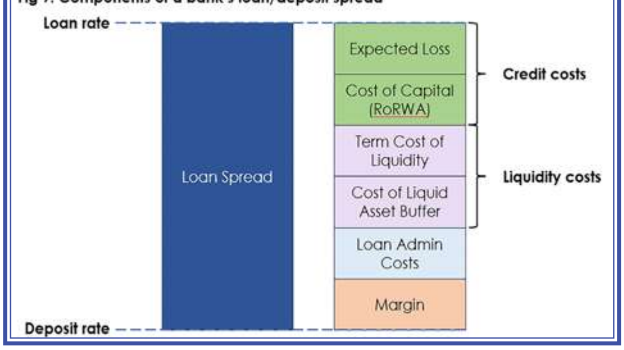
The turnaround process can proceed in three phases. The first phase looks at how banks can recover quickly from the downturn to ensure their survival in the short-term. The second covers how banks revive over the medium term by restoring more sustainable value creation. The third consolidates the gains made in the prior phases to enable banks to thrive in the long term. This article covers the first two phases.

Short term survival phase

In this phase banks need to pull short-term levers is to restore cash generation and thus, free up capital to ensure their survival and to fuel new growth opportunities. Four key sets of activities are envisaged for this phase:

Revenue generation: banks develop and implement aggressive recovery plans with a focus on pricing, targeting of customers and optimising spending on marketing. With regards to pricing banks need to return to the fundamentals (see figure 9). The prices must cover all the components that go into pricing loan products. The breakdown also shows the potential for reducing the costs of the different components in order to afford price reductions.

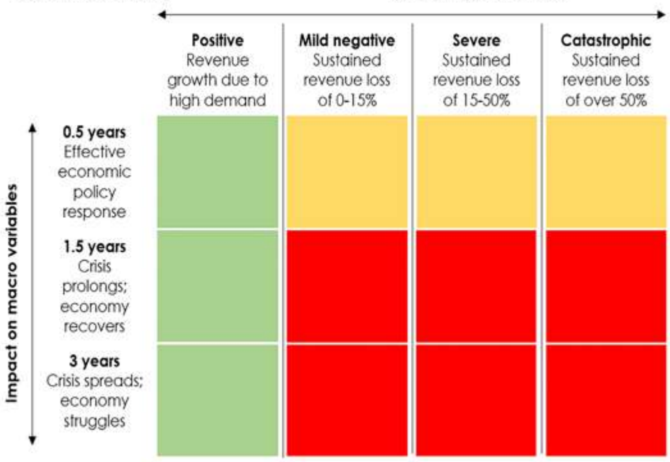
Fig 9: Components of a bank's loan/deposit spread



RoRWA is the return on risk weighted assets

The economic crises had different impacts on the customers of banks. For customers operating in counter-cyclical industries (green boxes) their revenue increased. Those in pro-cyclical industries (red boxes), revenue decreased over a longer period and for those in a-cyclical industries (yellow boxes), revenue decreased only in the short term. Each of these customers will require different approaches with regards to sales (i.e. offering credit products).

Fig. 10: Impact Matrix



The counter-cyclical customers will normally be cash-rich. Banks need investment/deposit products to mop up cash from them. Others would need cash to support growth. Banks should offer credit to fund the growth. In all cases opportunities for payment and transaction services will increase.

The pro-cyclical customers are likely to face short-term distress. They would have different resilience and recovery capabilities. Banks should focus on those with high resilience and recovery capabilities to support their short-term survival and their search for new growth paths in the medium term. Targeting in this way could increase sales and reduce NPL.

The a-cyclical customers face short-term cash shortage and would bounce back after a short while. The excess cash from the counter-cyclical customers can be used to fund the working capital needs of the a-cyclical firms and their investments in new areas to enable them return to the new normal.

Cost reduction: Banks can reduce costs by identifying, isolating and reducing cash burning and non-value adding activities. Also, they can improve operational efficiency and consequently reduce costs. First, banks need to identify and manage five different types of costs. The first is cost derived from value-adding activities. Often these activities generate more incremental revenue than the costs incurred in performing them. Where opportunities exist, banks should increase these activities.

Second, banks should maintain the value-enhancing activities. These activities do not generate value and revenue in and of themselves. Rather, they accelerate the value and revenue generation process. At such times banks should not cut those.

Third, banks should watch the costs attached to their innovation activities carefully. These activities will provide the products that will generate future revenue or would transform the processes that would improve efficiency and reduce costs, They should be maintained. When things are bad, such costs can be delayed for a short while but delaying them any further would adversely impact the bank's ability to generate the products and processes required for future success.

Fourth, banks would have to comply with the regulatory requirements of the industry. They should endeavour to improve the processes by which they meet their compliance obligations and thereby save costs. Otherwise, this is not an area where significant costs savings can be made.

Finally, banks should reduce and ultimately eliminate activities that yield no value and revenue. These activities burn cash but do not produce commensurate revenue. Banks cannot survive the short-term with such activities. Fig 11 summarises the five value activities, the costs attached to them and how they should be managed.

Fig 11: Activities, costs and cost management approaches

Value creating costs	Value enhancing costs	Innovation costs	Compliance costs	Value destroying costs
Increase the activities	Maintain the activities	Maintain the activities	Scrutinize the activities	Eliminate the activities

Increase capital efficiency: Many banks have invested in technology to facilitate service delivery and improve customer experience. But they hardly deploy them to achieve the intended purpose. Rather, they continue to use the manual processes that the technologies were intended to replace. This leads to at least two adverse consequences. First, the intended benefits are not realized and therefore the costs of the investments would not be recouped quickly. Second, this creates redundancy and the costs associated with it. The investment in technology is just one example. The argument here is that banks need to use assets that they have to their full capacity if they are to survive in the short-term. This will preserve cash and increase revenue.

Simplify the organization and its operations: Banks can simplify their organization by streamlining their management structure in line with the elimination of non-value adding activities and the realignment of the other value activities. This is a short-term approach which would prepare the way for a more fundamental restructuring of the banks in the medium term.

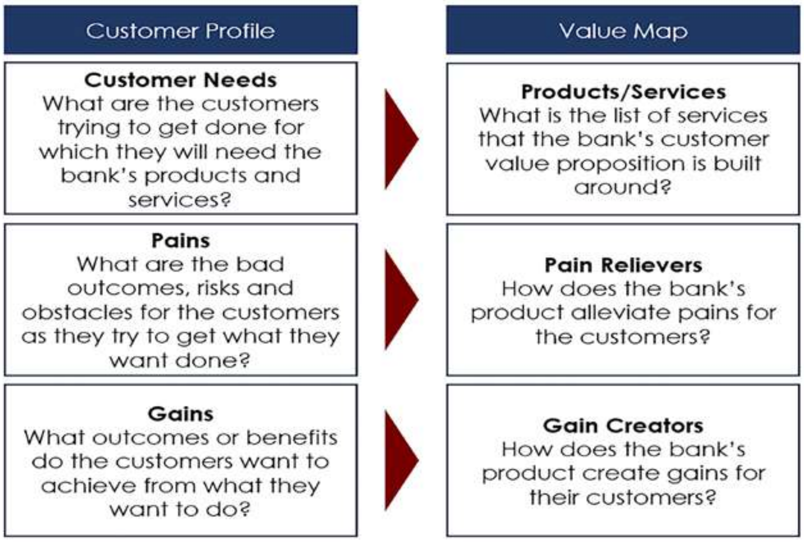
The four short-term management actions need to be supported by relevant financial management actions. These include quarterly cash-flow forecasts and in-depth financial analysis, frequent tracking of cash generation initiatives. Banks would also need to establish the appropriate metrics and track the short-term targets to reduce costs, improve capital efficiency and targeting of customers.

Medium-term survival phase

Over the medium term the banks need to redesign and develop new business and operating models to restore value creation and create competitive advantage on a more sustainable basis. In other words, banks need to rethink how they deliver products and services to their customers. Often this involves reevaluating their value proposition, identifying the right target segments to serve, the products and services to offer those segments and how to maximise revenue and profit from those products and services. Three activities come into play. First, banks must develop a value creation plan. This involves creating value propositions which map the needs of the customer segments that they intend to serve. This mapping is shown in Fig 12.

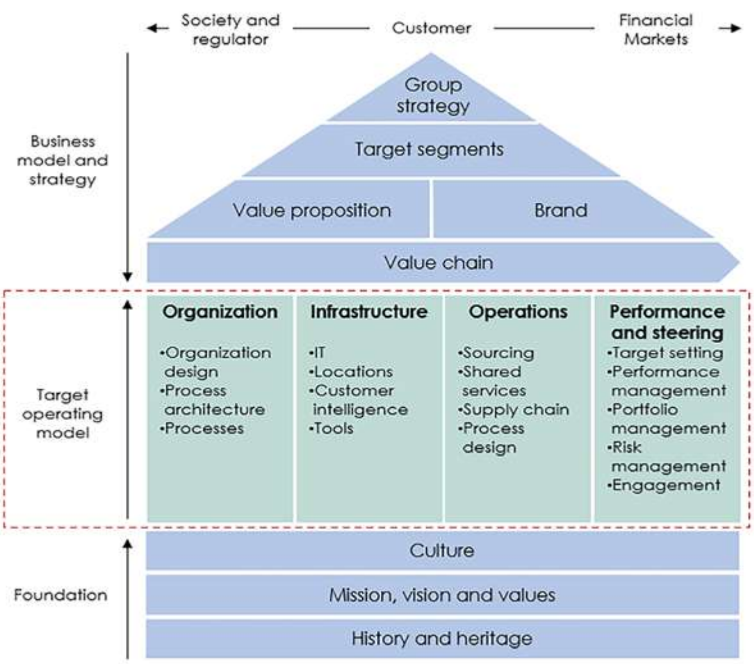
Second, the banks need to create new strategic and operating models to improve key operational processes and to deliver the value to their customers. Banks need to track the complex interactions across the banks business and value chain through evaluating organization, infrastructure, operations and performance and

Fig 12: Value creation map



steering (Fig 13). This shifts the emphasis away from siloed operations into one of collaboration. The evaluation should be done from the customers' perspectives and not from an internal one. As banks evaluate these areas, they uncover various core processes that they need to eliminate, replace or improve. Before implementing the new strategic and operating model, the banks should assess the economics of the value creation plan and the related business model.

Fig 13: Target operating model in context



For the value creation plan to be effectively executed, the leaders of the banks must socialize it with key stakeholders and secure their endorsement. Internally this will produce enabled leaders at all levels of the bank and an engaged employee group. Enabled leadership means that leaders are aligned to the changes required by the turnaround, are accountable for success, can sponsor and manage the relevant changes.

For employees to be deeply engaged in the banks' turnaround they need to understand the changes and be equipped to manage them. Also, the required behaviours that support the change are reinforced. Often, this reinforcement takes place through the design, measurement and use of metrics to manage and reward performance.

Communication

As noted earlier, communication to key stakeholders should be at the heart of the turnaround process and initiatives. At least six stakeholders are in view here:

Management: assign critical aspects of the turnaround responsibilities to them, meet frequently (in the early stages) to track progress. Review key metrics regularly.

Employees: lead and communicate realistic, decisive plan and role of each individual. Create a feedback system to obtain ideas and concerns from them. Incorporate these ideas into the turnaround strategy (where necessary) and address their concerns.

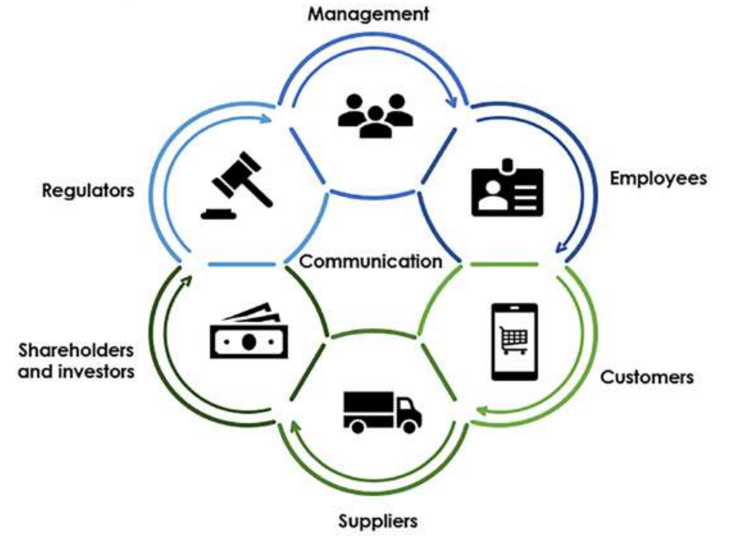
Customers: Stay in touch with them regularly. Communicate the impact of the disruptions on the bank to them. Assure about how the bank is responding to the crises. Involve them in the discussions about how to continue to create value for them.

Suppliers: Communicate actions taken and the relevant results. Explore mutually beneficial changes in supply agreements and covenants. Request for relief or delays where necessary.

Shareholders and investors: Communicate plans and early results to them. Meet them more regularly at the start. Involve them in sourcing new capital – to meet regulatory capital requirements or to ensure that the banks' strategies are resourced adequately.

Regulators: Communicate the actions taken and the respective results. Discuss the forbearance provided and any alternatives. Inform them about the availability of additional funding the banks require and/or are receiving.

Fig 14: Consistent and Effective Communication



TALENT MANAGEMENT IMPLICATIONS

There are two clear talent management implications for banks that want to be successful in their turnaround activities. The first is the broad architecture of talent issues that encompass the whole organization. The second looks at how individuals fit in the broad architecture.

Broad architecture of talent development

Two issues arise out of the broad architecture. The first is to create learning organizations that provide environments and cultures that promote continuous learning so that individuals can keep pace with the changes that the turnaround process entails. Learning organizations have at least four distinctive features:

a) Learning organizations recognize the essential link between skilled talent and business value. Thus, they infuse learning into the day-to-day rhythm of work.

b) The learning emphasizes just-in-time learning rather than just-in-case learning. Just-in-time learning is tailored to the current and evolving requirements of the job. It is context-driven and helps to address the issues the learners are facing in their job roles. Just-in-case learning focuses on the fundamentals of the subject area and covers issues that might not be needed immediately but might come in handy in the future.

c) Learning must be meaningful to the learner. This is usually achieved through self-directed learning that is aimed to accomplish personal values, purpose and growth as well as contribute value to the organization. In many cases meaningful learning takes place within communities of expertise. Therefore, learners are encouraged to embed in these communities at the workplace.

d) Learning must be accessible with the use of a wide variety of appropriate learning platforms, channels and content. The aim is to enhance the learner experience to make learning effective. This normally achieved through adaptive and personalized learning.

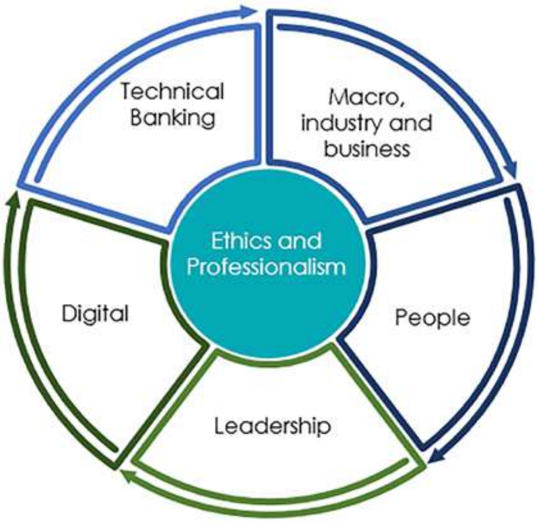
The second issue that arises from the broad architecture relates to the human-technology interface. Many banks in Ghana have invested a considerable amount of money in digital technologies and they need to decide who does the work – machines or humans? This is not a trivial matter since artificial intelligence (AI), and digital technologies can increasingly do what people do faster, better and cheaper. This has led to a fear of technology in the workplace.

There are three broad human-technology work configurations. First is where machines have the advantage. Second is where humans have the advantage. Third is where neither have an advantage but can augment each other. The choice is based on the economics of substitute and complementary products. Substitute products compete and operate on a zero-sum basis. Therefore, unless people are sure of beating machines in the competition they should look to areas where they have the competitive advantage. The more likely area is to think of technology as complementing humans and vice versa. Then the economics of complementary products kick in. This is a win-win situation because when the demand for one product increases it leads to an increase in the demand of the complementary product.

The competencies required the banking sector for the turnaround

To succeed in the turnaround activities banks ought to deploy talent with the relevant suite of skills and competencies. In general, the competencies were split between technical competencies and soft skills. Often, the soft skills are in short supply and need to be developed and nurtured. Overall, five different types of competencies can be distinguished. These competencies should be undergirded by ethics and professionalism. Fig 15 shows the required competencies.

Fig 15: Competencies for talent required for turnaround



A brief explanation of each competency area is provided below:

Technical Banking: They relate to core banking activities such as asset liability management, risk management, credit management, banking operations etc.

Macro, industry and business: These provide the ability to navigate the operating environment of the bank. They include regulatory and compliance issues, strategy, market and economic cycle analysis etc

People: They deal with employees' relationship with people. Negotiation, communication, influence, collaboration/teamwork, conflict resolution, problem solving, critical thinking and change management are a few examples of these competencies

Leadership: These are the competencies required to ensure overall viability, success and sustainability of the organization. Included here are performance management, decision-making, complex problem solving, corporate governance etc.

Digital: They are the competencies required to operate effectively in the digital world. They include an understanding of the underlying technologies, data analytics, creating and using digital assets, cyber security etc.

Talent in the banking industries with the appropriate suite of such competencies relevant to their level and sphere of operations a required for the turnaround to be successful. Banks should therefore devote some time to attract, develop, deploy and retain such talent.

CONCLUSION

The global financial crises the resulted from the covid-19 pandemic and the Russia-Ukraine war resulted in high inflation, rapid decline of the Ghanaian currency, fiscal pressures, lack of access to international financial markets and debt distress for the Ghanaian economy. The government of Ghana responded by increasing policy rates through the bank of Ghana and going to the IMF for assistance. This required bringing Ghana's debt to sustainable levels. Thus, the government implemented a domestic debt exchange programme (DDEP). The banks suffered massive impairment losses from DDEP and together with the local economic crisis and previous technology-based disruptions, many banks found themselves in distress. This created the need for a quick turnaround for banks if they were to survive

This article showed how banks in Ghana can implement a careful and methodical turnaround process to achieve these aim.

Banking turnaround can unfold in three phases in the short-, medium- and long term. The article covered the short and medium terms. The focus of the short-term is survival. This is achieved through stringent cost and cash management and raising revenue through a relentless focus on creating and demonstrating value to the customer. The emphasis of the medium term is the consolidation of the gains from the short term to ensure true recovery. Thus, value creation and new strategic and operating models to deliver the value created to customers are key to the activities in the medium-term turnaround activities. Success for banks in this area requires communication to secure the buy-in of key stakeholders and the development and deployment of talent to implement the value-creation strategies embedded in the take-over process.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Innovative Strategies for Economic Recovery: A Fintech Perspective

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I. Introduction

In recent years, the term "FinTech" a contraction of "Financial Technology" has consumed much of the ink running through many research and academic publications. Its usage is synonymous with the financial services sector in which existing services, products, processes or business models are created, amended, or improved using technological innovation. The overarching objective in this case is to provide higher quality, convenient, and cost-efficient products for the digital native (Zavolokina et al. 2016). Despite this recent ubiquity across various platforms, in part due to the tailwinds of Covid 19, its history is not recent. From its early stages of FinTech 1.0, where it was widely seen as the poster child for "Disruption", it has over the years, traversed the beaten continuum of innovation to its present stage of "Partner" and "Enabler "to various banks and financial institutions (ibid; Hedman and Henningsson, 2012). This comes as no surprise as the momentum of FinTech innovations and proliferation is directly proportional to the digital direction that banks have sought to adopt in their processes, products and services. It follows that, while the intent/desirability quotient of banks and financial institutions has been high, the competency quotient required to level peg with FinTech (in terms of technology innovation) has been low (Chan and Ahuja 2015; KPMG, 2015). For this reason, a new alliance has been formed between banks and FinTech, with each leveraging the competencies of the other, and moving from an economies of scale model to an economy of networks model (ibid; Mackenzie, 2015).

This paper is structured in two parts as follows: First, it explores the various collaborative business models between banks and FinTech. Second, it determines specific outcomes that emanate from these collaborative partnerships.

II. Collaborative Business Models

The first type of this collaborative partnership is the Private Plugin Service where a FinTech company directly integrates its technology platforms with a bank, i.e., without going through a third-party partnership. In this model, the FinTech company leverages the private data of a bank to deliver specific banking services (either as a branded or as a white-labeled solution) which enhances the bank's value proposition. By

using the collaborative business model to explore the potential of Private Plugin Services, FinTech companies with direct integration service delivery offer the opportunity to optimise and innovate the bank's business processes and services (Dapp, 2015; Hedman and Henningsson, 2012; Annanperä et al, 2016; Graupner et al, 2015; Iyer and Basole, 2016; Krogstie, 2012; Smorodinskaya et al, 2017).

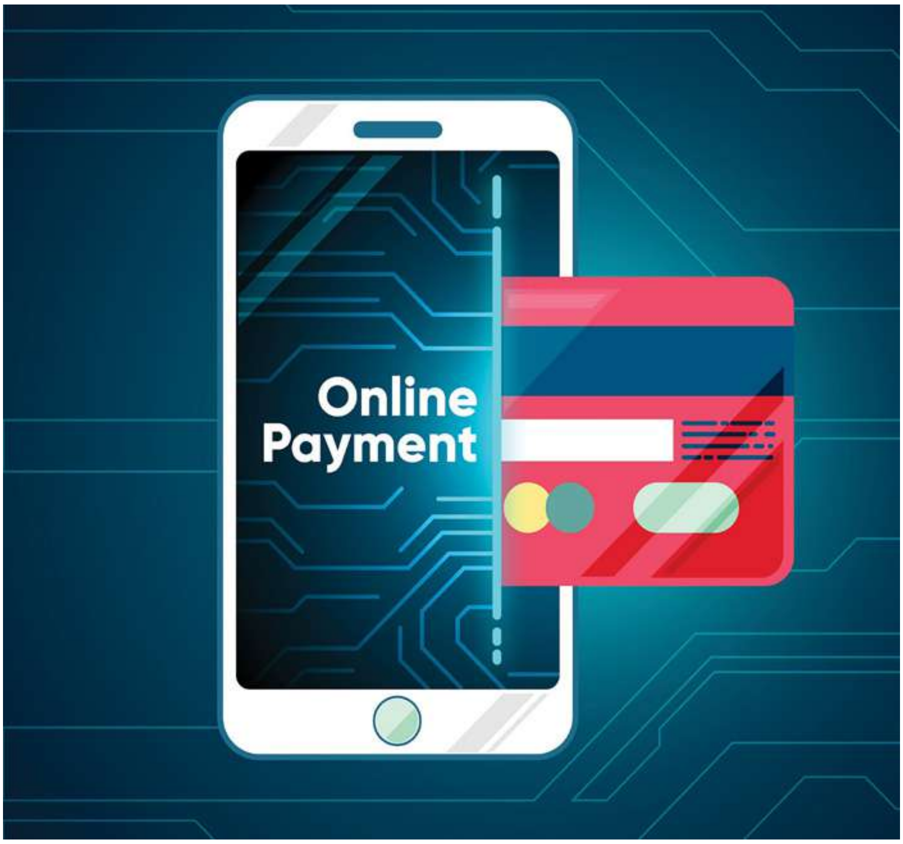
The second type is the Public Backend Service, whereby a FinTech company collaborates with the bank to deliver value that is created by the Bank's core processes. In this model, the FinTech company provides the Bank with expertise in digitising specific processes through a state-of-the-art data-driven service that optimises and innovates the Bank's business processes, services, and value proposition. Examples of these are the use of optical character recognition (OCR) and semantic analysis of documents (ibid).

The third type is the Multiple Private Plugin Service, where FinTech companies deliver value to multiple banks through separate and distinct integrations. In this model, the delivered value is often a service that hinges on the bank's data. Specifically, the bank incorporates the FinTech service into its own value proposition, with the FinTech service acting as a white-label solution. Examples of this collaboration include online loans, investment pots/portfolios, and wealth management portals. This business model allows for the exploration of the potential of Multiple Private Plugin Service FinTech through algorithm-based and automated service delivery. Banks can use this service to optimise and innovate their business processes and services. This type of collaboration can also be used by banks to acquire mature FinTech services and integrate them into their value propositions (ibid).

The fourth type is called Private Platform Provider where the FinTech company delivers value by short circuiting its relationship with a trusted, external (often mercantile) brand, and a Bank. This is done by integrating core processes of the Fintech company, Bank and the external partner, with the Bank holding the float. Examples of this partnership are Apple Pay, Pay Pal and Amazon Pay where the value proposition is achieved through a connection to multiple stakeholder value propositions to have a single value proposition (ibid).

The fifth collaboration type is called White label Add-On Service where a FinTech company delivers value by combining its core processes to that of a bank and another FinTech to provide a combined service in which all parties are visible to the customer. An example of this combined product is that of a Remittance company (ibid).

The sixth type is called Adaptive Service where FinTech companies use this type of collaborative business model to deliver value that is created by their core processes in partnership with a single Bank. The value does not depend on other FinTech companies or banks, but it cannot be delivered without a partnership with a bank. Therefore, the model aims at digitising a single customer need with the support of an established bank. FinTech companies within this group offer the created value to very specific target customer groups, in a more convenient and digitised way or at a lower cost to the customer vis a vis what other competitors offer



in the market. Examples of this are FinTech companies that offer values such as asset management (ibid).

The seventh collaborative partner type is called a Public API Banking Provider where FinTech companies deliver value that is created by their core processes and an existing external network of banks and financial service providers. In this scenario, value depends mainly on two criteria: the first is the application programming interface (API) and the second is the network of banks and FinTech companies who are already part of the partner network. Specifically, in this model, the aim is short circuit multiple FinTech companies and banks through a standardised platform with a strong focus on partnerships and collaboration. FinTechs within this ecosystem offer the created value with digitised and state-of-the-art technology which was previously not on the market (ibid).

III. Outcomes of Bank and FinTech Collaborative Partnerships

Agile Partnerships

Collaborative partnerships between banks and FinTech companies short-circuit the ancient and rigid structures of monolithic institutions with the agility, innovation and cutting-edge technology of new industries. Thus, by forming strategic partnerships with FinTechs, banks can harness their agility and technological prowess to offer innovative solutions tailored to the evolving needs of consumers and businesses. These partnerships can range from co-developing digital platforms for lending and payments to integrating advanced analytics for risk management and customer insights (Hartmann et al, 2014; Um et al,2015; Um et al,2016).

Enhanced Customer Experience

FinTech companies have revolutionised the way consumers interact with financial services by offering seamless and personalized experiences through intuitive and interactive user experience designs. Through the collaboration with FinTech companies, banks can enhance their customer experience by leveraging innovative technologies such as artificial intelligence, machine learning, and blockchain. These technologies can streamline onboarding processes, automate routine transactions, and provide proactive financial advice, thereby fostering deeper customer engagement and loyalty (Schmidt et al, 2016; Schmidt et al,2018).

Data-driven Decision Making:

Data has emerged as the new currency in the digital economy, offering unprecedented insights into consumer behaviour, market trends, and risk dynamics. FinTech companies excel in harnessing vast amounts of data to drive actionable insights and informed decision-making. By partnering with FinTechs, banks can leverage data analytics and predictive modelling to optimise lending practices, detect fraud and mitigate risks, and identify new revenue streams. Moreover, data-sharing partnerships between banks and FinTech companies can facilitate greater financial inclusion by extending credit to underserved segments of the population.

Open Banking Ecosystems:

Open banking initiatives have gained traction worldwide, aiming to foster collaboration and innovation within the financial services industry. By opening up their APIs (Application Programming Interfaces) to third-party developers, banks can create a vibrant ecosystem of FinTech companies, start-ups, and developers, driving innovation and expanding the range of services available to customers. Through open banking platforms, banks can seamlessly integrate FinTech solutions for payments, savings, investments, and insurance, offering customers a comprehensive suite of financial products tailored to their needs.

Sustainable Finance Solutions

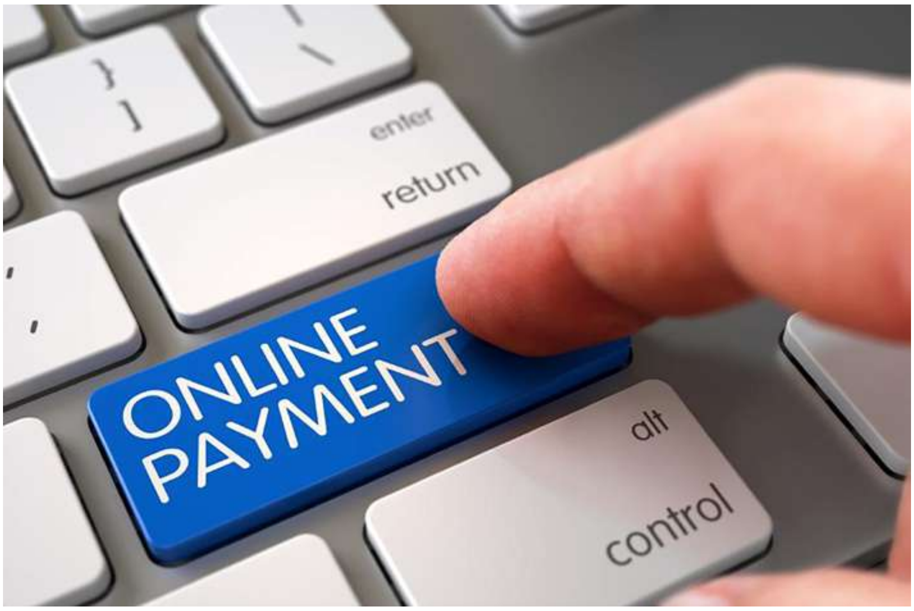
As the world grapples with pressing environmental and social challenges, there is a growing demand for sustainable finance solutions that align financial objectives with environmental and social impact goals. FinTech companies specialising in sustainable finance, such as green lending, impact investing, and ESG (Environmental, Social, and Governance) analytics, can play a pivotal role in driving the transition towards a more sustainable and inclusive economy. By collaborating with FinTechs in the sustainable finance space, banks can offer innovative products and services that promote responsible investment, support renewable energy projects, and address social inequalities.

Regulatory Compliance and Security:

In an increasingly digitised and interconnected world, regulatory compliance and cybersecurity have become integral to banks and FinTech companies. Regulatory sandboxes, pioneered by regulators in various jurisdictions, provide a controlled environment for testing innovative products and services while ensuring compliance with regulatory requirements. By collaborating within regulatory sandboxes, banks, and FinTechs can co-create solutions that balance innovation with regulatory compliance, fostering trust and confidence among consumers and regulators alike.

IV. Conclusion

Despite a recent uptick in the global growth rate, it is still below the average growth rate in the two decades before the pandemic, of 3.1 percent For many countries in the developing world, the prospects of growth have further deteriorated with aggregated gross domestic product (GDP)



per capita projected to rise only marginally. This is further compounded by geopolitical tensions and a downward slide in the volume of global trade. In this wake of economic upheaval, a collaborative effort between traditional banks and FinTech start-ups presents an unprecedented opportunity to form a new business ecosystem, in which "companies co-evolve capabilities around a new innovation" (Moore, 1993). Zavolokina et al. 2016 describe this new ecosystem as a living body with a very flexible and changing nature due to the impact of FinTechs. Thus, through the adoption of collaborative models ranging from Private Plugin Services to Public API Banking Provider Services, banks and FinTechs can rejuvenate financial ecosystems by embracing agile partnerships, enhancing customer experience, leveraging data-driven decision-making, fostering open banking ecosystems, promoting sustainable finance solutions, and prioritising regulatory compliance and security (Baghbadorani and Harandi, 2012); Berghaus and Back,2016; Mackenzie,2015).

Before the horse bolts, banks and FinTechs must get into the saddle and build symbiotic partnerships that act as a catalyst to economic recovery.

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How Digital Transformation Can Enhance Economic Resilience in a VUCA World

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Introduction

The world has faced multiple crises in the last four years, with dramatic effects on Africa: the Covid-19 pandemic, the war in Ukraine, and more recently the war in Gaza have disrupted governments and businesses. These crises, along with the impact of climate change, demand that public and private institutions change the way they operate to build economic resilience. An acronym has been coined to describe these times, VUCA: Volatility, Uncertainty, Complexity, and Ambiguity. **Volatility** refers to the speed and magnitude of change, while **Uncertainty** means that the future is hard to predict.

Managing organizations has also become more **Complex** due to the multiple issues/crisis that impact companies and societies alongside the continuous innovations that need to happen to keep companies in business. **Ambiguity** covers the fact that it is much more difficult to interpret a trend or an event and react to it. In short, life generally is no longer as clear, structured and as predictable as we were all used to. Things do not happen based on a set of predictable rules, events and activities and outcomes are not based on normal expectations. For instance, we all thought that after the pandemic, everything would go back to normal with just minimal changes, such as the option to work from home/ hybrid options and the occasional use of virtual engagements. We were all wrong; after the pandemic, things have barely reversed and the reliance on virtual engagements continue to deepen. On the economic front, things have gotten worse for most African countries and, especially in Ghana the economy has barely recovered. The country continues to face serious economic crisis, inflation and currency devaluation. This is exactly representative of the VUCA situation: one crisis after another that puts a lot of pressure on all organizations, which are required to change and evolve continuously to survive and thrive.

The Three Phases of Economic Resilience

VUCA is pushing institutions to accelerate actions to improve their economic resilience, so that they can cope with the shocks and disruptions in the market or in

the country. Economic resilience involves not just bouncing back to the previous state, but also includes the capacity for transformation and growth in the face of challenges. Companies and governments need to be well structured to manage the three phases of economic resilience:

- **Absorption** - the ability to absorb the shock and survive in the short term. A solid balance sheet, for example, allows a company to absorb the e6ect of a sudden devaluation of the currency. This phase is characterized by rapid decision-making, often under conditions of uncertainty, to stabilize the situation as much as possible.

- **Recovery** – the ability to react to the shock and return to growth after the immediate impacts of the disruption have been addressed. This involves changing identified processes, systems or structures (e.g., supply chain), rebuilding customer demand, and addressing financial challenges. Recovery is about healing and rebuilding, with the aim of returning to a state of normalcy.

- **Adaptability** – the final phase involves adapting to the new normal and potentially rethinking fundamental aspects of the business model to ensure profitability, long-term sustainability and resilience. Companies may explore new markets, invest in innovation, and implement changes in their operations, product offerings, or business strategies to respond to the shifting market dynamics and new/emerging opportunities. Adaptation (or reinvention) is about transforming the organization in a way that not only shields it from future shocks, but also positions it to thrive in the post-disruption landscape.

The Role of Digital Transformation in Economic Resilience

One of the essential skills for a leader in the current VUCA situation is to concentrate on the adaptability phase of economic resilience. Digital Transformation is crucial for this phase as it enables organizations to build a capability that is vital for resilience and the ability to rapidly bounce back from unforeseen shocks. According to a Deloitte survey of 2,860 leaders in 2020, more than three-quarters of them said their organizations' digital capabilities greatly supported them in dealing with the difficulties caused by the COVID pandemic. Digital Transformation specifically means the incorporation of digital technology into all aspects of a business, fundamentally altering how the business operates and provides value to customers. More than just updating or adding new technology, it's a comprehensive, strategic change that involves changes in organizational culture, workflow, customer interactions, and business models. For instance, building an environment that supports agility and speed through Digital Transformation is essential for creating economic resilience. In a crisis or when faced with a shock, an organization has a short time to deal with the impact and launch a quick recovery program. Only companies that have adopted an Agile way of working and have streamlined their processes for speed and efficiency will be able to act fast and enter the adaptability phase.

In fact, using the term Digital Transformation can be confusing: according to Amit Zavery, VP/GM and head of platform at Google Cloud, organizations should "consider digital transformation not as a technology project to be completed but as a state of constant agility, always ready to change for whatever customers want next". It is more of a mindset shift and behavioral change than a program with a beginning and an end.

The Key Elements of Digital Transformation for Economic Resilience

The key elements of Digital Transformation to improve Economic Resilience include:

- Data and Analytics
- Digitization of Internal Processes
- Digitization of Customer-facing Journeys
- Implementation of an Agile Culture
- Upskilling and Reskilling of Staff
- Personalization of the Experience
- Development of New Propositions
- Introduction of Digital Marketing

Data and Analytics are essential for a Digital Transformation. Organizations need to have full access to any data that is relevant to their business or activity. Data that is updated in real time or near real time can help organizations anticipate potential problems in their activities and plans and respond quickly. Data can also create new opportunities to increase revenue or impact their activities. The first part of any data strategy is to ensure that any kind of data is stored and recorded properly to enable data analysts or data scientists to use it for reports, analysis, forecasts, etc.

Organizations that are more advanced can also use Machine Learning or Artificial Intelligence to predict churn, do a sentiment analysis, or make segments. Nedbank, a bank from South Africa, has used data and analytics a lot as part of its Digital Transformation to improve customer experience and optimize operations. By using advanced analytics and machine learning, the bank has offered personalized financial products and services. For example, its “Manage My Life” platform uses predictive analytics to give financial management tips, helping to avoid too much debt. Also, Nedbank has enhanced risk management and fraud detection with data analytics, improving operational effectiveness and security.

This focus on data-driven strategies has increased customer satisfaction and simplified the bank’s internal processes. The organization can achieve **Operational Excellence and Efficiency** by digitizing and automating processes. Digitization and automation can save time for the sta6, so that they can concentrate on more valuable tasks and avoid the need to hire more people.

Automation also lowers the number of errors in a process, hence delivering better results. The automation of a process can be done by using solutions like Robotic Process Automation (RPA) that introduce simple bots that do an activity, or a sequence of activities, usually done by a human being. A well-executed digitization and automation of a process can create savings that can be used for new business opportunities or for improving the balance sheet to prepare it for a possible crisis. For instance, payment of salaries, invoice or timesheet validations, purchase order creation and payment could be easily automated, with only occasional manual checks. Bidco Africa has changed its operations through digitalization, implementing ERP systems and IoT technologies to automate production and supply chain processes. This change has notably increased efficiency, with a reported 20% decrease in operational costs and a significant enhancement in inventory turnover. The use of digital project management tools has also simplified internal workflows, improving team cooperation.

As a result, Bidco Africa has seen increased operational flexibility and responsiveness in its supply chain, strengthening its competitive advantage in the market.

Some companies, when they embark on a Digital Transformation journey, immediately concentrate on the Digitization of Customer-facing Journeys, often by attempting to create an app. An app could be a possible outcome of the digitization of some journeys, but it is not the only one. The first step when digitizing a journey is to determine the goal: is it to reduce operating costs, attract new customers, or to be able to better cross-sell and upsell to existing customers? Once the goal is clear, it is important to evaluate the existing or available technical capabilities to build a digital solution and ensure that it is built in a modular way, so that it can be used on different channels. Depending on the journey and the target segment, the organization must decide which digital channel or channels could be the best solution to implement the new digital journey. An app has no doubt several advantages and, when well designed and developed, can become a vital asset for the company, but it may not be suitable for all purposes. Other channels could be more appropriate for other purposes. For example, an interactive website could be the best solution for a B2B company; a well-planned social media strategy could be ideal for an organization that wants to just generate leads while the development of a bot on WhatsApp could be the perfect solution for an organization looking to decrease interactions with customers on traditional channels to lower the cost of managing those channels. The development of such a bot can begin only after having analyzed in detail the insights from traditional channels to ensure the solution will decrease the traffic towards these channels: the focus must be on the high-volume journeys to have a faster return on the investment. The integration of such a bot with Large Language Models (LLM) like OpenAI could create a channel that provides a human-like chat (and potentially also visual) experience for the customer. In Africa, where the penetration of smartphones is still limited, the deployment of a smart USSD experience could provide a much higher ROI for some organizations and for specific segments than building an app. An example of a new digital channel is Zigi by MTN Ghana. Zigi is a chatbot available on the MTN website, WhatsApp, and myMTN app that provides the customer with automated support for specific questions and journeys. Only when the question cannot be answered by the bot, is the customer asked to start a chat with a live agent.

To improve Economic Resilience, the main pillar of the Digital Transformation journey is the Implementation of an Agile Culture. The organization needs to review how it works and how it makes decisions (and how long it takes for them to be made) before it can benefit from any of the activities that are part of a Digital Transformation program. For example, if product managers have limited decision-making power and department leaders create delays, then the necessary speed to survive during a crisis will not be possible. Implementing an Agile culture requires not only changing some processes but also giving staff the authority to make decisions. Budgeting is an area that is often overlooked in an Agile journey, but it is a vital part of it: the traditional way of budgeting, with a yearly budget set in Q4 for the next year and then distributed per divisions, does not allow much flexibility during the year. Companies that have implemented an agile culture often allocate budget on a quarterly basis and allow more freedom on how the budget is spent: the ROI should not be the only key factor to allocate budget if the organization wants to prepare for the future or for a potential crisis. Some projects that do not have an immediate return might never get prioritized if the organization only optimizes for ROI, so the organization cannot invest in new ideas or experiment with new business models. The CEO and the Executive Team must be the first to adopt such a new approach and be willing to "delegate power" to their teams to achieve speed and flexibility, if they want to implement an Agile culture. Some divisions in the organization can implement an Agile culture by using certain frameworks like Scrum for developing new products and they could also get help from a professional Agile Coach who can assist them during their journey towards Agile. Several institutions in Africa have used Scrum, like Absa, Access Bank, Flying Doctors of Nigeria, and many others.

> **"Organization must make safe environments where employees can experiment with AI tools to learn how to use them and to find potential applications to improve the business performance."**

Upskilling and Re-skilling of Staff is essential for a Digital Transformation, because the organization will change: some activities will disappear, others will be done by an AI bot, and resources will be needed to create new propositions and solutions. The organization needs to spend on re-educating the people affected by the transformation, so that they can work in other areas. It is also important to have a strong value proposition for employees to attract the skills needed to drive the transformation. If a company wants to use GenAI to speed up automation, they will have to hire developers or prompt engineers, because most likely such a skill does not exist in the organization, and it is hard to teach to a level that is enough to see a real impact on the organization. Staff also have to be enabled to use the new AI tools that are available to become more productive: Harvard Business School professor Karim Lakhani said that AI Won't Replace Humans — But Humans With AI

Will Replace Humans Without AI. Organization must make safe environments where employees can experiment with AI tools to learn how to use them and to find potential applications to improve the business performance. Besides AI, Digital Transformation requires new skills in software development, process automation, creation of new business models, etc.: the organization must invest in training to ensure the workforce is ready to join this journey and can handle the disruption created by Digital Transformation. In several countries in Africa, it is challenging to find the people with the right skills to support a fast Digital Transformation: for this reason, it is important to collaborate with universities to influence certain curricula and create a talent pipeline for the future. Depending on the company and the country it is also important to review how hiring is managed. When skills are rare in the market, potential candidates can choose among various opportunities so the company needs to be ready to be more active in the hiring to make sure it is attractive for the type of candidates it is looking for. The company also has to be prepared to answer to new questions from candidates such as how much is the computing power of the organization or whether they have a Bring Your Own Device (BYOD) policy.

Digital Transformation can support the **Personalization of the Experience** by using tools and capabilities that are more advanced: personalization can also be a key way to stand out when it is hard to create a unique offer. Customers want to be treated as individuals, not as anyone else, and by using data and digital channels, an organization can design a unique experience for each of their customers. Well-organized data reveal what a customer likes and what they need: the organization can make a special offer or experience based on these insights. The smart use of email, push notifications, in-app messages, and other digital channels can deliver a contextual experience that will make the customer feel they are being heard. It is important, however, not to end up in a situation where the customer could find this as being intrusive because too much data has been used to shape their experience. A typical example of personalization of the experience is the app Duolingo, which provides a simple way to learn a new language: they use the data given by the customer and how they use the app to create messages and experiences to get the customer to continue using the app and learn the language.

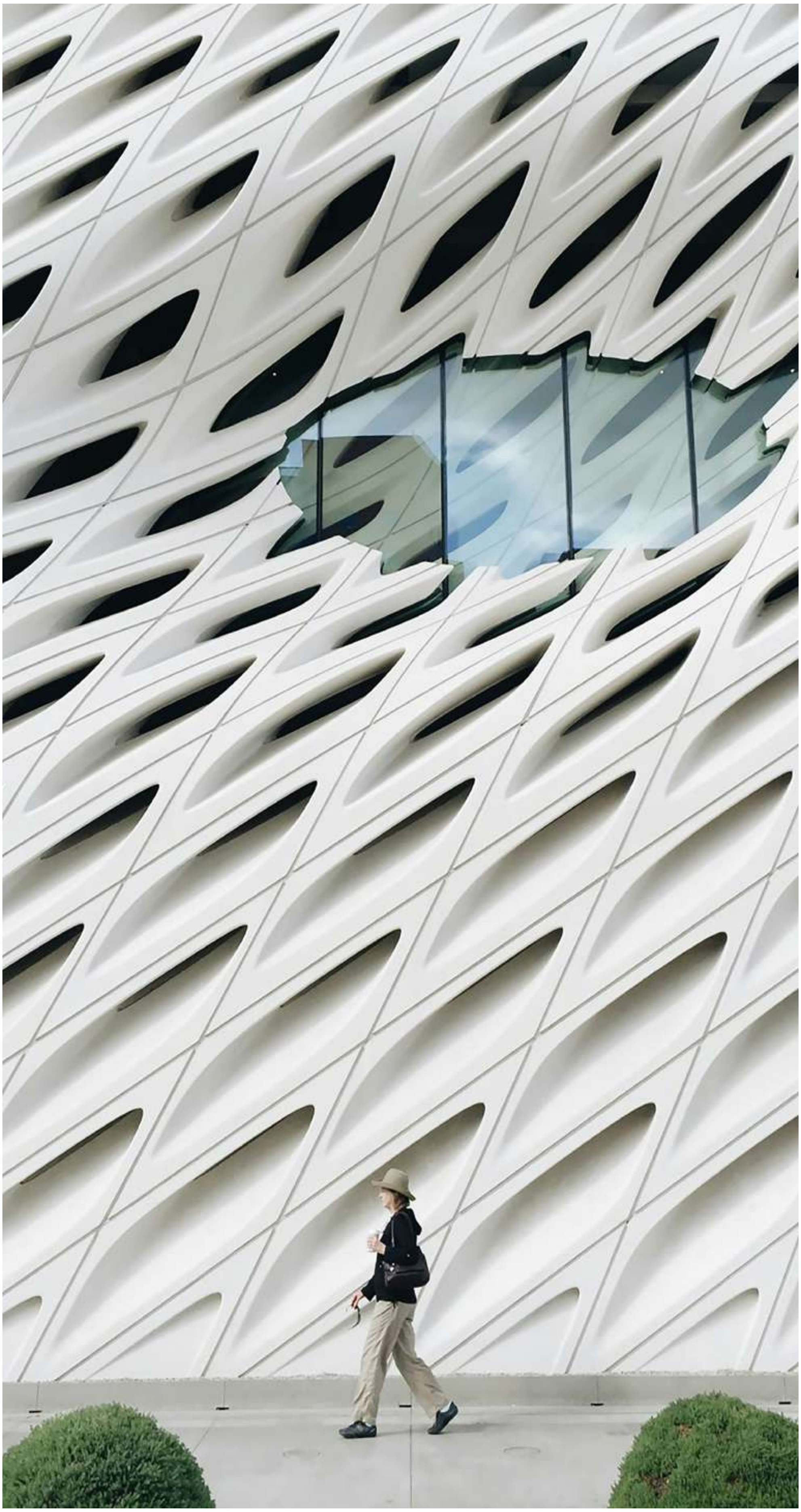
In the Adaptability phase, an organization should also explore **Developing New Propositions** that could arise from new market conditions due to a shock or crisis. If the organization has already adopted an Agile culture and upskilled its workforce, it should be relatively easy to experiment with new propositions in a quick and cost-effective way.

Key for this is the use of a Design Thinking approach that places the customer or the user at the core of defining a new proposition. Most organizations do not have a Steve Jobs or Elon Musk who can “foresee the future”, so they need to follow a defined process to find new ideas to grow their business. The Design Thinking process includes the Empathy phase to comprehend the real needs of the user, the Definition phase where the problem is clearly stated, the Ideation phase where ideas are presented for discussion, the Prototyping phase where the chosen idea is built using a low-fidelity approach, and then the Testing phase where the prototype is tested with real users. Such an approach, together with a solid analysis of the market, could produce solutions that match the product-market fit and could become a new source of income for the organization. To enable such a process, the leaders of the organization need to empower their teams, listen to them, and let the process flow without their interference or micro-management.

They should also avoid getting attached to a solution, but should get attached to a problem: when

you get attached to a solution, you stop listening to feedback, and your ego takes over, a perfect recipe to launch a product that will not succeed. Developing and measuring the right KPIs when investing in new business models, especially in the digital space, is critical to be able to show the Board the progress of the new idea. Measuring returns on digital investments is critical in this process: when the results are positive, these metrics can increase confidence that technology creates desired outcomes and ROI. An example of a new business model created by a company in Africa is Chenosis, the API marketplace launched by MTN Group in 2022. MTN realized that several organizations in the continent needed support to develop better solutions for their customers: Chenosis provides these companies with APIs and LowCode/NoCode solutions that can simplify their processes or improve the customer experience on their channels. This is a new proposition that was developed by looking at the insights from the market and using the existing assets of the organization to create a new revenue line.

A crucial aspect of Digital Transformation is the **Introduction of Digital Marketing**, which offers tools to measure return on investment (ROI) accurately and to reach customers with unparalleled precision. Traditional marketing channels, although still useful, often have difficulty offering the same level of analysis and understanding of consumer behaviour. Digital marketing platforms, in contrast, provide real-time data and analytics, allowing businesses to know exactly how and where every dollar is spent and what it results in terms of customer engagement and conversion. This data-driven approach enables the improvement of marketing strategies in ways that were not possible before, ensuring that resources are not just used but are allocated smartly. Furthermore, the detail of targeting options available through digital channels ensures that marketing efforts are aimed exactly at the segments of the population most likely to react positively, thereby increasing the efficiency and effectiveness of marketing campaigns. A key element of economic resilience is to keep a solid balance sheet and being able to improve marketing spend could help in this direction. Advanced targeting can also enable the organization to enter into new segments, while some of the digital marketing tools also allow testing of new propositions with a small section of the customer base at a very low cost.



Conclusion

This article outlines the key aspects of Digital Transformation that can enable a company or an institution to strengthen its economic resilience. However, Digital Transformation (and AI Transformation) will only work if the leader of the organization supports and drives it: there are many obstacles to overcome during such a process and the leader will have to keep moving forward to demonstrate a positive outcome. When designing and implementing a Digital Transformation program, it is essential to ensure that it involves all functions: one division could be the test case for the Transformation, but the program should from the start include every employee, even if only by keeping them informed about the program and offering them training or other opportunities to experience the transformation. The danger of confining Digital Transformation to the Digital team, IT or Marketing is that it will then delay the benefits of the program across the organization.

Every organization needs to accept that VUCA is the new reality, and the only way to progress is to build resilience to flourish (and not just survive) in this new situation. The recipe for this includes developing a new kind of leadership that, among other new traits, is more open and adaptable so that the organization can emerge stronger from a crisis or a change in circumstances. A (continuous) Digital Transformation program provides the tools to become faster, more effective, and quickly solve the problems that VUCA creates.

Bouncing Back Better: Redefining Control Performance

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I. Introduction

Imagine a complex orchestra preparing for a grand performance. The conductor meticulously reviews the sheet music, ensuring each instrument understands its role. But what if the focus was solely on preparing for a potential power outage or a musician falling ill? While these are valid concerns, a successful performance hinges on more than just "bouncing back" from disruptions. It requires a focus on both **flawless execution** and the ability to adapt to unforeseen circumstances.

The Organisation as an Orchestra: Similarly, organisations traditionally viewed control performance through the lens of risk mitigation and compliance, akin to the orchestra preparing for emergencies. This article proposes a redefinition of control performance. We shift the focus to ensuring a well-rehearsed and efficient performance of the organisation's daily operations, while also maintaining the ability to adapt to unexpected changes.

Beyond Backups: Building a Harmonious System: Effective control performance goes beyond being the backup singers who only come in during emergencies. It's about ensuring each instrument, each department and process, functions seamlessly from the very beginning. This redefined perspective empowers organisations to not just weather challenges, but to maintain optimal performance and achieve **sustained success.**

This broader concept of control performance, encompassing both efficiency and adaptability, is crucial for navigating today's dynamic business environment. The following section will explore the core functions of controls in this context, and how they contribute to a well-functioning organisational system.

"This broader concept of control performance, encompassing both efficiency and adaptability, is crucial for navigating today's dynamic business environment."

II. Control Performance: Beyond Risk Mitigation and Towards Operational Excellence

Traditionally, control performance focused on ensuring controls are in place to identify and address potential risks. While risk management remains important, we now broaden the scope of control performance to encompass its role in **facilitating efficient and error-free day-to-day operations.**

The Core Functions of Controls: Effective controls in this context act as the silent guardians of smooth operations by:

- **Safeguarding Data Integrity:** Ensuring the accuracy and completeness of data used for decision-making.
- **Automating Routine Tasks:** Minimising human error and improving efficiency by automating repetitive tasks.
- **Enforcing Standardised Procedures:** Guaranteeing consistent practices across the organisation, reducing operational variability.
- **Enabling Performance Monitoring:** Providing continuous oversight through the tracking of key performance metrics, allowing for early identification of potential issues.

By focusing on these core control functions, organisations can experience a multitude of benefits:

- **Improved Efficiency:** Reduced errors and streamlined processes lead to increased productivity.
- **Enhanced Decision-Making:** Reliable and accurate data empowers informed choices.
- **Reduced Operational Costs:** Minimised errors and rework translate to cost savings.
- **Stronger Foundation:** Effective controls provide a solid base for growth and adaptation.

The next section will explore how organisations can build a high-performing control system that fosters these benefits and ultimately contributes to sustained success.

III. Building a High-Performing Control System: More Than Just Fire Drills

While a redefined control performance focuses on optimising normal operations, it also strengthens an organisation's ability to navigate challenges. Here's how effective controls can be instrumental:

- **Proactive Identification of Issues:** Continuous monitoring through controls allows for early detection of potential problems before they disrupt operations. Imagine a well-maintained car with a sensor that detects engine trouble before it stalls on the highway. Similarly, effective controls act as early warning systems, allowing for preventive measures.
- **Streamlined Incident Response:** Standardised procedures and clear roles established through controls ensure a swift and coordinated response to unexpected events. Just like a well-trained fire brigade, clear protocols and assigned roles minimise confusion and expedite response during emergencies.
- **Data-Driven Decision Making:** Reliable information provided by effective controls empowers informed decisions during challenging situations. Imagine navigating a dense fog without a compass. Controls provide the essential data, the compass in this analogy, to guide sound

decision-making when visibility is limited.

Moving Beyond Reactive Recovery: By prioritising proactive measures through control performance, organisations can not only maintain optimal performance during normal operations but also build resilience and minimise disruptions when challenges arise.

IV. Implementing Effective Control Performance: A Roadmap to Success

Equipping organisation with a high-performing control system requires a strategic approach. Here are actionable steps to consider:

- **Conduct Regular Control Assessments:** Periodic evaluations identify areas for improvement and ensure controls remain relevant and effective. Think of it as a regular checkup for your organisational systems, ensuring they are functioning optimally.
- **Invest in Control Automation:** Leverage technology to automate routine control tasks, freeing up resources for higher-level analysis. Imagine replacing manual data entry with automated systems, freeing up valuable staff time for more strategic tasks.
- **Foster a Culture of Control Awareness:** Train employees on the importance of controls and their role in maintaining operational excellence. Just like everyone on a sports team needs to understand their role for the team to succeed, employees should understand how their actions contribute to effective control performance.
- **Establish Clear Communication Channels:** Promote open communication regarding control concerns and encourage continuous improvement suggestions. Imagine a suggestion box specifically for control-related improvements. This allows employees to be active participants in maintaining a well-functioning system.

By implementing these steps, organisations can build a control system that fosters efficiency, strengthens resilience and ultimately positions them

> **By prioritising proactive measures through control performance, organisations can not only maintain optimal performance during normal operations but also build resilience and minimise disruptions when challenges arise**

for sustained success in today's dynamic business environment.

V. Conclusion: The Symphony of Efficiency and Adaptability

Throughout this article, we have explored the concept of control performance in a new light. We have moved beyond the traditional focus on risk mitigation and compliance to emphasise its critical role in ensuring **smooth, efficient, and error-free daily operations.**

Recap of Benefits: Effective control performance underpins an organisation's ability to:

- Maintain optimal efficiency and productivity.
- Make informed decisions based on reliable data.
- Reduce operational costs through minimised errors.
- Build a strong foundation for growth and adaptation.

Beyond Efficiency: A Foundation for Success: Furthermore, a well-defined control system fosters resilience and enables proactive responses to unforeseen challenges. This redefined perspective on control performance positions organisations not just to bounce back from disruptions, but to **thrive in the long term.**

Call to Action: Consider taking a proactive approach to control performance within your organisation. Conduct a control assessment, explore automation opportunities, and invest in employee awareness programs. Remember, **a high-performing control system** becomes the invisible conductor, orchestrating a symphony of efficiency and adaptability, empowering your organisation to achieve sustained success.

Managing risk in turbulent times:
a Case for Building Resilience for Business Success

Kenneth Agyei-Duah | Ewuraba Aikins

> **Turbulence is a nightmare which wakes people up suddenly, and unexpectedly, but is something people wish to forget... till it strikes again**

Economic turbulence is characterised by uncertainty. These uncertain times are mostly accompanied by adverse economic situations like high unemployment, rising inflation, decreased purchasing power and investments value, fluctuations in consumer prices, restrictions in accessing loans, and fluctuations in foreign exchange rate. These represent economic shocks that hit most consumers and businesses.

In 2022, Ghana experienced an episode of turbulence in the economy. This was fueled by rising fiscal deficits and public debt levels, the combined effects of the COVID-19 pandemic, the Russia-Ukraine war, tightened global monetary policy and global supply-chain challenges. The effect of the turbulence was evidenced by a significant drop in international investor confidence which consequently resulted in a restricted access to the international capital market. With restricted access to external financing, the government turned to monetary financing by the central bank, thus feeding into declined international reserves, currency depreciation, and accelerated inflation.

Businesses like banks get exposed to diverse risks during such times. It disrupts their strategic plans and hampers the ability to achieve their objectives. Bank risk tends to increase with elevated economic uncertainty. The likelihood of borrowers defaulting tends to increase amidst uncertainty, especially for companies facing significant financial constraints. This situation can elevate the risk for banks, as the distress of these firms may translate into higher levels of risk for the banks themselves. The reduced demand for financing from companies and the higher costs of funding for banks can lead to diminished profitability. Consequently, this scenario may incentivize banks

> **Building resilience during uncertain times is essential for banks to enhance risk management capabilities, sustain long-term viability, comply with regulatory requirements, maintain customer confidence, and foster adaptability and innovation.**

to pursue higher-risk, higher-return projects as they search for better returns, particularly when their return targets are inflexible. Moreover, heightened uncertainty can exacerbate information asymmetry issues, potentially prompting a "herding behaviour" among banks in their lending decisions. This herding behaviour may further increase banks' risk exposure if their lending practices deviate from their underlying fundamentals.

Building resilience during uncertain times is essential for banks to enhance risk management capabilities, sustain long-term viability, comply with regulatory requirements, maintain customer confidence, and foster adaptability and innovation. By prioritising resilience-building efforts, banks can better navigate uncertainty and emerge stronger and more resilient in the face of future challenges.
As institutions across our nation are confronted by a spectrum of unprecedented challenges — ranging from global pandemics, geopolitical conflicts, and economic volatility, to evolving reforms, and the impact of media (traditional and social media) — the imperative to foresee, adapt, remain agile, and prosper in the face of uncertainty has never been more critical. To be able to build resilience in today's ever-changing landscape, it is prudent for businesses to rethink risk.
How do you know what risk is?
How do you handle a risk you are oblivious of?
How do you minimise the threats presented by these risks?
How do you position your organisation to take advantage of the opportunities presented by these risks?

Rethinking risk will require a paradigm shift from how we have always known risk and its management. Change is the only constant here. Businesses may consider the following key strategies to build resilience as part of their journey towards sustained business success:

1. Proactive Risk Management Framework

Imagine having a safety net that catches you before you fall. That's the essence of a robust risk management framework. It provides banks with a structured approach to navigate uncertainty. It lays out a systematic process for pinpointing potential risks, including those that may arise from unforeseen circumstances. The risk management framework of today is designed to not only consider events of "normal times". A critical consideration for events in "abnormal" times is provided for in such frameworks. This allows businesses to be more prepared for unexpected events. The framework encourages stress testing various financial models against extreme scenarios to identify weaknesses and develop contingency plans to navigate the turbulence.

By emphasising proactive identification, assessment, and mitigation of risks, businesses can avoid costly surprises and seize opportunities that arise in the face of adversity.

2. Scenario Planning and Stress Testing

Stress testing and scenario planning are two powerful tools within a risk management framework that help banks prepare for turbulent times. Here's a breakdown of how they work together:

Stress Testing:

Simulating Drastic Scenarios: Stress tests put a bank's financial health through the wringer by simulating extreme economic downturns, interest rate spikes, or asset price crashes.

Identifying Weaknesses: By pushing the boundaries, these tests expose potential vulnerabilities in a bank's loan portfolio, liquidity position, or capital adequacy.

Proactive Measures: Identifying weaknesses beforehand allows banks to take corrective actions like increasing capital reserves, diversifying loan portfolios, or tightening lending standards.

Scenario Planning:

Thinking Outside the Box: Unlike stress tests that focus on predefined scenarios, scenario planning encourages banks to consider a wider range of possibilities, including unforeseen events.

Black Swan Events: This includes "black swan" events - highly improbable but impactful situations. Thinking through these possibilities fosters a culture of preparedness for the unexpected.

Contingency Plans: By considering diverse scenarios, banks can develop contingency plans to address a wider range of potential crises, making them more adaptable during turbulent times.

Working Together:

Stress Test as a Baseline: Scenario planning builds upon the foundation laid by stress testing. The identified weaknesses from stress tests become the focus points when brainstorming potential scenarios.

Refining the Response: Scenario planning helps refine the bank's response to the types of situations revealed by stress testing. This allows for a more nuanced and effective approach to managing risk.

In conclusion, stress testing acts as a diagnostic tool, identifying vulnerabilities, while scenario planning helps develop a wider range of antibodies to combat potential risks. This combined approach strengthens a bank's ability to manage risk and navigate the uncertainties of turbulent economic periods.

3. Risk Culture

Risk culture plays a fundamental role in how effectively a bank leverages its risk management framework, especially during turbulent times. It essentially refers to the collective attitudes, behaviours, and norms within a bank regarding risk taking and management. It goes beyond mere compliance with regulations and encompasses the ingrained mindset and attitudes towards risk throughout the institution.

A careful consideration of the following risk culture practices can serve as a foundation upon which business resilience can be built:

Embedding Risk Awareness

A strong risk culture fosters a deep awareness of potential risks at all levels of the bank. This means employees are not only familiar with the framework but also understand the rationale behind stress testing and scenario planning. Consistent capacity building on risk management for staff across the organisation at all levels will provide the risk knowledge needed to make risk management a way of life in the business.

Taking Ownership
When employees understand the risks, they're more likely to take ownership of risk management practices. This translates to better implementation of the framework's guidelines and a more proactive approach to risk identification and mitigation.

Effective Communication
A strong culture prioritizes open communication about risks. This ensures that findings from stress testing and scenario planning are effectively communicated across departments. This allows for a coordinated response and faster decision-making during turbulent times. When employees feel comfortable raising concerns about potential risks, even if they contradict short-term goals, the bank can address them before they escalate into bigger problems. This is crucial during periods of heightened uncertainty.

Living the Framework
A strong risk culture goes beyond having a framework on paper. It's about translating those principles into everyday practices. Employees at all levels are expected to make decisions and take actions that are aligned with the risk appetite outlined in the framework. This becomes even more critical during turbulent times. A strong risk culture ensures employees don't resort to risky shortcuts or bypass established procedures under pressure.

Learning from Experience
A strong culture encourages open discussions about past successes and failures in risk management. This allows banks to continuously learn and improve their stress testing and scenario planning exercises. By incorporating lessons learned, banks can adapt their risk management framework to better reflect the evolving economic landscape during turbulent times. In essence, a strong risk culture empowers employees to leverage the tools provided by the risk management framework. It fosters a sense of accountability, encourages open communication, and promotes continuous learning. This combination is essential for effective risk management, especially when navigating the uncharted waters of turbulent economic periods.

Conclusion

The need for proactive risk management and the cultivation of resilience cannot be overstated, especially in an era marked by volatility and uncertainty. The success of businesses today hinges on their ability to foresee, navigate, and adapt to the emerging risks that turbulent times present. This not only ensures their survival but also positions them to thrive and seize opportunities. Resilience is a competitive advantage in the marketplace and presents a strategic opportunity to earn customer and regulatory trust.

The symbiotic relationship between banks and regulators plays a pivotal role in fortifying the financial sector's infrastructure. Through collaborative efforts, these entities can establish robust frameworks and systems designed to withstand economic shocks, safeguards depositors' funds and ensure financial stability within the economy. This partnership is crucial in fostering a stable and resilient financial environment conducive to sustainable growth and development.

As we look to the future, it is very necessary for Ghanaian banks to prioritise and invest in building resilience. This entails not just a commitment to strengthening internal risk management practices but also actively engaging in broader industry and regulatory dialogues and initiatives.

Ghanaian business particularly banks should embrace proactive risk management and resilience-building as cornerstone principles of their operational and strategic agendas. In doing so, they will ensure their own success as well as play a crucial role in the broader effort to create a more resilient, robust, and prosperous financial sector in Ghana.

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Financing the Green Transition to Tackle Climate Change: The Role of Government and the Banking Sector

Climate change is no longer a distant threat; its impacts are being felt worldwide. From extreme weather events to rising sea levels, the urgency to address this crisis is undeniable. Transitioning to a green economy, one that prioritizes sustainability and reduces carbon emissions, is essential.

Financing plays a critical role in facilitating this transition. Shifting towards renewable energy sources, developing clean technologies, and implementing sustainable practices require significant investment. Financing this transition requires a collaborative effort from governments and the banking sector.
This article explores the critical roles of government and the banking sector in mobilizing resources for a successful green transition in Ghana.

The Role of Government in Financing the Green Transition

Governments have a responsibility to create an enabling environment for green investments. The following are key strategies to consider:

Governments can create an attractive landscape for green investments through targeted legislation. Tax breaks, subsidies, and feed-in tariffs for renewable energy projects can significantly stimulate investment. For instance, a well-designed feed-in tariff guarantees renewable energy producers a fixed price for the electricity they generate, making these projects more financially viable.

Government funding can act as a crucial catalyst, jumpstarting green initiatives, especially in their early stages. Ghana provides a compelling example. There is a Renewable Energy Fund specifically to support the development and deployment of renewable energy technologies like solar and wind power [2]. This fund helps bridge the financing gap for nascent green projects, paving the way for a more sustainable energy mix.

Market forces can be harnessed to promote responsible practices. Carbon pricing mechanisms, such as carbon taxes or emissions trading schemes, make polluters bear the cost of their environmental impact. This discourages environmentally harmful activities and steers investments towards cleaner alternatives. For example, a carbon tax directly increases the cost of fossil fuel consumption, incentivizing businesses, and consumers to adopt cleaner energy sources. By incorporating the environmental price tag into business decisions, carbon pricing mechanisms promote a greener future.

Collaboration is key! Public-private partnerships (PPPs) can be a powerful tool for accelerating the green transition. Such partnerships leverage the strengths of both entities, leading to a faster and more efficient

green transition. The United Nations Conference on Trade and Development (UNCTAD) recognizes PPPs as a means to "support green structural transformation".

The Role of the Banking Sector in Financing the Green Transition

The banking sector holds significant financial resources and can play a vital role in channelling them towards green projects.

Financial innovation is essential. Developing financial instruments like green bonds and loans specifically designed for green projects can make them more attractive to investors. Green bonds are essentially debt securities issued by governments or corporations to finance environmentally friendly projects. These bonds often come with lower interest rates for investors seeking sustainable investment opportunities. Banks can play a key role in mobilizing resources for the green transition by creating and offering these specialized financial products. Climate risk insurance products can help businesses manage the financial risks associated with climate change, such as extreme weather events. Banks can not only help businesses manage climate risks but also unlock new avenues for sustainable growth by creating these innovative financial products.

Banks can promote responsible business practices and encourage sustainable investments by considering a company's ESG performance alongside traditional financial metrics like profitability, liquidity, and solvency. Integrating ESG criteria into decision-making incentivizes businesses to prioritize sustainability, leading to a more environmentally conscious economy.

Collaboration across various sectors is crucial for mobilizing resources and developing comprehensive solutions .By working together, governments, banks, international organizations, and other stakeholders can create a more robust and effective green finance ecosystem, accelerating the transition to a sustainable future.

Challenges and Barriers to Financing the Green Transition

Several challenges and barriers impede the flow of capital towards green projects. Below are some of the significant challenges and barriers to financing the green transition:

Lack of awareness and understanding among investors and borrowers

Across Africa, nations like Ghana are taking commendable steps towards a sustainable future. Initiatives such as the national platform established by the Bank of Ghana and the inauguration of the Sustainable Banking

Committee demonstrate a strong commitment to green finance. However, amidst these efforts, a significant challenge persists: the limited awareness and understanding of green finance concepts among investors and borrowers.

A study conducted in Ghana by The Partnership for Action on Green Economy (PAGE) engaged key stakeholders from 63 private and financial institutions. While a general understanding of sustainability and green financing was evident, the study highlighted a significant gap in knowledge concerning specific green economy concepts. Respondents expressed the need for detailed explanations, signaling a limited grasp of the implications of embracing a green economy (Partnership for Action on Green Economy, 2018).

This knowledge gap presents a significant barrier to financing Ghana's green transition. While sustainable investments offer potential benefits like job creation, economic growth, and environmental protection, insufficient comprehension hinders progress. Without a clear understanding of the concept and its relevance to business operations and financial decisions, investors and borrowers may be hesitant to participate in green finance initiatives.

The challenges faced in Ghana mirror those identified in Zambia, as outlined in a policy brief produced by Policy Monitoring and Research Centre. In Zambia, limited awareness and capacity among market participants pose similar obstacles to the financing of environmentally sustainable projects. The brief emphasizes the need for education and training to raise awareness and build capacity among investors, issuers, and regulators (Chiwele, 2023).

Financial barriers such as high upfront costs and long payback periods

Transitioning to green technologies and infrastructure requires significant upfront investments. Installing solar panels, for example, offers long-term energy cost savings, but the initial capital outlay can deter businesses and individuals. Similar scenarios exist across the globe with various green projects. For instance, developing large-scale sustainable forestry projects often involve extensive land acquisition and management practices, leading to long payback periods until forests mature enough for timber harvesting (World Bank, 2023). Additionally, building climate-resilient infrastructure, such as sea walls and flood barriers, requires substantial upfront costs for construction and materials, although these investments can prevent billions of dollars in damages from future climate events (Global Center on Adaptation, 2022).

In Ghana, as in many developing economies, transitioning to green technologies and infrastructure faces challenges due to high upfront costs and long payback periods. This can be a barrier for various green initiatives. While specific cost estimates can vary depending on the project and technology, the initial investment can be a significant hurdle.

In a discussion paper released by the African Development Bank (AfDB), it was referenced that the Climate Policy Initiative (CPI) estimated a significant annual climate finance gap of USD 250 billion for Africa between 2020 and 2030 (AfDB, 2022). This financial shortfall is further compounded by rising national debt levels, a concern exacerbated by the COVID-19 pandemic. The burden of debt raises questions about the feasibility of relying solely on increased borrowing for green initiatives. Beyond the immediate financial constraints, a lack of suitable financial instruments hinders progress. Green projects often have unique characteristics that struggle to fit traditional financing models.

Regulatory and policy uncertainties impacting investment decisions.

Investors are hesitant to commit to projects when regulations and policies surrounding environmental sustainability are unclear or inconsistent. The International Renewable Energy Agency (IRENA) report, "Financing the Net Zero Transition" (IRENA, 2023), underscores this point, highlighting how a lack of clear and consistent regulations discourages private sector investment in clean energy globally. This is particularly true in developing countries, where regulatory frameworks related to environmental protection and sustainable development may be fragmented or inadequately enforced.

Businesses in Ghana's renewable energy sector face challenges due to overlapping permitting requirements from various government agencies (e.g., Environmental Protection Agency, Ministry of Energy, local authorities). This creates delays and uncertainties for project developers, undermining investor confidence and increasing perceived risks associated with green investments.

Risk-return profile of green investments compared to traditional assets.

The perception of heightened risk associated with green investments is another obstacle hindering the flow of finance into green initiatives. Traditional assets often offer a perceived stability and predictability that green investments, particularly in emerging markets like Ghana and across Sub-Saharan Africa, may lack.

A study conducted by FSD Africa highlighted that investors may exhibit reluctance due to uncertain returns, risk of loss, lack of regulatory clarity, and concerns about credit quality (FSD Africa, 2021).
The relatively nascent nature of many green technologies and ventures contributes to a lack of historical data and established track records. This absence of precedent makes it challenging for investors to accurately assess the risks and potential returns associated with green investments (Zach, 2024). Without tangible evidence of past successes, financiers may opt for conventional projects with proven profitability, thereby impeding the transition to a greener economy.
Despite the growing recognition of the importance of environmental sustainability, financial incentives for green investments remain limited. In many cases, traditional assets continue to benefit from subsidies, tax breaks, and preferential treatment that are not extended to their environmentally friendly counterparts. This disparity in incentives distorts the risk-return calculus, tilting the scales in favour of conventional investments and disincentivising allocations towards green projects.

Overcoming Challenges and Accelerating Green Finance

As outlined earlier, various obstacles impede the flow of capital towards environmentally

sustainable projects. From lack of awareness and understanding among investors to regulatory uncertainties and perceived financial risks, these barriers hinder the progress towards a greener future.

However, amidst these challenges lies a beacon of hope: a concerted effort to overcome these obstacles and accelerate the momentum towards green finance solutions. Below are four key strategies worthy of consideration.

Transparency and Disclosure of Environmental Risks and Opportunities:

Transparency is fundamental to informed decision-making, particularly in finance. To address this, governments and financial institutions must prioritise educational campaigns aimed at raising awareness about environmental risks and opportunities. By equipping investors and borrowers with the necessary knowledge, we can foster a deeper understanding of the implications of climate change on financial markets and the economy.

The Bank of Ghana through the Sustainable Banking Principle(2019) requires banks to make disclosures on their sustainability activities from 2024. The Ghana Stock Exchange also issued the ESG Disclosure Manual in August 2022 as a guide for listed companies to enhance transparency in and disclosure of their sustainability activities. These standards require companies to disclose their carbon emissions, water usage, and other environmental, social and governance metrics to enable investors to make informed decisions based on the ESG performance of companies.

Strengthening International Cooperation and Coordination on Climate Finance

Climate change knows no borders. Strengthening international cooperation and coordination on climate finance is essential for mobilising resources and scaling up climate action globally. This entails harmonising regulatory frameworks, pooling resources through multilateral climate funds, and promoting knowledge sharing and best practices among countries and financial institutions.
Countries can leverage the collective expertise and resources of the international community to address the urgent challenges posed by climate change.

Scaling up Financial Mechanisms such as Green Bonds, Carbon Markets, and Climate Funds
Financial mechanisms such as green bonds, carbon markets, and climate funds play an essential role in channeling capital towards environmentally sustainable projects. To scale up these mechanisms, governments can incentivise the issuance of green bonds by offering tax incentives and subsidies to issuers.

Similarly, strengthening and expanding carbon markets can provide additional sources of funding for climate mitigation projects. This can be done by introducing carbon taxes or cap-and-trade systems, to incentivise emissions reductions, setting clear rules and monitoring measures to prevent fraud to enhance market integrity, and linking carbon markets across jurisdictions to create a larger, more liquid market, driving down emissions reduction costs and attracting investment. The Carbon Markets Office under the Environmental and Protection Agency (EPA) in Ghana has been established to provide administrative and technical services to the general public and support the implementation of the Ghana international carbon market and non-market approaches framework. Businesses with interests in trading carbon credits are encouraged to seek support and guidance from them whenever required.

Encouraging Innovation in Financial Technology (Fintech) to Support Green Finance Solutions

Innovation lies at the heart of sustainable finance. Encouraging innovation in financial technology (fintech) can unlock new opportunities for green finance solutions. Fintech companies can develop innovative solutions, such as blockchain-based carbon registries and digital platforms for crowdfunding green projects, to facilitate green finance.

Moreover, integrating fintech solutions into traditional financial services can streamline processes and reduce costs associated with green finance. HSBC, for instance, launched a digital platform called HSBC Climate Solutions Database to help clients track and manage their carbon footprint, demonstrating the potential of fintech to mainstream green finance. By harnessing the power of technology, we can drive efficiency, transparency, and accessibility in the green finance ecosystem.
Together, governments and banks can create a financial ecosystem that fosters a green transition. This collaboration is vital for building a more sustainable future for all.

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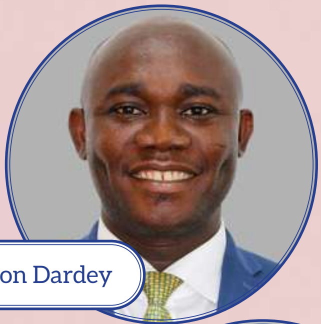
The IMF Extended Credit Facility (ECF) Programme: Implications for Businesses and the Ghanaian Economy


Dr. Priscilla Twumasi Baffour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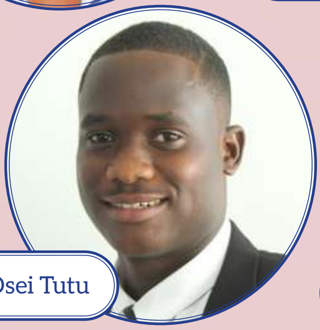
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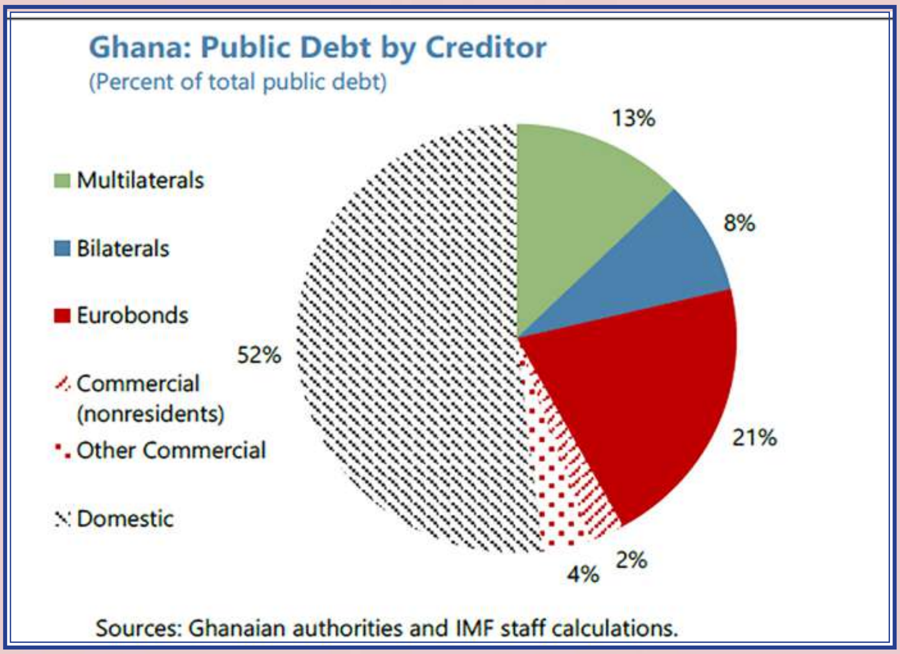
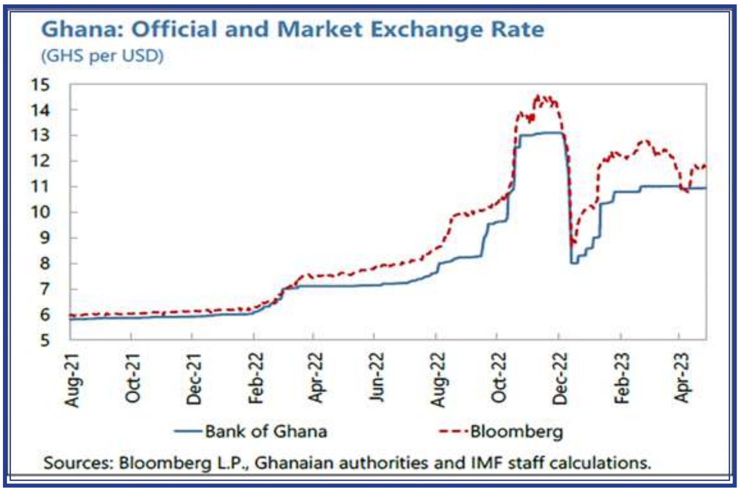
The Ghanaian Economy Before the IMF ECF Programme

Ghana's mounting debt reached a critical level of 88.1% of GDP by the end of 2022. This posed challenges in servicing obligations, which led to a downgrade of the country by major credit rating agencies. Despite inherent vulnerabilities, the high debt situation of the country was induced by the COVID-19 pandemic which led to increased borrowings, thus, increasing the debt-to-GDP ratio from 62.4% in 2019 to 76.1% in 2020. In addition, shortfalls in budgetary provision from the energy sector have contributed to the worsening debt situation in Ghana. Globally, the Russia-Ukraine conflict had adverse impact on the global supply chain, resulting in fiscal and inflationary pressures, which exacerbated the debt situation, particularly in Africa. The conflict caused a sharp increase in commodity prices which increased Ghana's imports cost of essentials such as oil and wheat which led to increased pressure on the national budget. This coupled with rising fuel prices resulted in a worsening trade deficit.





One other important factor that significantly affected the debt composition is the depreciation of the Cedi. In 2022, the Ghanaian cedi depreciated by 31% on a nominal basis, amplifying the cost of imports. The depreciation of the cedi impacted the Cedi equivalence of external debt. For instance, of the GHS 70.9 billion increment in the external debt stock in 2022, 94.8% of the total nominal increase was due to depreciation of the local currency while only 5.2% resulted from transactions. The Cedi equivalent of the external debt stock grew from GHS 170.0 billion, at the end of 2021, to December 2022 end of period balance of GHS 240.9 billion, representing a y-o-y growth rate of 41.7%. Comparatively in dollar terms, the external debt stock stood at US$ 28.96 billion as at the end of 2022, up from US$ 28.3 billion in the previous year, experiencing a marginal growth of 2.2%. This period-end balance is net of interest payments of GHS 11.8 billion that accrued over the period.

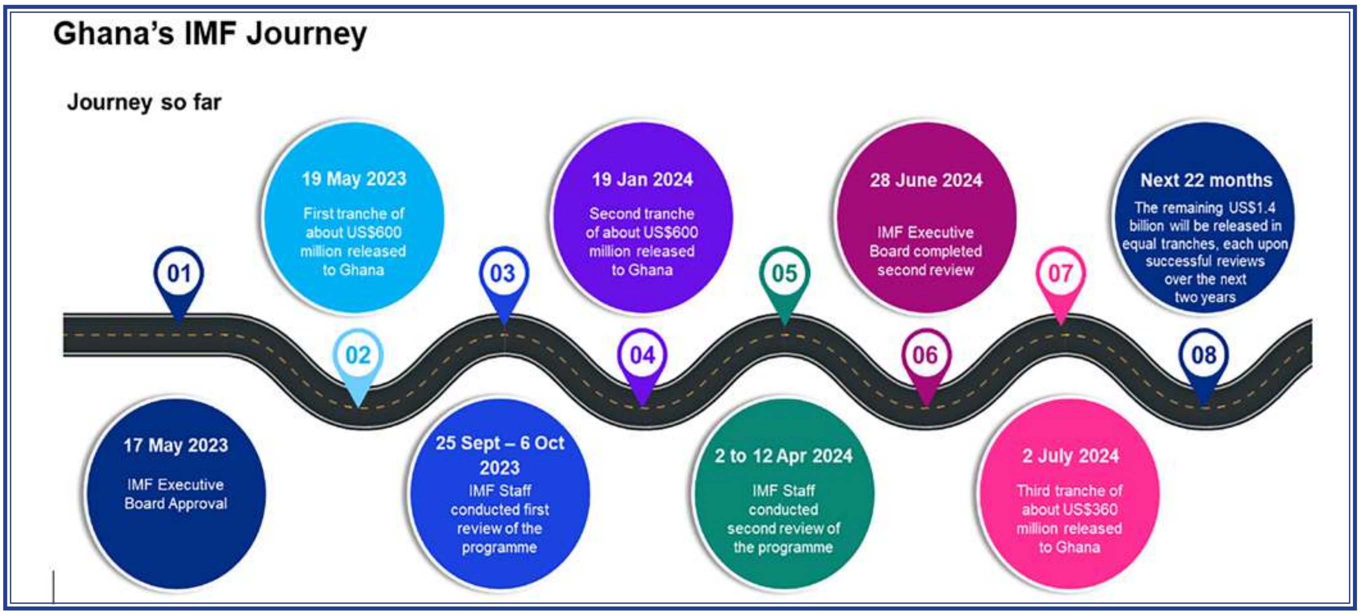
Furthermore, the government's spending outpaced its revenue, leading to a growing budget deficit, amounting to 8.3% as at the end of 2022. Another factor that affected the Ghanaian economy was the high inflation rate. High inflationary pressure eroded the purchasing power of Ghanaians, with inflation rate rising to 54.1% as at December 2022. Inflation is on a deceleration path at 22.8% in June 2024.

In view of these challenges, the Government of Ghana approached the IMF in July 2022 for a fund assisted programme. Prior to this, the government initiated the Domestic Debt Exchange Programme (DDEP) in December 2022. The successful execution of both phases of the DDEP has moderated the pace in the growth of domestic debt. According to the Ministry of Finance, the implementation of the DDEP has yielded substantial benefits in 2023 with savings estimated at GHS 61 billion, equivalent to 7.1% of GDP in 2023. Other initiatives by the government to reduce its debt deficit was to cut down on spending particularly capital expenditure in the year 2023.

Ghana has a long history of participation in IMF bailouts, dating back to the 1960s. Recent participation includes a 2015 Extended Credit Facility arrangement, which happened to be the 16th occasion Ghana had sought assistance from the IMF. Ghana's participation provided temporary relief in economic crises and encouraged reforms to improve fiscal discipline and economic management. Although some commentators have raised questions regarding the austerity measures imposed by the IMF which can be harsh, leading to cuts in social spending, and the reliance on IMF loans which can create a cycle of debt, requiring further bailouts in the future. This paper summarizes Ghana's journey under the current IMF programme and delves into the implications for the economy and businesses.

Ghana's IMF Programme

On 17 May 2023, the Executive Board of the International Monetary Fund (IMF) granted approval for a 36-month



Programme under the ECF amounting to SDR 2.242 billion, which is approximately equivalent to US$3 billion.
Anchored on the Government's Post COVID-19 Programme for Economic Growth (PC-PEG), the main objective of the IMF-support is to restore macroeconomic stability and debt sustainability, build resilience through the implementation of wide-ranging and strong structural reforms, and lay the foundation for stronger and more inclusive growth, while also protecting the poor and the vulnerable.

Where We are

Staff from the IMF and the authorities of Ghana reached a second staff-level agreement, marking the conclusion of the second review of the 36-month ECF-supported programme on 13 April 2024. In a staff-level agreement, financing assurances from the country's partners and creditors are often necessary.
On 11 June 2024, the authorities and Ghana's Official Creditor Committee (OCC) reached an agreement under the G20's Common Framework. This agreement, documented in a Memorandum of Understanding (MoU), formalizes the initial agreement made in principle on debt restructuring in January 2024, resulting in debt service relief of $2.8 billion between 2023 and 2026. This preliminary agreement was essential for obtaining IMF board approval, which was subsequently granted on 28 June 2024. In addition, the authorities on 19 June 2024, agreed in principle with representatives of Eurobond holders on a restructuring that will result in the cancellation of $4.7 billion in debt and the provision of $4.4 billion in debt service relief from 2023 to 2026.

Following the IMF Executive board approval, Ghana unlocked the third tranche of financing, amounting to US$360 million (bringing the total amount received to US$1.56 billion). This is expected to gradually lead to an improvement in Ghana's international reserves and send a positive signal to donors and the investor community.
Thus far, the programme is yielding the needed results as signs of economic stabilization

are evident in the economy with steady GDP growth, improvement in fiscal and external positions and a decline in the rate of inflation.

Implications for the Economy and Businesses

The following are some of the implications of the second review of Ghana's current IMF programme on businesses and the economy.

Building buffer for the country's foreign reserves

For the economy at large, the approval and release of the 3rd tranche means continued financial support from the IMF which is important to stabilizing the economy and addressing the current fiscal challenges. The disbursement of funds under the programme also provides the country with additional liquidity to build foreign exchange buffer to meet international payment obligations including payments for critical imports, debt service, and foreign investment outflows. The build-up on foreign reserves, also serves as is a signal of financial stability which acts to reduce speculative attacks on the domestic currency, curb sudden capital flight and manage inflation. The Cedi has faced notable depreciation pressures recently, attributed to the strengthening of the US Dollar against major global currencies, increased seasonal demand for foreign exchange, and other temporary factors. As of June 2024, the Cedi's cumulative depreciation for the year stood at 18.4%.

Although still high, it is an improvement compared to the 22% depreciation recorded over the same period in 2023. In response, the Ghanaian government has implemented several measures to stabilize the exchange rate. These include fiscal consolidation, bolstering the gold-for-oil and gold-for-reserves programmes, proceeds from Cocoa Syndicated Funds and strategic foreign exchange interventions by the Bank of Ghana. These initiatives highlight the critical need for continued vigilance and strategic policies to ensure long-term currency stability.

While the IMF ECF programme provides a short-term measure to address the perennial depreciation of the Cedi, the government should seize this opportunity to undertake structural changes to the economy through research and policy reforms. Given that the economy has traditionally been import-driven, the programme should be used as a springboard to develop and implement policies that promote exports and diversify the economy. This approach will ultimately ensure a more resilient Cedi and a stronger Ghanaian financial landscape.

Enhancing the business environment

The success of the IMF's ECF programme in Ghana holds significant promise for improving the overall business environment. While challenges remain, some signs of progress are encouraging for businesses operating in Ghana. To businesses, the IMF board level approval of the second review will reduce financial market volatility that a debt crisis introduces, the stock market is more settled with not many sell-offs, and the currency market will be relatively stable. These give businesses the space to plan and take strategic investment decisions. Uncertainties create a situation of credit crunch where Banks and financial institutions become more risk-averse and reluctant to lend to businesses. This makes it difficult for businesses to access credit for working capital and investment projects. Also, small and medium-sized enterprises (SMEs) who dominate economic activity in the country are particularly vulnerable, when there is uncertainty which creates credit constraints, this stifles entrepreneurship and hampers employment generation.

Not surprisingly, the ECF programme has yielded some positive results so far. Inflation, a major concern for businesses, has shown a significant decline from 25% in April 2024 to 22.8% in June

2024. The deceleration path of inflation will improve planning by businesses and reduce uncertainty related to input costs. However, inflation at 22.8% is still high compared to the year-end target of 15±2 percent which highlights the need for continued efforts to sustainably reduce inflation.
A key challenge for businesses remains high-interest rates. The Monetary Policy Rate remains high at 29% as at July 2024. While the slowing pace of disinflation justifies this decision in the short-term, this continues to make borrowing expensive. Lowering interest rates in the long run would improve access to credit for businesses, fostering investment and growth.

In view of the economic challenges and as part of the ECF programme, Government announced a number of initiatives in the 2024 national budget. Measures such as the flat rate VAT for commercial properties sought to simplify tax compliance for businesses, reducing administrative burdens and potentially improving cash flow. Additionally, the extension of the zero-rated VAT for the garment industry was to provide some cost relief, though long-term competitiveness hinges on broader modernization efforts.

The tax exemptions for the pharmaceutical industry, sought to incentivize domestic production, potentially leading to lower prices for essential medicines. Similarly, waiving customs duties on electric vehicles was to make them more affordable and accelerate their adoption, contributing to environmental sustainability.

Recognizing the need for a robust entrepreneurial ecosystem, the Government, under the ECF programme, is implementing YouStart and BizBox projects. These initiatives offer MSMEs and young people a comprehensive package of training, funding, and market access, nurturing a new generation of businesses into the Ghanaian economy.

Restoring stability and attracting investment

On the international front, the ECF programme signifies a recognition of Ghana's commitment to implement the necessary economic policies and reforms aimed at restoring macroeconomic stability, ensure debt sustainability, and foster inclusive economic growth. This will boost investor confidence in the prospects of the economy, resulting in foreign investments which will further stimulate economic activity.

Investor confidence has proven to be highly sensitive to stable macroeconomic conditions. The pre-existing vulnerabilities and external shocks faced by Ghana had undoubtedly created a sense of uncertainty among the international community. The successful completion of the second review of the IMF programme at the IMF Staff level and board level approval, serves as a signal of Ghana's commitment to sound economic management. This, in turn, can ease investor uncertainty and rebuild confidence in the market.

Historically, Foreign Direct Investment (FDI) inflows have responded positively to improved investor confidence. The correlation suggests that every percentage increase in investor confidence may yield a corresponding rise in FDI inflows. The potential impact of a successful ECF Programme on FDI inflows is substantial. Studies by the International Monetary Fund have shown a correlation between improved investor confidence and increased FDI inflows in Sub-Saharan Africa. A stable and predictable economic environment created by the ECF Programme can unlock this potential, leading to a significant rise in FDI directed towards various sectors in Ghana.

According to UNCTAD's World Investment Report 2023, FDI inflows to Ghana declined by 39% year-on-year in 2022. The ECF programme has the potential to reverse this trend and propel Ghana back to its position as a leading recipient of FDI in West Africa.

While the ECF programme lays the foundation for attracting FDI, further action is needed to fully capitalize on this opportunity. A collaborative approach involving the Ghana Investment Promotion Centre (GIPC), the Ministry of Trade, and the Ministry of Finance can unlock Ghana's potential for FDI inflows. The GIPC has already made strides in simplifying procedures for foreign investors. Further efforts to streamline complex and lengthy bureaucratic processes can improve the ease of doing business in Ghana. The GIPC, in collaboration with the Ministry of Trade, can develop targeted investment promotion campaigns that highlight the specific sectors and opportunities most attractive to foreign investors. These campaigns should leverage Ghana's comparative advantages such as its political stability, abundant natural resources, and growing domestic market. Continued efforts to improve tax administration and reduce bureaucratic hurdles will further enhance Ghana's appeal to foreign investors.

Conclusion

The ECF programme's initial impact on the Ghanaian economy and businesses presents a mixed picture. While measures such as streamlined tax regimes offer positive signs, persistently high-interest rates remain a significant constraint. Moving forward, the programme's success will depend on achieving sustained disinflation, allowing for a gradual decrease in interest rates and unlocking credit for businesses. However, the upcoming 2024 elections pose a risk to Ghana's fiscal consolidation gains, as increased expenditure pressures may arise.

The programme's long-term success hinges on sustaining a tight monetary policy stance, boosting domestic revenue collection, and streamlining public spending, especially as the 2024 elections approach. These efforts, coupled with targeted support for entrepreneurs can create a more conducive environment for business growth and contribute to Ghana's overall GDP performance. It is important to remember that the ECF programme is still in its early stages, and its long-term impact on the country's growth trajectory remains to be seen.

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Collaboration and Partnerships: Key Accelerators for Ghana's Economic Growth

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Introduction

Collaboration is key and the importance of working together cannot be over emphasized. Economies are constantly evolving and as such the significance of collaboration and partnership between the private and public sectors cannot be overstated.

Ghana is budding with rich potential, therefore, this concept of collaboration is one which needs to be fully harnessed for sustainable economic growth and development.

This article aims to shed light on the pivotal role that collaboration and partnership, both domestic and international, play in fostering economic growth and recovery within the Ghanaian economy.

Ghana's Economic Landscape

The macroeconomic landscape, as observed in 2023, experienced a real GDP growth rate of 2.9%.[1]

This positive growth reflects the collective contributions of the agriculture, industry, and services sectors, highlighting a diversified economy that continues to evolve. The agriculture sector played a crucial role, showing a 4.5% growth and highlighting the nation's commitment to sustaining its vital food production industry. The Industry sector however saw a decline in growth of 1.2%, reflecting a decline in the growth of the electricity and construction subsectors. [1]

The services sector in Ghana also boasted of a 5.5% growth in 2023, making it the greatest contributor to Ghana's GDP. [1]

Amidst this collaborative growth narrative, Ghana faces a significant challenge in the form of a high inflation rate, standing at 23.2% as of February 2024. This is however an improvement from February 2023 levels of 52.8%. [2]

This inflationary pressure raises concerns about potential impacts on consumer purchasing power and overall economic stability, necessitating a strategic approach to economic management and policy formulation.

The Power of Collaboration

In the journey towards sustainable economic growth and recovery, Ghana finds itself at a critical juncture.

Collaboration and partnership between the public and private sectors, alongside international cooperation, serve as pivotal drivers. This dynamic synergy not only fosters innovation but also accelerates developmental momentum, propelling Ghana towards unprecedented levels of prosperity and resilience. We explore how Public-Private Partnerships (PPPs) can be instrumental in overcoming critical roadblocks hindering economic growth.

Infrastructure Development:

According to the 2015/16 Global Competitiveness Report, Ghana's infrastructure quality was ranked 120th out of 140 countries. [3]
This highlighted the significant room for improvement necessary for the country to meet the standards expected of a high-income nation. Specifically, Ghana fares poorly in the quality of transport and electricity supply, ranking 120th and 127th respectively out of 140 countries. Additionally, its port infrastructure ranks 94th among the surveyed nations. [3]

In 2019, Ghana unveiled a comprehensive infrastructure development plan, known as the "Ghana Infrastructure Plan," designed to guide the country's growth over the next 30 years. This blueprint aims to build a strong infrastructure network to boost the economy, enhance living conditions, and promote social progress.[4]

To achieve these goals, an estimated $37.9 billion in annual funding will be needed by 2047 to meet Ghana's infrastructure requirements. [5] This will help Ghana:

- ***Build a world-class infrastructure network:*** This encompasses various sectors like transportation, energy, water, sanitation, and ICT.

- ***Bridge the infrastructure gap:*** Ghana aims to address its existing infrastructure deficit and create a more equitable distribution of infrastructure facilities across the country.

- ***Promote sustainable development:*** The plan emphasizes developing climate-resilient infrastructure and using renewable energy sources.

- ***Improve access to basic services:*** This includes ensuring universal access to clean water, sanitation, and reliable power.

This 30-year infrastructure plan has specific targets for different sectors and as such, public and private collaborations can unlock investments for such projects. By pooling resources and expertise, PPPs can accelerate infrastructure development, benefiting citizens and businesses alike.

Additionally, the government can provide long-term concessions and regulatory frameworks to incentivise private participation, leading to improved infrastructure that fuels economic activity.

Job Creation and Skills Development:

In the first nine months of 2023, Ghana experienced a rise in its unemployment rate to 14.7%, marking an increase from the 11.3% reported in the fourth quarter of 2022, as per data from the Ghana Statistical Service. [6]
Among the youth within the age bracket of 15 to 35, the number of unemployed individuals increased from approximately 1.2 million to over 1.3 million during this time frame, with the unemployment rate among females surpassing that of males. [6]

Unemployment levels have highlighted the need for collaboration between the public and private sectors. This collaboration is paramount for job creation and skills development in Ghana. By working together, both sectors can leverage their respective strengths and resources to

address the country's employment challenges effectively.

The private sector, with its innovation and investment capacity, can create job opportunities, while the public sector can provide the necessary policies, regulations, and infrastructure to support workforce development initiatives.
Together, they can foster an environment conducive to skill acquisition, training, and capacity building, thus empowering individuals to access gainful employment and contribute to the nation's economic growth and prosperity.

Boosting Innovation and Technology
Innovation and technology are key drivers of economic growth and recovery. They can enhance productivity, create new industries, and provide solutions to pressing societal challenges.

Over the past decade, Ghana's technological ecosystem has experienced substantial growth with online presence surging from 8% of the population in 2010 to 69% in 2021, according to the World Bank. [7] This surge in internet adoption has opened up new avenues for communication, commerce, and creativity.

Vibrant tech hubs and startup incubators have sprouted across the country. These hubs provide mentorship, resources, and networking opportunities for aspiring entrepreneurs. Sectors like fintech, agri-tech, and health-tech are witnessing significant growth. Ghanaian startups are not only solving local challenges but also gaining global recognition.

Innovation drives economic progress. When public institutions collaborate with private research centres, universities, and startups, they create an ecosystem conducive to innovation. Joint initiatives can lead to breakthroughs in agriculture, healthcare, and technology, positioning Ghana as a regional hub for innovation.

Public Private Partnerships in Ghana: From Pre-Investment to Operations

In recent years, Ghana has witnessed some remarkable strides in fostering collaboration between the public and private sectors.

This section highlights some successful examples of collaboration in Ghana, showcasing the transformative impact of joint efforts in various sectors. From infrastructure development to healthcare and education, these partnerships demonstrate the power of collective action in addressing complex challenges and unlocking new opportunities for growth and prosperity.

Here are a few successful projects that demonstrate effective collaboration in Ghana:

Projects in the pre-investment phase

In the pre-investment phase of PPP projects in Ghana, significant progress was made in 2022, as highlighted in the Annual Report of PPPs written by the Ministry of Finance. A total of twenty-three projects were processed during the year, with notable additions to the portfolio across various sectors. [8]

The Infrastructure Sector saw the inclusion of two new projects, bringing the total to sixteen, with an estimated value of US$ 23.84 billion. Additionally, the Social, Economic, and Administration Sectors each welcomed one new project, signalling a diverse range of initiatives aimed at addressing the country's developmental needs. [8]

These projects represent a significant commitment to fostering collaboration between the public and private sectors, with the potential to drive sustainable growth and prosperity in Ghana. A few of these key projects include:

- Odawna Market Project with an estimated cost of US$ 21.98 million. [8]
- Keta Port Project with a cost of US$ 1.2 billion [8]
- Ecotourism Development in Sakumono Ramsar Site Project valued at US$ 138 million [8]
- Development of World Cocoa Centre valued at US$ 140 million[8]
- Complex at Ghana Communications Technology University (GCTU) costing US$ 18.5 million [8]
- Accra-Takoradi Motorway Project costing US$ 994 million [8]
- Eastern Railway Line Project with a cost of US$ 1.93 billion [8]
- Sogakope- Lome Transboundary Water Supply Project costing US$ 285 million [8]
- Integrated Recycling and Composting Plants Project costing US$ 10.3 million [8]

Projects in the investment phase

Per the 2022 Annual Report on PPPs, fifteen projects were reported to be in the investment phase. Most of these projects were in the Infrastructure Sector and involved partnerships with organizations like the Ghana Ports and Harbours Authority, Ghana Shippers' Authority, and Ghana Water Company Ltd. [8]

Additionally, three PPP projects were initiated in the Administration

Sector, including collaborations with the National Identification Authority, Ministry of Foreign Affairs and Regional Integration, and the Public Safety Sector led by the Ministry of the Interior and the Ghana Police Service. [8]

An overview of some projects in their pre-construction phase and their associated costs are highlighted below:

- ***Takoradi Ship Repair Facility*** - a collaboration between the Ghana Ports and Harbours Authority (GPHA) and Prime Meridian Docks Ltd, with an estimated cost of US$100 million and a 25-year concession period. [8]

- ***Boankra Integrated Logistics*** Terminal Project – A PPP project between the Ghana Shippers' Authority and Ashanti Ports Services Limited, involving an estimated project cost of US$126 million and a concession period of 30 years. It will operate under a Design, Build, Finance, Operate, and Maintain (DBFOM) model. [8]

- ***Upgrade of Current Biometric Passport Systems Project*** – A PPP led by the Ministry of Foreign Affairs and Regional Integration, partnering with Biometric Travel Solution, entails an estimated US$23.34 million investment with a 10-year concession period, utilizing the DBFOM model. [8]

Below is a compilation of projects currently undergoing construction, along with their respective costs:

- ***Takoradi Integrated Container and Multi-Purpose Terminal*** – This is spearheaded by the GPHA in collaboration with private partner Atlantic Terminal Services Limited (ATSL), with an estimated cost of US$210 million with a 25-year Build, Operate, and Transfer (BOT) concession.[8]

- ***Tema LNG Terminal*** – A PPP between GPHA and Tema LNG Terminal Ltd, involves a US$ 350 million investment with a 25-year BOT concession period. [8]

An overview of projects currently in their operations and maintenance phase, along with their associated costs, is highlighted as follows:

- ***Takoradi Liquid Bulk Terminal*** - A PPP between GPHA and Marshall Oil and Gas Services, with a project cost of US$65 million with a 25-year BOT concession period. [8]

- ***Takoradi Container Terminal Ltd (TACOTEL) Inland Container Depot (ICD)*** - A PPP between GPHA and Ibistek Limited, with an estimated project cost of US$70 million with a 25-year concession period, operating under the Build Own and Operate (BOO) model. [8]

- ***Shore Holding of General Cargo and an Off-Dock Car Terminal Operation (Takoradi)*** – A PPP between GPHA and Safebond Company Limited, operating under a 10-year concession period, employing BOO model. [8]

- ***Tema Terminal 3 Project*** - A PPP between GPHA and Meridian Ports Services, entails a project cost of US$1.5 billion with a 35-year concession period, operating under the BOT model. [8]

- ***Fruit And Export Terminal*** - A PPP between GPHA and Fruit and Export Terminal (FET), with an estimated project cost of US$10 million and a 20-year concession period, operating under the BOT model. [8]

- ***Tema Off-Dock Car Terminal*** - A PPP between GPHA and Safebond Car Terminal Limited, under a 25-year concession period, employing the BOO model. [8]

- ***Teshie Nungua Desalination Project*** - A PPP between the Ghana Water Company Limited and Messrs Befesa Desalination Development Ghana Ltd, with a project cost of US$125 million and a 25-year concession period, operating under the BOOT model. [8]

- ***NIA Foreigner Identification Management System Project***

- A PPP between National Identification Authority (NIA) and Identity Management System (IMS), with a project cost of US$24.7 million and a 15-year concession period, operating under the DBFOT model. [8]

- ***National Identification System Project*** - A PPP between NIA and Identity Management Systems II (IMS II), with a project cost of US$169,631,856 and a 15-year concession period, operating under DBOT model. [8]

Challenges and the Way Forward

Although collaboration presents significant opportunities, several obstacles still need to be addressed. These include bureaucratic hurdles, the need for greater transparency, and the essential task of building trust among stakeholders.

Moreover, ensuring inclusivity is vital; it is essential that all segments of society reap the benefits of collaborative efforts. This requires proactive measures to guarantee their meaningful participation and representation in decision-making processes and the distribution of resources.

To foster economic growth and recovery, Ghana must:

- **Strengthen its regulatory frameworks:** This is particularly crucial in the context of Public-Private Partnerships (PPPs), where clear guidelines and transparent procurement processes are essential.

Ghana has made substantial progress by implementing the PPP Act 2020 (Act 1039), which establishes a legal structure for developing, implementing, and overseeing PPP agreements between public and private entities. This legislation promotes partnerships between the government and private sectors, facilitates private sector investment, and ensures legal protections for all parties involved in PPP contracts. [9]

Act 1039 marks a significant milestone in Ghana's efforts to operationalize PPPs effectively. However, having a regulatory framework alone is insufficient; it is crucial to enforce these regulations rigorously and ensure compliance by all PPP stakeholders. This necessitates ongoing monitoring and evaluation of PPP projects and enhancing the capacity of institutions involved in their execution.

Moreover, the regulatory framework needs to be dynamic and adaptable to changes in the economic environment. This means that the government must be willing to review and revise the regulations as necessary to ensure that they remain relevant and effective.

- **Invest in Capacity Building:** Providing training programs for both public officials and private entrepreneurs is essential for equipping them with the skills and knowledge needed to engage effectively in collaborative endeavours and navigate complex regulatory frameworks.

- **Facilitate Data Sharing:** Promoting access to reliable and up-to-date data enables evidence-based decision-making and enhances transparency in policy formulation and implementation processes. This can lead to more informed and effective collaborations between the public and private sectors.

- **Leverage international cooperation:** Investments, particularly Foreign Direct Investment (FDI), are crucial for economic growth. In the context of Ghana, FDI plays a pivotal role in the nation's economic landscape. In fact, Ghana emerged as the second-highest recipient of FDI in West Africa for the year 2021, securing inflows amounting to

US$ 2.6 billion, according to the World Investment Report. [10]

PPPs serve as a magnet for FDI. By establishing a stable regulatory environment, offering tax incentives, and developing infrastructure, these collaborations create an attractive investment climate.

For instance, the Ghanaian government has implemented reforms to streamline tax, legal, and business registration processes, and has focused on power sector improvement and economic diversification. These initiatives have been instrumental in attracting FDI.

Moreover, collaborative efforts can stimulate local entrepreneurship, leading to job creation and economic diversification.

Conclusion

Collaboration between the public and private sectors is not a luxury; it is a necessity for Ghana's economic growth. By working together, we can build a resilient, inclusive, and prosperous nation—one that harnesses its potential and leaves no one behind.

As Ghana continues its journey toward sustainable development, let us embrace collaboration as the cornerstone of progress. Together, we can create a brighter future for all Ghanaians.

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Workforce Adaptability and Skills Development in Ghana

The Relevance of Workforce Adaptability and Skills Development in Supporting Ghana's Economic Recovery and Growth

> *The future belongs to those who can learn, unlearn, and relearn. Adaptability is the key to staying relevant in the workforce.*
>
> **Alvin Toffler**

Introduction

Today's global economy is interconnected, and as one economy is adversely affected, it results in ripple effects across the globe. Global events and geopolitical risks have contributed to a state of continual economic flux universally. Some occurrences such as tensions between Russia and NATO, the strategic competition between the US and China, increasing cyber attacks, and the growing concerns about energy security have created an environment of uncertainty that countries must be prepared to navigate. The COVID-19 pandemic also significantly impacted economies worldwide, leading to widespread unemployment and economic contraction; and many economies continue to strive towards recovery.

Ghana, too, has felt the repercussions of these global challenges. By May 2022, the country had seen inflation surge to a more-than-a-decade high of 27.6%, the fastest in Sub-Saharan Africa, as reported in the Ghana Economic Update of 2022. Additionally, Ghana is grappling with a depreciating currency and a public debt exceeding 90% of its GDP, according to the World Bank.

Amidst these persistent geopolitical risks and their impact on the global economy, it becomes increasingly important for countries to cultivate a highly adaptable and skilled workforce capable of navigating these challenges and capitalizing on existing opportunities to contribute to economic recovery. In this article, we will highlight the role of skills development and workforce adaptability in propelling economic growth, particularly in the context of Ghana's economy.

Ghana possesses a youthful population and abundant natural resources, providing a promising foundation for economic growth and recovery. However, one of the most pressing concerns plaguing Ghana's workforce is the persistent skills gap.

The current educational system often struggles to keep pace with the rapid evolution of the job market, as evidenced by the Council for Technical and Vocational Education and Training's "Skills Gap Analysis and Audit of Seven Sectors". This phenomenon, highlighted in the World Bank's report "Demand and Supply of Skills in Ghana", suggests that there is a gap between the skills required and skills available resulting in high unemployment. This hinders the nation's ability to harness the full potential of its young demographic.

Apart from the availability of a skilled workforce, globalisation also presents opportunities for Ghana to integrate into the global economy, diversify our economic base, and accelerate socio-

> **Ghana is grappling with a depreciating currency and a public debt exceeding 90% of its GDP, according ot the World Bank.**
>
> *Exceeding*
>
> **90%**

economic development. It has created access to international markets, allowing Ghanaian businesses to access a larger consumer base, and has the tendency to reduce dependence on a narrow range of exports. On the other hand, globalisation has also intensified competition in both local and international markets, placing pressure on Ghanaian businesses to innovate, enhance efficiency, and maintain competitiveness against firms worldwide. This heightened competition necessitates a workforce with specialised knowledge and cross-cultural competence to meet shifting skill requirements. Yet, Ghana can currently not boast of adequately skilled personnel to maximize opportunities presented by globalisation.

Technological advancements, such as automation and artificial intelligence, are also transforming industries worldwide. These technologies offer opportunities for increased efficiency and productivity. Although the use of technology can contribute to economic recovery at a much faster rate, the Ghanaian workforce is not adequately positioned to operate and maneuver the technological landscape. The result is underperformance, and economic recovery at an abysmally slow rate.

Though the current economic outlook appears bleak, there is hope for the nation, and by extension, the economy, through proposed and existing initiatives. Over the years, Ghana's government, the private sector, and educational institutions have joined forces in a concerted effort to strengthen skills development,

for sustainable growth and prosperity. At the limelight of this endeavour are the initiatives spearheaded by the Ghanaian government.

The National Apprenticeship Programme (NAP), has been a great opportunity, training almost 10,000 apprentices to meet the demands of a rapidly evolving job market. (Graphic Online, 2016) Launched in 2010 by the Council for Technical and Vocational Education and Training (COTVET), the programme is specifically tailored to provide skills to Ghanaian youths aged between 16 and 24. NAP addresses the needs of those who, for varying reasons, have had to discontinue their education after completing Junior High School (JHS). The programme has increased participants' flexibility to meet the demands of a changing labour market by providing them with essential skills. With the economy changing so quickly and globalisation and technology changing the demands of the workforce, having adaptable skills becomes crucial for individuals to remain employable and contribute effectively to the economy.

In tandem with government efforts, public-private partnerships have emerged as a powerful force in addressing workforce skill shortages. The Skills Development Fund (SDF), established in partnership with the private sector, is a prime example. This fund invests in training programs designed to enhance workforce capabilities, with a particular focus on sectors crucial for Ghana's economic diversification, such as agriculture and manufacturing.

> **"Despite training almost 10,000 apprentices under NAP and disbursing over GH¢100 million through SDF, ongoing investment and innovation remain imperative to address evolving skill needs"**

With an investment exceeding GHC 100 million, the program channels resources into these training offerings. (Commission for Technical and Vocational Education Training, 2023).

By supporting initiatives that facilitate skills upgrading and retraining, SDF encourages lifelong learning and helps people stay relevant in the workforce in the face of economic and technological change.

Ghana's educational institutions also contribute to talent cultivation and lifelong learning. In response to industry demands, efforts to revamp Technical and Vocational Education and Training (TVET) curricula are underway. Institutions like the Accra Technical University have introduced competency-based programs tailored to emerging sectors like renewable energy and information technology, equipping graduates with skills aligned with market needs. In addition, some tertiary institutions have instituted compulsory internship programmes for students which contribute to building capacity of the workforce, while in school.

In efforts to enhance the adaptability of Ghana's workforce, the role of employers cannot be overstated. Many forward-thinking companies have recognized the importance of investing in skills development to ensure their competitiveness in the evolving job market through various initiatives such as in-house training programs, workshops, and seminars. Companies in Ghana are signing their employees up on digital learning platforms such as Udemy, LinkedIn Learning, Coursera, Skillshare, and Pluralsight. These diverse resources offer a range of courses spanning various industries and skill sets, providing employees with opportunities for professional development and growth, with the ultimate aim of helping employees remain adaptable within the workforce.

Moreover, Ghanaian individuals are taking proactive steps to reskill and upskill in response to the shifting dynamics of the job market. Recognizing the importance of remaining adaptable and relevant, many Ghanaians are pursuing further education, attending skill-based workshops, and even seeking out online courses to augment their skill sets with the aim of staying adaptable in today's economy. Some of these programs include ALX Africa, Alison, Khan Academy, CodeAcademy and MTN Skills Academy.

These experiences not only enhance the employability of the Ghanaian workforce but also promote a culture of continuous learning and adaptation. Looking back, initiatives like the NAP, TVET and SDF Programme have been invaluable for Ghana's youth. Not only have they provided essential skills training, but they have also sparked a spirit of entrepreneurship among the younger generation; and as these youths establish businesses, they contribute to the growth and recovery of the economy.

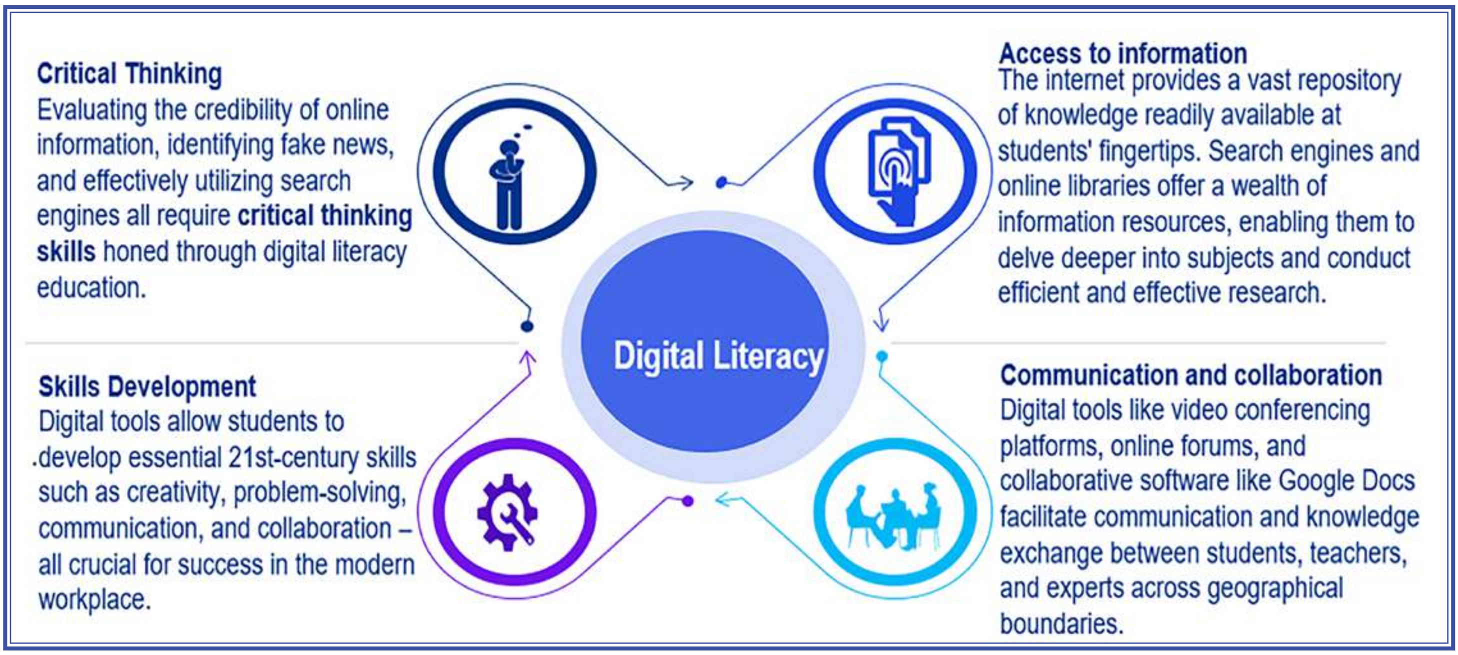
Considering the existing practices and initiatives from the government, organisations and individuals, what should be the way forward as a nation to ensure that we are constantly upskilling and reskilling, and to ensure that we remain adaptable in a constantly changing economic environment? An important part of this journey is capitalising on the power of information and technology for learning in this global age. Technology has become a transformative force in skills development, offering a robust ecosystem of tools and resources. Platforms such as Coursera and edX offer free and accessible online courses from prestigious universities worldwide, known as Massive Open Online Courses (MOOCs). According to a 2021 study by the

American Enterprise Institute, MOOC participants experienced significant knowledge gains across various fields.

Additionally, mobile learning apps like Duolingo for language learning and Sololearn for coding, offer bite-sized learning modules, gamified elements, and micro-credentials, making learning engaging and readily available on smartphones or tablets. These innovations in technology have revolutionised the way individuals access educational resources, making learning more inclusive and flexible than ever before. Technology also bridges the gap between theory and practice by facilitating the transition from theoretical knowledge to practical application. Simulation software such as VSim for Nurses provides workers with practical experience in safe and controlled virtual environments. Meanwhile, online collaboration tools like Zoom and Microsoft Teams enable real-time interaction, knowledge sharing, and peer-to-peer learning among colleagues, managers, and industry experts globally.

Technology also enables personalised and targeted learning experiences through adaptive learning platforms like Knewton and Carnegie Learning. These AI-powered platforms tailor learning content to individual needs and skill levels, identifying areas for focus and adjusting difficulty accordingly. Additionally, big data and learning analytics contribute to providing such personalised learning opportunities. A 2022 report by the World Bank highlights the potential of big data to improve learning outcomes and personalise education, a mastery of which will allow users to analyse learning patterns, identify skill gaps and develop targeted learning programs.

Digital literacy, or the ability to effectively navigate the digital landscape, is crucial for maximising the benefits of technology in learning. It helps with developing critical thinking skills, provides vast access to information, promotes communication and collaboration and encourages skills development.



Organisations that cultivate a culture of continuous learning empower their workforce to embrace change and provide them with the skills needed to excel in a dynamic world. Essentially, with a skilled and adaptable workforce, Ghana can reduce its reliance on traditional industries and tap into new sources of economic growth. As foreign investors are attracted to countries with skilled workers, investing in Ghana's workforce can attract foreign direct investment. This will help in growing industries in Ghana, which will in turn lead to job creation, technology advancements and increased economic activity.

What it Means for Ghana's Economic Recovery and Growth

Adaptability is not only about being able to tackle a one - time change, but also about creating a permanent state of readiness. Being adaptable turns adversity into learning opportunities and provides the environment for continuous advancement. The potential impact of workforce adaptability and skills development to Ghana's economic growth is significant in many ways. By investing in human capital development, Ghana can reveal the full potential of its workforce, ensure shared prosperity for its citizens, achieve sustainable development goals, and become a competitive player in the global economy.

As policymakers, we need to invest more in education and training to ensure that the labour force is properly equipped to face the challenges of the economic world. While doing this, it is important to ensure these development programs are accessible to all groups in the country including all minority groups. An investment in an equitable workforce would ensure a well-developed labour force that can provide initiatives and innovations beneficial to diverse groups. We should invest more in collaborations between work agencies, both private and public, and educational institutions to create a learning community.

As employers and business owners, we need to develop and tailor training plans with business needs to ensure that employees are trained year-round to address organisational needs and contribute to meeting strategic objectives. We need to prioritise employee development and wellbeing by creating an environment that supports work-life balance, growth, learning and employee satisfaction. We can do this by creating a workplace culture that values diversity and inclusion, encourages employee learning and supports creativity and innovation. Lets think outside the box. Ever considered a rest and relaxation room or a think room? Consider that.

As individuals, we owe it to ourselves to take ownership of our own development. Recognising the importance of skills development and the essence of taking initiative is an important step to staying relevant. Learn to set career goals and identify skills relevant to your field. This will help with staying focused in your quest to being better. Always stay informed, adaptable and resilient. From the persistent skills gap to the transformative impacts of globalisation and technological advancements, Ghana faces multifaceted challenges in preparing its workforce for the future. Yet, amidst these challenges, there are opportunities for transformative change.

Ultimately, the role of workforce adaptability and skills development in Ghana's economic recovery and growth cannot be overstated. Through investment in human capital development, Ghana can foster innovation, attract investment, and build a resilient economy capable of withstanding future challenges. As stakeholders unite in their commitment to skills development, Ghana embarks on a journey towards sustainable growth and prosperity for all its citizens.

> **"As Ghana charts its economic course, the adaptability and resilience of its workforce stand as pillars shaping the nation's future"**

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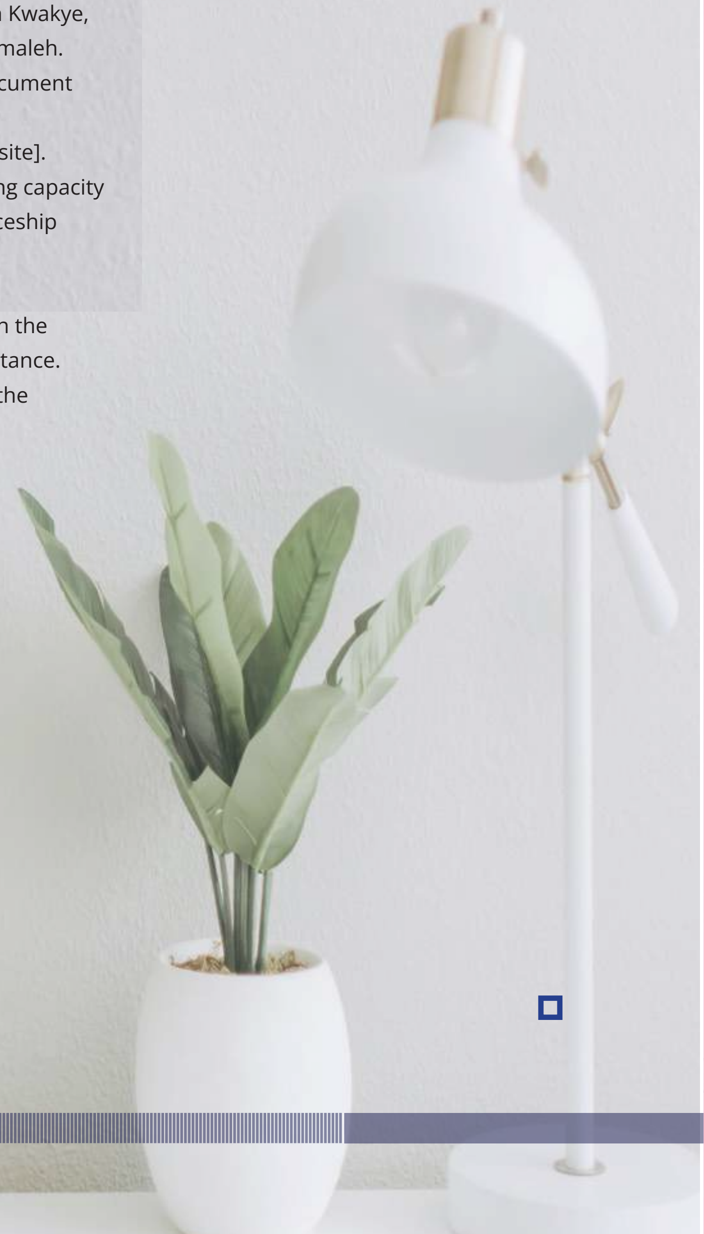
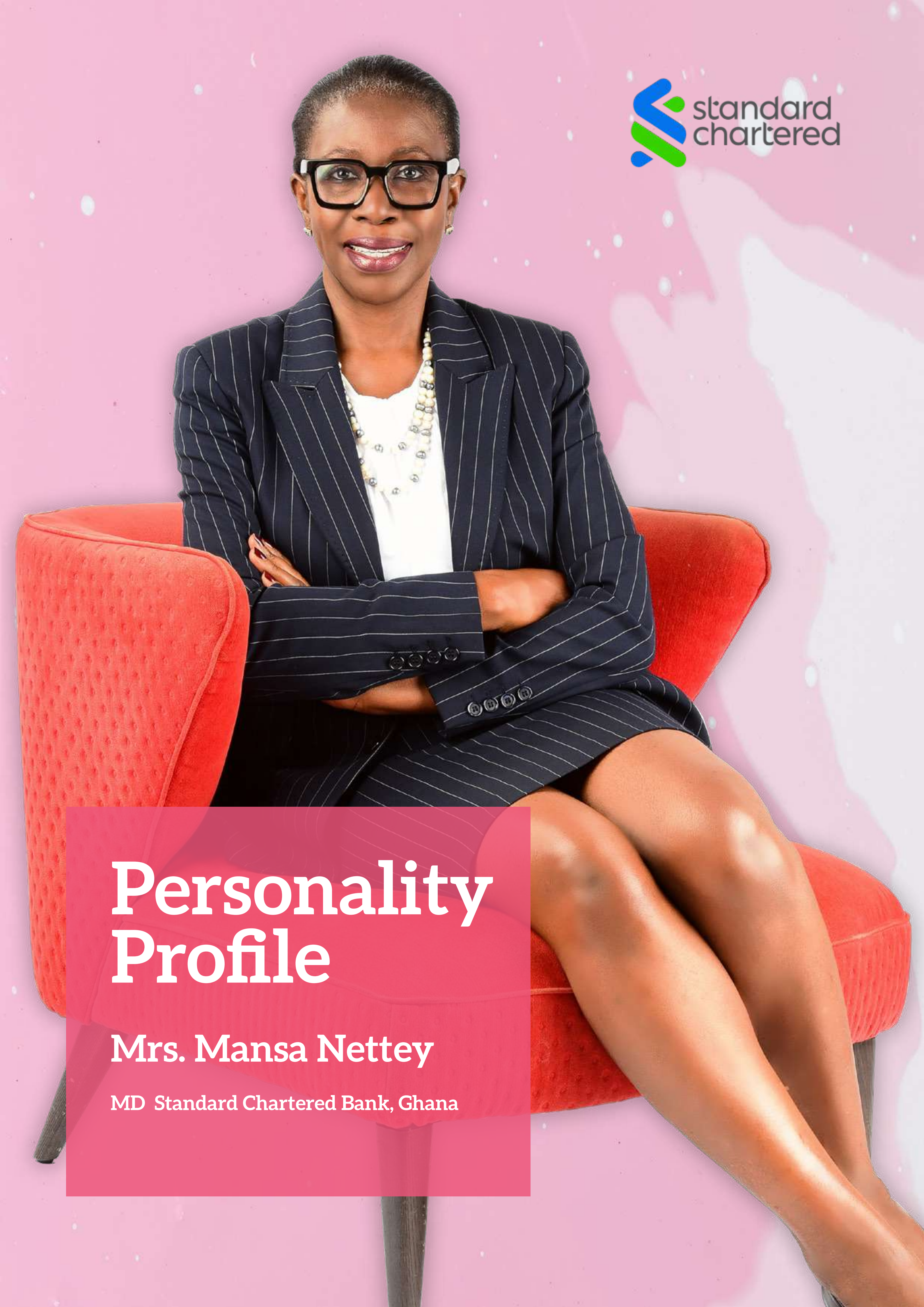




standard chartered

Personality Profile

Mrs. Mansa Nettey

MD Standard Chartered Bank, Ghana

Interview with the MD of Standard Chartered Bank

> "Risk management is at the heart of our business and is core to achieving sustainable growth and performance whilst seeking to safeguard the environment and communities."

Mrs. Mansa Nettey

MD, Standard Chartered Ghana

1. Could you share a snapshot of your professional journey, specifically highlighting key milestones and significant achievements during your tenure as President of the Ghana Association of Banks?

I have had an interesting journey in the dynamic terrain of Banking and Finance.

I joined Standard Chartered as an International Graduate, and my main ambition was to make as much of an impact as I could. With a focus on being an authentic leader, undeterred by prevailing norms, I forged ahead with unwavering determination amidst challenges, with steep and slippery steps.

I have been privileged to lead an organisation with over 125 years of rich heritage and legacy in the market. Three years into my term as Chief Executive of Standard Chartered, I was elected President of the Ghana Association of Banks (GAB) and served from 2020 – 2023.

This period was marked by significant external shocks from the global health crisis to economic challenges. We had to navigate the heady Covid-19 pandemic which brought the world to a standstill and kickstarted a chain of economic challenges globally with its attendant effects on our local economy.

As an Association, we worked with the Regulator to implement forbearance measures for the sector, thus providing crucial relief to ensure industry stability from 2020 to 2021. We also supported Ghanaians through the period contributing PPEs and medical equipment to various hospitals as well as the provision of relief items to the vulnerable in our communities, which were most impacted by the pandemic.

In 2022, all Banks in collaboration with the Ghana Interbank Payment and Settlement Systems (GhIPSS), co-created a solution to transform the digital financial services sub-sector: an electronic wallet coupled with guaranteed bank account known as GhanaPay. Indeed, GhanaPay epitomises the power of collaboration at the highest level, where banks, who are naturally competitive, can come together with strategic partners like GhIPSS and the Bank of Ghana, with the sole purpose of embedding the cash-lite agenda of the country.

Ghana went through one of the toughest economic times in recent history in 2022. The unprecedented challenges that our economy faced in the latter part of that year led to the Domestic Debt Exchange Programme (DDEP). Banks needed to be resilient, while carrying their stakeholders along and at the same time acting in the best interest of the economy. This was another opportunity for greater collaboration over competition. My priority was to unite Banks to weather the storm for the benefit of our clients, the industry and the wider economy. This was about collective resilience for the greater good and indeed together the industry was able to sail through. While most Banks suffered losses in 2022 because of the DDEP, majority have turned the corner and by 2023 had returned to profitability.

Beyond this, we also implemented other social and operational support including the provision of ballistic protection equipment to the Ghana Police. We partnered with our clients and communities to mobilise social capital and drive economic inclusion. For instance, during national disasters such as the Keta tidal wave and Akosombo dam spillage, we mobilised relief efforts as an Association for the victims. We needed to think beyond ourselves and focus on supporting the communities in which we operate.

2. As both President of the Ghana Association of Banks and Chief Executive of Standard Chartered, how would you describe your leadership style and how does it contribute to the success of these institutions?

Collaboration, inclusiveness and authenticity have been at the core of my leadership. It is extremely important to harness the collective potential of teams and amplify every voice – no matter how soft – for the greater good.

Early in my career, I learnt that ideas could come from anywhere and sometimes, the best ones can come from the most unexpected sources. As Chief Executive, with over 50 per cent of my employees being millennials, I am minded to include them in formulating the strategy of the Bank. Their contributions are taken on board, and this creates a sense of ownership and the passion to execute. Working in an international organization, leading cross-generational and multi-cultural teams with diversity of thought is crucial for continued success—enabling teams to innovate, adapt and unlock our purpose as an organisation.

One of my key principles as President of GAB is being authentic - genuine, open and sincere leadership. This, together with our collaborative efforts, helped us to achieve many feats as an association including building a positive public perception about GAB, enhancing transparency, and contributing to the overall reputation of the industry.

For me, leadership is more about shared progress than personal triumph.

3. Innovation and technology are transforming the way banking is done or reshaping the industry at a fast rate; what initiatives has Standard Chartered undertaken to stay at the forefront of these advancements?

Innovation and technology are revolutionising the banking industry in numerous ways. The rise of digital banking has transformed the way customers interact with their Banks. Mobile banking apps and online platforms are offering convenient access to a wide range of banking services, from account management to bill payments, anytime and anywhere. Technology is redefining how we

offer solutions in areas such as payments, lending and wealth management.

We are harnessing the power of big data and analytics to gain deeper insights into customer behaviour, preferences and needs. And then there is Artificial Intelligence which comes with the introduction of customer service chatbots and virtual assistance to credit scoring and risk assessment models. Blockchain and Cryptocurrencies have fast-paced changes that are happening at lightning speed.

Staying ahead

Standard Chartered continues to lead the way in the digital revolution in the banking industry. Through our digital main bank agenda, we developed standardized digital platforms to meet rapidly changing client needs at the right scale and effectively engage our clients across digital channels. With our cutting-edge mobile and online banking platforms, our clients enjoy a consistent online experience across laptops or mobile devices. We also developed Straight to Bank, our fully integrated digital platform for businesses.

We have embedded innovation as a major part of our strategy and work. We established Innovation Squads and Centres of Excellence dedicated to testing and prototyping new ideas and solutions. We have actively created channels for idea generation, feedback and collaboration and recognised and rewarded innovative ideas. This has led to the fostering of a culture of innovation within the organisation where employees are encouraged to think creatively, challenge the status quo and experiment with new ideas.

We also placed a strong emphasis on understanding and addressing customer needs and preferences while identifying emerging trends. We have deployed initiatives to leverage customer feedback, using data analytics and market research to identify pain points and found ways to use these insights to inform product development solutions. Indeed, we have invested heavily and allocated resources towards innovation.

These, coupled with our external co-creation efforts and collaborative enterprises, have kept us at the forefront.
Our ground-breaking Standard Chartered Digital, Innovation and Fintech Festival was as a result of these initiatives. It was a crystallisation of all our efforts, and it has been rewarding.

It doesn't stop there. We regularly review and evaluate progress against key metrics that we have set and use insights to refine strategies, prioritise investments and allocate resources more effectively.
I believe that by this continuous process, we can consistently position ourselves as industry leaders and drive sustainable growth in an increasingly competitive and dynamic market.

Globally, through SC Ventures, the Group promotes innovation, invests in disruptive financial technology and explores alternative business models. It represents a diverse portfolio of over 30 ventures and more than 20 investments.

4. What, in your opinion, are the most pressing challenges currently faced by the banking industry in Ghana; what strategies do you believe are essential for overcoming these challenges?

Banks are facing a myriad of challenges that threaten to disrupt their traditional stronghold. The industry finds itself in a fast-paced and ever-evolving business environment where banks must consistently and proactively innovate to stay competitive.

From artificial intelligence to blockchain, we are grappling with the challenge of a rapid evolution of the industry which is harnessing cutting-edge and ever-changing technologies to streamline operations and

enhance customer experiences. We are in an era where Fintech companies are leveraging technology to deliver faster, more efficient, and often cheaper financial services, challenging traditional banks to adapt or risk losing market share. Further, the regulatory landscape has become complex. We must constantly navigate robust and ever-changing rules and regulations, risking heavy penalties for breaches and non-compliance. It's a delicate balance between our traditional model and the ever-changing landscape that confronts us on the daily basis.

> **"The change comes with great opportunity for collaboration and co-creation."**

These challenges present us with great opportunity. Our ability to co-create and work with Fintechs on a collaborative scale will deliver wins for both sub-sectors. The agility and speed of Fintechs or start-ups coupled with the knack for mitigating risk and expert knowledge of traditional banks can deliver impressive results. These co-creations are already happening, and we are seeing the returns - the emergence of platforms where Banks are working with Fintechs to deliver customer-centric solutions.

A typical example is SOLV - a B2B marketplace for SMEs. The SOLV platform facilitates commerce in a trusted environment, while easing access to finance and business services through one seamless digital experience. We need more of these co-creations.

On the regulatory side, we need to invest in building a compliance infrastructure, stay abreast with regulatory changes and develop a compliance culture. In the end, these will deliver gains for us whiles ensuring that we drive operational efficiency.
We stand at the crossroads where innovation and adaptation hold the key to our survival. Being at the cutting-edge won't be easy but for those who are bold enough to embrace change, the promise of a brighter and more resilient future awaits.

5. Standard Chartered is known for its commitment to Corporate Social Responsibility (CSR). Could you share some of the Bank's notable CSR initiatives and their impact on the local communities in Ghana?

Having operated in Ghana for more than twelve decades, we are committed to providing positive social and economic development within the communities in which we operate. We believe this leads to more prosperous and sustainable communities.

In 2019, the Bank launched Futuremakers by Standard Chartered, our global initiative to tackle inequality and promote greater economic inclusion with the aim to empower the next generation to learn, earn and grow through programmes focused on education, employability and entrepreneurship. The focus is the youth with primary beneficiaries being women and people living with disabilities (PWDs).

The Standard Chartered Women-in-Tech Incubator programme supports female-led entrepreneurial teams with business management training, mentoring and seed funding.

Since its launch in 2020, the incubator has benefited 54 female businesses across various sectors with 15 of them winning a total grant of USD150,000 (equivalent in Ghana cedis) to scale up their businesses.

Goal is our education programme for adolescent girls and young women. Through sports and life skills training, we equip girls with the confidence, knowledge and skills they need to be leaders in their communities. We have impacted over 12,000 girls with Goal.

Other programmes focused on employability are the Youth Employability Skills and Youth to Work programmes. These programmes have reached over 30,000 young Ghanaians, providing them with the skills they need for employment or to start their own businesses.

Futuremakers draws on the Bank's unique skills and expertise, and those of our employees, to support young people. We encourage all employees to get involved and share their skills through employee volunteering - each employee is granted 3 days of paid volunteering leave. We collaborate closely with partner non-governmental organisations (NGOs) to implement our community engagement programmes.

Prior to Futuremakers, we implemented several community programmes focused on health and education. One of such key programmes was Seeing is Believing (SiB), an initiative launched in 2007 to tackle avoidable blindness and visual impairment. At the close of the programme in 2018 SiB interventions had reached over 5 million Ghanaians.

In the thick of the COVID-19 pandemic, the Standard Chartered Group committed USD1 billion of financing at preferential rates for companies that provided goods and services to help the fight against COVID-19 and those that manufactured products which were in high demand to fight the pandemic.

Another key area is our Diversity and Inclusion agenda. We take an intersectional approach to diversity, inclusion and wellbeing, we have continued to introduce progressive, purpose-led benefits for our employees including extended paternity leave of 20 weeks. We are also expanding medical benefits to make comprehensive coverage accessible for menopause-related treatments to all colleagues. Our commitment to diversity and inclusion encompasses an aspiration not limited to be the best place to work for our colleagues, but also to creating prosperity for persons in our communities. Over the past years, we have actively collaborated with key stakeholders to host an annual Career Fair targeted at persons with disability. The impact has been telling for both the organisations and the persons living with disability.

6. ***Standard Chartered has expressed its commitment to environmental sustainability. How does the bank approach environmental, social and governance (ESG) issues; what measures have been outlined to promote green financing and sustainable practices?***

We are committed to the sustainable economic and social development of our communities. With a long-standing presence in this part of the world where sustainable finance can have a significant impact, we facilitate the movement of capital to where it is needed most. We apply knowledge from our network and the innovative mindset of our teams to create financial solutions that help to address challenges and support sustainable growth. The work we do to accelerate the transition to net zero, lift participation in the economy and reset globalisation is fundamental to our business. These three areas of focus are known as our Stands and inform our overall strategy, including our approach to sustainable finance, our

advocacy efforts on behalf of our markets and engagement with our employees and society.
As a Bank, we recognise that the activities of our clients may have environmental and social impacts and that there can be challenges in balancing environmental, social and economic needs. Risk management is at the heart of our business and is core to achieving sustainable growth and performance whilst seeking to safeguard the environment and communities. We continue to engage clients holistically, informed by our Climate Risk Assessments and recommend enhancements to the client's ESG agenda depending on where they are in the transition journey, linking them to appropriate products, services and capabilities.

We strive to be a responsible company minimising our environmental impact, investing in our people and embedding our values across our business. Globally, our aim is to be a leader in sustainable finance across some of the world's most dynamic markets, from launching the world's first Sustainable Deposit to phasing out financial services to client's dependant on thermal coal worldwide.

In our bid to provide sustainable finance to emerging market countries, we have mobilised over USD 5 billion globally of blended finance for Public Sector and Development Organisation clients, raised more than USD 10 billion in green bonds over the last two-years and are enthusiastically advising regulators on matters relating to sustainable finance and 'Green' bond guidelines.

In terms of product development, we have recently included a list of green financial products to our portfolio. These include:

- Green Loans / Bond - Proceeds are used to fund climate-friendly projects such as wind farms or solar panels.
- Sustainability Linked Loan: - ESG-linked margin linked to performance against ESG criteria.
- Blue Bonds - proceeds raised are used to fund protection of marine life.
- Social Bonds - proceeds raised are used to finance 'Social' projects.

7. Considering the ever-changing landscape, how do you foresee the banking industry evolving in Ghana over the next few years; what role do you anticipate Standard Chartered Bank playing in this evolution?

The industry is poised to undergo significant transformation driven by technological advancements, evolving customer preferences and regulatory changes.

We are likely to evolve into digital-first platforms, offering more personalized services, advanced security measures and seamless integration with emerging technologies like AI, blockchain and biometrics. AI for example will play a vital role in fraud detection, credit scoring and wealth and investment management. Further, there will be alternative banking models, driven by increasing customer demand for flexibility and transparency. Regulatory frameworks will adapt to accommodate these changes while ensuring stability and consumer protection. The Central Bank is also driving innovation with the creation of the FinTech office and a regulatory Sandbox where innovation can be incubated and tested. Through collaboration also with SC Ventures, we have piloted a couple of projects in the regulatory sandbox.

Sustainability and ESG will also be major as more Banks increasingly

"Risk management is at the heart of our business and is core to achieving sustainable growth and performance whilst seeking to safeguard the environment and communities."

integrate sustainability considerations and ESG criteria into their decision-making processes, including lending practices, investment strategies, and corporate governance. This reflects growing consumer demands for responsible banking and socially conscious investing.

Overall, the banking industry's evolution will be characterized by a strategic shift towards digitalization, innovation, collaboration and sustainability driven by the changing landscape of technology, regulation and customer expectations.
At Standard Chartered, we are taking strategic steps to be at the centre of the evolving banking industry. A Bank must proactively innovate through digital transformation, embrace open banking principles, lead in regulatory compliance, prioritize customer-centric innovation, pioneer sustainable finance initiatives and advocate for industry-wide collaboration and thought leadership.

8. Local and global economies are confronted with a myriad of challenges. However, what opportunities do you believe these challenges present to the banking industry. How can institutions such as Standard Chartered leverage these opportunities?

Geopolitics is significantly impacting banking and other industries in several ways. We are not immune to the effects of local economic dynamics and the tensions and market uncertainties that come with conflicts and sanctions across the globe. Adapting to geopolitical realities and effectively managing associated risks are essential for businesses to thrive in an increasingly interconnected and volatile world.

As leaders of organisations operating within Africa, we need to have the resilience to navigate cyclical economic challenges coupled with global economic volatilities, geo-politics and climate change. Despite the challenges posed by geopolitical dynamics, several opportunities emerge for Banks. A major one is the opportunity to develop tailored solutions for emerging risks and leveraging technology to enhance efficiency and customer experience. Geopolitical uncertainties often lead to market volatility, presenting trading and investment opportunities for banks with robust risk management capabilities and market expertise. Banks can capitalize on market fluctuations to generate trading revenues, facilitate capital flows, and provide liquidity to investors.

Global challenges such as climate change, social unrest, and resource scarcity drive demand for sustainable finance solutions. Banks can capitalize on this trend by offering green financing, ESG-aligned investment products, and sustainability advisory services to clients seeking to align their financial goals with environmental and social objectives.

By proactively adapting to geopolitical realities and leveraging their core strengths, banks can position themselves for success in an evolving global landscape to optimize their business operations, reduce costs, and enhance competitiveness.

Geopolitical tensions may lead to disruptions in traditional trade routes and supply chains. A major area of opportunity is therefore the African Continental Free Trade

Area (AfCFTA). AfCFTA can position itself as a stable and reliable trading bloc, attracting investment and fostering intra-African trade as an alternative to reliance on external markets.

Further, AfCFTA can leverage this by promoting itself as an attractive investment destination, offering a large and integrated market, streamlined trade procedures, and investment incentives. I believe this will be a game changer and can drive immense economic and business growth. That is why as a Bank, we remain committed to supporting businesses that want to leverage AfCFTA.

9. Could you share personal or professional philosophy that guides your decision-making and leadership approach?

Leadership is about the legacy of better outcomes, positive impact, and empowered voices that we leave behind. I believe every voice should be heard. In decision making, it's important to allow experts to weigh in on the issue before the leader takes the final decision. It is important to allow even doubters to express their opinion on an issue. This enriches the eventual decision.

10. What advice or words of wisdom would you like to share with aspiring professionals in the banking industry and those aspiring to leadership roles?

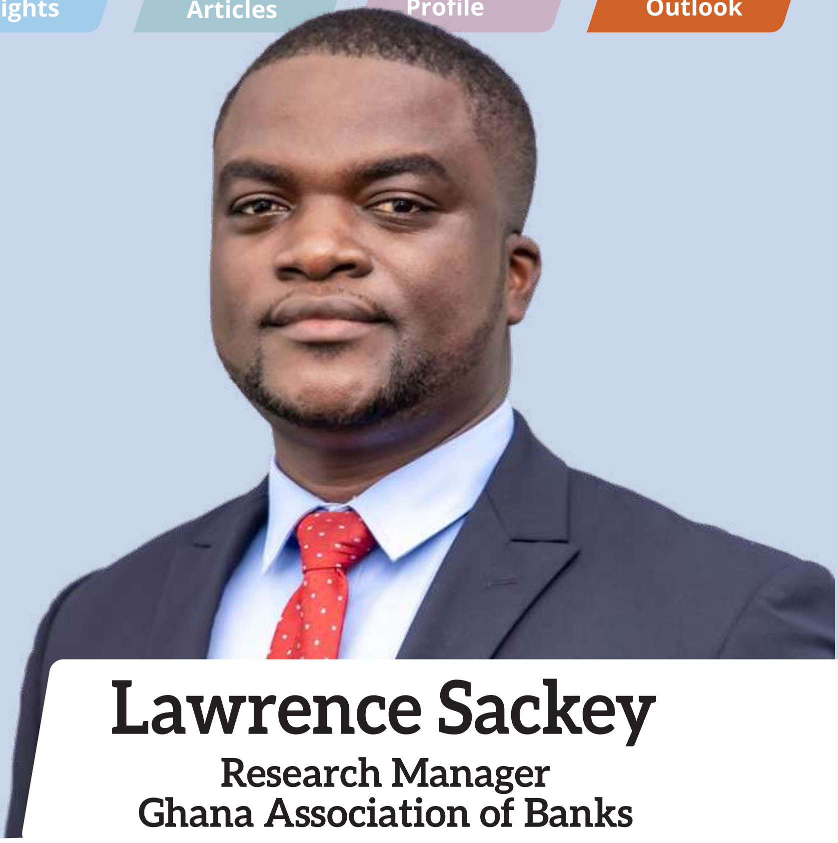
As a young professional, you need to learn as much as possible. Today's world is characterized by constant change and innovation. It is important to continually learn to adapt and be agile while embracing change.

Ethics will continue to take centre stage of what we do as professionals. Ethical leaders consider the public good ahead of personal interests. Young professionals should cultivate unrelenting inner values and train themselves to have a sense of responsibility.

Beyond this, young people especially women need to put themselves up for opportunities within organisations. My advice is "do not be afraid to be ambitious. Clearly articulate your aspirations and go for your dreams." It is also important for leaders to create an enabling environment where young people thrive and excel.

Industry Outlook

Industry Outlook



Resilience and Innovation:

Charting the Future of Ghana's Banking Industry

Lawrence Sackey
Research Manager
Ghana Association of Banks

Introduction

The banking industry in Ghana continues to be a crucial pillar of economic growth, financial stability, and innovation. As we look toward the future, the sector finds itself at a critical juncture, influenced by local economic recovery efforts, global macroeconomic trends, regulatory changes, and technological advancements. Despite numerous challenges over recent years—including the Domestic Debt Exchange Programme (DDEP), global geopolitical tensions, and the impact of the COVID-19 pandemic—the Ghanaian banking sector has shown remarkable resilience and adaptability.

This outlook explores the current state of the banking industry, the emerging trends, and the strategic paths that banks can adopt to remain competitive, financially sound, and supportive of national economic goals.

Current State of the Industry

The Ghanaian banking sector's performance in 2023 marked a positive turnaround after the losses recorded in 2022, primarily due to the DDEP and broader macroeconomic conditions.

The banking sector's total assets experienced robust growth, posting a compound annual growth rate (CAGR) of 23.06%, climbing from GH¢50.1 billion in 2015 to GH¢263.5 billion by the close of 2023. In tandem, total liabilities also surged, rising at a CAGR of 23.66%, from GH¢42.8 billion in 2015 to GH¢234.2 billion by the end of 2023.

Customer deposits mirrored this upward trajectory, expanding at an impressive CAGR of 24.86%, from GH¢34.4 billion in 2015 to GH¢203.2 billion by the end of 2023. Contrary to earlier projections that deposits would falter in 2023, following the disruption caused by the Domestic Debt Exchange Program (DDEP) in 2022, deposits grew by a remarkable 15.88% between 2022 and 2023. Loans and advances, however, increased at a slower pace, with a CAGR of 14.11%, underscoring the industry's challenges with credit culture and the persistently high levels of non-performing loans (NPLs).

Despite these disruptions, the industry demonstrated resilience, maintaining profitability. Profit-before-tax (PBT), which stood at GH¢2.2 billion in 2015, continued to expand until 2022, when the sector recorded a loss of GH¢7.4 billion, primarily driven by DDEP, which triggered impairments totalling GH¢19.2 billion. Nevertheless, the industry staged a strong comeback, with PBT rebounding to GH¢10.99 billion by the close of 2023. Return on equity, which plummeted to -3.8%

Variables	2015	2016	2017	2018	2019	2020	2021	2022	2023
No. of Banks	20	20	20	21	22	22	22	22	21
	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Total Assets	50,085,499	63,490,455	74,388,376	89,168,537	117,206,255	139,172,064	165,142,840	209,020,445	263,475,808
Total Liabilities	42,816,659	54,790,975	63,719,172	75,024,677	99,022,631	116,525,323	139,456,855	188,446,892	234,153,560
Deposits from customers	34,397,433	43,751,924	51,106,629	58,590,514	74,545,038	94,889,036	109,270,952	155,544,293	203,213,220
Loans & Advances to Customers	21,336,939	23,288,673	22,625,309	27,111,895	37,428,782	39,232,585	44,651,991	58,943,045	61,330,573
Total Shareholders' Fund	7,268,840	8,699,480	10,669,204	14,143,860	18,183,623	22,646,739	25,684,458	20,573,558	29,322,248
Profit/Loss before Tax [EBIT]	2,213,407	2,530,687	3,378,905	3,710,731	4,593,853	6,438,701	7,508,759	(7,423,254)	10,986,581
Profit/Loss after Tax [EAT]	1,531,420	1,746,479	2,302,810	2,517,300	3,176,984	4,530,797	4,921,466	(6,021,719)	6,637,966
Impairment Loss on Loans, Advances & financial assets	(1,229,589)	(1,208,449)	(715,235)	(958,148)	(1,153,844)	(1,256,335)	(1,285,110)	(19,233,764)	(7,793,264)
Total Operating Expenses	(4,716,846)	(5,264,216)	(5,371,971)	(6,277,518)	(7,379,293)	(8,235,768)	(8,891,425)	(29,969,694)	32,297,411
NPL Ratios (Yearly, average)	12.56%	17.92%	20.81	21.16%	17.69%	15.04%	16.14%	14.42%	18.19%
Loan-to-Deposit ratio (LDR)	62%	53%	44%	46%	50%	41%	40%	37%	30%

IMF programme. However, this growth remains non-inclusive, as the composite index of economic activity (CIEA) continues to decline. The expansion has been largely driven by the services and industrial sectors, particularly oil and other extractives, which are dominated by foreign-owned enterprises. The real sectors of the economy, however, have yet to fully benefit from this growth.

in 2022, recovered robustly to 5.4% by the end of 2023.

The issue of non-performing loans, a perennial thorn in the side of the sector, reached a worrying peak of 21.16% in 2018, the highest level in two decades. Following a successful recapitalisation, the NPL ratio dropped to 17.69% in 2019 and has since hovered below 20%, closing 2023 at 18.19%. However, the NPL ratio has spiked again in 2024, reaching an average of 24.89% in the first half of the year, signalling renewed strain on credit quality within the sector. *(See the table above for more details)*

Looking forward, the sector's growth trajectory remains cautiously optimistic. As Ghana's economy embarks on a recovery path, banks must continue to play a critical role in facilitating credit creation, supporting infrastructure development, and promoting financial inclusion. The increased deposits and strong asset base, along with improving capital adequacy ratios, provide the sector with a solid foundation to navigate future challenges.

Key Challenges

Stimulating Growth Amid NPL Pressures: Ghana's real GDP growth decelerated from 3.8% in 2022 to 2.9% in 2023, reflecting the lingering effects of Russia's invasion of Ukraine, tighter global financial conditions, and domestic macroeconomic challenges. Growth was primarily driven by the industrial sector on the supply side and by private consumption on the demand side. However, the medium-term outlook remains optimistic, with GDP growth forecast to rise to 3.4% in 2024 and 4.3% in 2025, bolstered by the industrial and services sectors on the supply side, and private consumption and investment on the demand side.

In the first quarter of 2024, Ghana recorded an impressive growth of 4.7%, signalling a positive trajectory under the ongoing

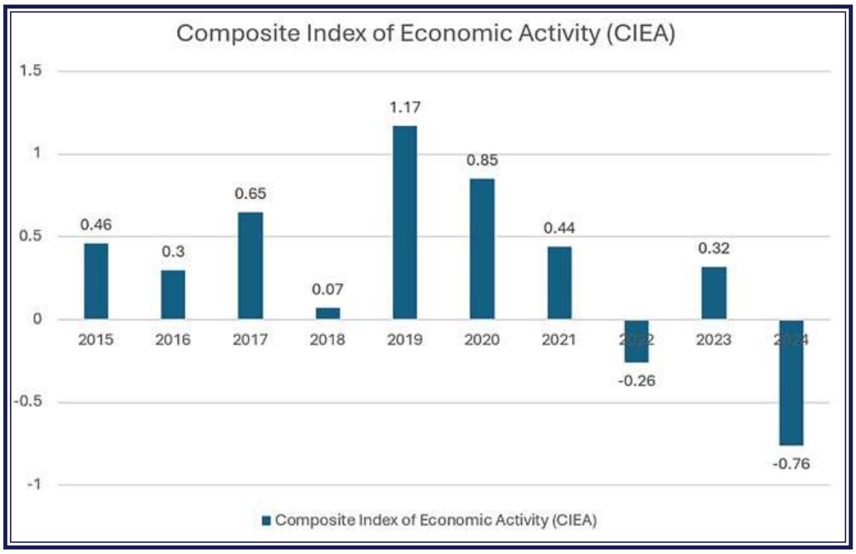
Multidimensional poverty worsened slightly, rising from 46% in 2017 to 46.7% in 2022, exacerbated by the impacts of the Covid-19 pandemic. The Ghana Statistical Services' (GSS) recent report on multidimensional poverty in Ghana showed that, a little over seven million (7,317,555) or twenty-four percent (24%) Ghanaians are multidimensionally poor. Youth unemployment remains a pressing issue, particularly among the 15–24 age group, with female unemployment (36.7%) outpacing that of males (29.3%).

Credit availability to SMEs and the real sectors of the economy is crucial for achieving inclusive growth. In an effort to address this, the Bank of Ghana has revised the Cash Reserve Ratio (CRR) for banks, aligning it with the loan-to-deposit ratio (LDR). Previously set at 15% across the board, the new directive introduces a tiered system: banks with an LDR below 40% now face a CRR of 25%, those with an LDR between 40-50% must hold a CRR of 20%, while banks with an LDR above 55% will maintain the original 15% CRR. This policy is aimed at stimulating loan growth to the real economy. Though beneficial for economic expansion, the directive may exert short-term pressure on bank profitability.

Persistently high levels of non-performing loans (NPLs) remain a significant challenge for the sector. Despite efforts at recapitalisation and industry reforms, NPLs continue to undermine profitability and restrict credit growth. By the end of 2023, NPLs averaged 18.19%, spiking to 24.89% in the first half of 2024. This surge reflects ongoing struggles with loan quality and risk management. Moreover, the new CRR directive has contributed to a marked increase in loan-to-deposit ratios across the sector from March to June 2024, accompanied by a corresponding rise in NPL levels. Historical data suggests a clear positive correlation between LDR and NPLs, underscoring the delicate balance between encouraging loan growth and managing credit risk.

Impact of the Domestic Debt Exchange Programme (DDEP): The DDEP, initiated in 2022, caused significant disruption within the banking sector. Many banks recorded massive impairments, resulting in substantial losses in 2022. Though the sector showed signs of recovery in 2023, the DDEP's long-term impact on investor and depositor confidence remains a concern.

Weak Credit Culture: The banking sector has long grappled with a weak credit culture, where poor loan repayment behaviour has contributed to the high NPL

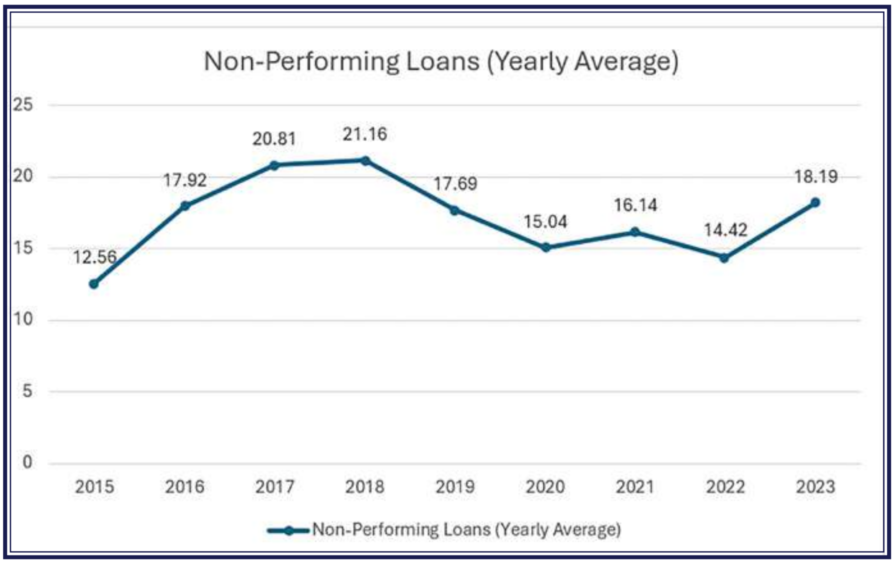


Loan-to-Deposit Ratio & Cash Reserve Ratio

Loan-to-Deposit Ratio (%)	Previous CRR Requirement, (%)	New CRR Requirement, (%)
Below 40	15	25
40-50	15	20
Above 55	15	15

Loan-to-Deposit Ratio and NPL in 2024

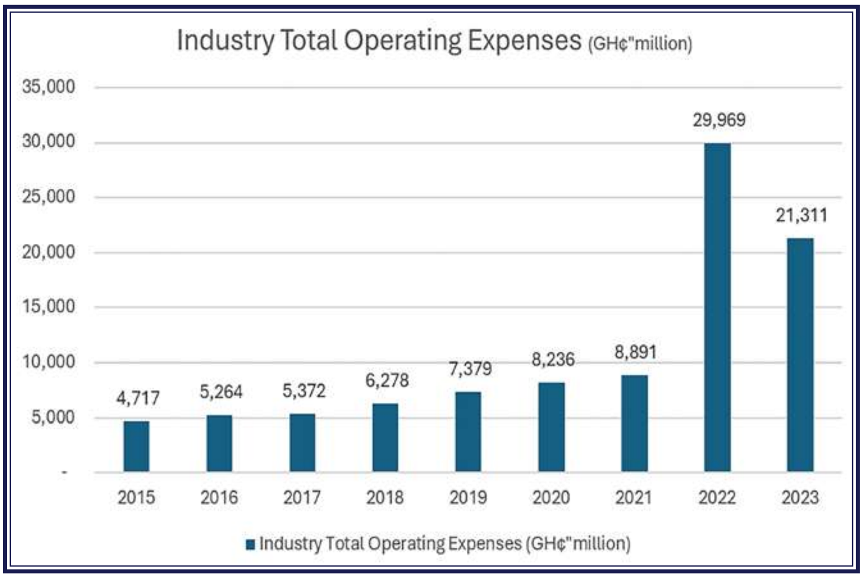
	Jan	Feb	Mar	April	May	Jun
Total Advances (GH¢ billion)	73.8	74.8	77.0	77.9	81.3	84.5
Total Deposits (GH¢ billion)	217.9	224.4	230.1	236.3	240.2	245.8
Loan-to-Deposit ratio (LDR)	33.87%	33.33%	33.46%	32.97%	33.85%	34.38%
NPL (%)	23.7	24.6	26.7	25.7	24.5	24.7



ratio. This has made banks more conservative in extending credit, thereby slowing down loan growth relative to deposit accumulation.

Liquidity and Capital Adequacy Pressures: Some banks continue to face liquidity pressures, especially as regulatory requirements for capital adequacy have become more stringent following the 2017–2018 financial sector reforms and DDEP. Maintaining capital buffers while ensuring profitability remains a delicate balancing act for many institutions.

Rising Operating Costs: Operating expenses have surged across the industry over the past decade, with costs nearly quadrupling since 2015. This has exerted pressure on profit margins, especially in an environment where revenue growth is uncertain, and impairments are high.



Exchange Rate Volatility and Inflation: The depreciation of the Ghanaian cedi and rising inflation have been persistent macroeconomic challenges for the sector In 2023, the central bank's efforts to stabilise the cedi against major trading currencies mirrored its struggles in 2022, yielding limited success. The annual average exchange rates on the interbank market for the cedi against the US dollar, British pound, and Euro in 2022 stood at GH¢8.4, GH¢10.3, and GH¢8.8, respectively. These rates were stark increases from 2021, where the cedi traded at GH¢5.8, GH¢8.0, and GH¢6.9 against the same currencies. The cumulative depreciation in 2022 was a sharp 53.8% against the dollar, 45.5% against the pound, and 46.8% against the Euro, marking a significant deterioration compared to the relatively stable 2021 depreciation rates of 4.1%, 3.1%, and an appreciation of -3.5%, respectively.

In 2023, the cedi experienced a further depreciation of 33.25%, with the average exchange rate rising from GH¢8.27 in 2022 to GH¢11.02 by year's end. However, unlike 2022's random spikes and high volatility, 2023 saw more stable conditions, largely due to improved external buffers, which provided much-needed support for exchange rate stability. Despite this, the cedi's depreciation persisted, exacerbated by Ghana's failure to service its external debt obligations throughout the year. The situation could have been worse had the country made these payments, which would have further drained foreign reserves.

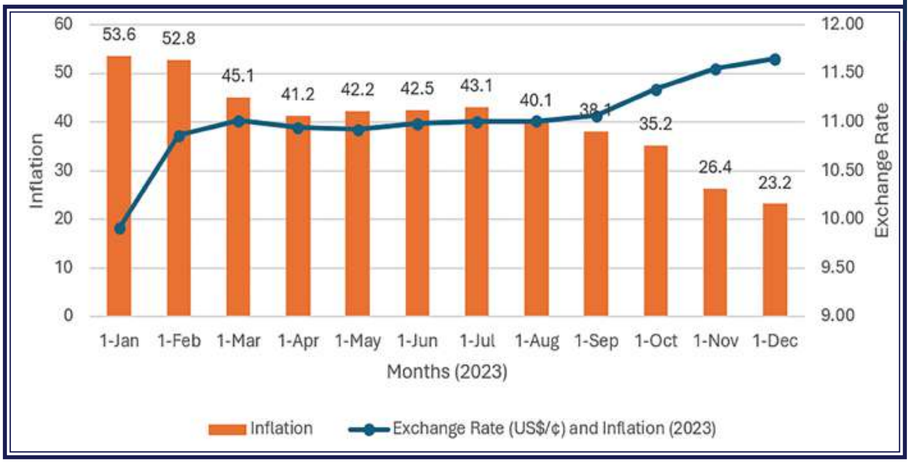
According to the Bank of Ghana (2024), an improvement in foreign exchange inflows is expected, with disbursements from the IMF Extended Credit Facility (ECF), a cocoa syndicated loan, and anticipated World Bank Development Policy Operations funding. The Bank's gold-for-reserve programme, the repatriation of foreign exchange from mining and oil companies, and a reduction in debt service payments are also set to enhance reserve accumulation and improve the outlook for the external sector.

Nevertheless, a Bloomberg survey reveals that while the cedi lost almost 23% of its value against the US dollar this year, relative stability was observed in July, attributed to increased foreign exchange demand for petroleum products, pharmaceuticals, and other imports. Again, speculations and the propensity of citizens to hold onto foreign currency amidst persistent uncertainty and volatility further weighed on the cedi's performance.

As 2024 unfolds, the cedi's decline continues. Beginning the year at GH¢12.46 to the dollar in January, it had depreciated to GH¢16.02 by the end of August. This weakening trend has also been reflected in its performance against the British pound and the Euro.

Exchange rate volatility has

not only driven up the cost of foreign-denominated debt but also compounded inflationary pressures, eroding asset values and inflating operational costs across the economy. These dynamics remain a significant challenge for policymakers as they navigate the complex landscape of stabilising the currency while maintaining economic growth. The Central Bank has commendably managed to tame inflationary pressures in 2023, showcasing its strong commitment to maintaining economic stability. However, the depreciating cedi presents a challenge to these efforts. It is therefore imperative to thoroughly investigate the underlying leakages and macroeconomic factors that may be contributing to this downward trend.



Climate Risk: Climate risk stands out as one of the most politically divisive issues globally and ranks among the most significant geopolitical risks in 2024. Its implications extend to national security and global stability, with the impacts of climate change already evident through extreme weather events, species extinction, rising sea levels, and escalating poverty in developing nations.

The consequences of climate change manifest in the form of more frequent and intense weather events, including hurricanes, droughts, floods, and wildfires. These events have inflicted damage on infrastructure and disrupted supply chains, resulting in resource scarcity and economic instability.

The change in climate patterns has led to diminished precipitation levels in some parts of the world, contributing to water scarcity. This scarcity has heightened geopolitical tensions, notably seen in conflicts between countries such as Turkey, Syria, and Iraq. Sub-Saharan Africa, in particular, faces more frequent and severe droughts, reducing water availability for agriculture and drinking, further exacerbating challenges in the region. Presently, the northern parts of Ghana are experiencing one of the most severe droughts in a decade, which is likely to affect food supply and exert inflationary pressures in the last quarter of 2024 through to 2025

High Public Debt: High public debt has had a profound impact on Ghana's banking sector, particularly through the Domestic Debt Exchange Programme (DDEP), where the restructuring of government bonds led to significant impairments in banks' asset portfolios. Though the DDEP has marginally reduced the country's debt stock, the overall debt level remains unsustainable. Increasing public debt levels often crowd out private sector lending, reduce banks' profitability, strain liquidity, and drive-up interest rates, which raise the cost of borrowing and increase NPLs. Additionally, regulatory pressures may intensify, and investor confidence can weaken in times of debt distress, further destabilising the financial sector.

The Way Forward

Addressing Elevated Credit

Risks: Non-performing loans (NPLs) remain a persistent challenge for the sector, with the NPL ratio increasing to 24.1% by June 2024. This reflects an ongoing concern about credit quality, exacerbated by the macroeconomic environment and higher interest rates. However, some banks like Zenith and Access have managed to maintain relatively low NPL ratios through sound credit risk management strategies.

Going forward, it will be essential for the banking industry to enhance its loan monitoring and recovery strategies, as well as to diversify risk through investments in sectors with stronger growth potential, such as agribusiness and technology.

Sustainable Finance: Environmental, Social, and Governance (ESG) principles are becoming increasingly important in the global financial landscape, and Ghana's banks are no exception. In 2024 and beyond, sustainable finance will present significant growth opportunities. Green finance products, such as loans for renewable energy projects and eco-friendly businesses; social inclusion and governance, will help align Ghanaian banks with global sustainability goals and attract socially responsible investments.

Additionally, the banking sector's commitment to Corporate Social Responsibility (CSR) continues to grow. In 2023, the industry spent over GHS 13 billion on CSR activities, contributing to health, education, and environmental initiatives. These efforts not only boost banks' reputations but also enhance community engagement and national development.

Digital Transformation and Fintech Collaboration: In the digital age, the need for innovation is paramount. Ghana's banking sector has embraced digital transformation, collaborating with FinTechs to expand their offerings and enhance customer experience. As of 2023, the number of digital banking products increased by 14.7%, reflecting the growing reliance on digital platforms. The industry has also invested in financial inclusion, reaching a greater segment of the population through mobile banking, USSD services, and partnerships with FinTech firms.

In the years ahead, digital transformation will continue to be a key driver of growth in the sector. The integration of artificial intelligence (AI) and data analytics will enhance customer personalization and operational efficiency, while deeper collaborations with FinTech companies will help banks introduce new products tailored to the needs of underserved markets.

The Bank of Ghana has demonstrated remarkable foresight in the fintech space by establishing a regulatory sandbox, enabling fintech companies to test new products and services in a controlled environment. This initiative not only fosters innovation but also ensures that potential risks are effectively managed, showcasing the Bank's commitment to balancing technological advancement with financial stability.

Managing Currency Volatility and Inflation: The banking industry remains vulnerable to macroeconomic factors such as currency volatility, high public debt, and inflation, which have been exacerbated by global events like the Russia-Ukraine war and tighter global financing conditions. The depreciation of the Ghanaian cedi and rising inflation have increased the cost of doing business and made loan repayments more challenging for borrowers, particularly in sectors reliant on imports.
However, the Bank of Ghana has adopted a tighter monetary policy stance to curb inflation, and this has not yielded significant result in stabilizing the exchange rate. Going forward, banks will need to adopt robust hedging strategies to mitigate currency risks and reduce their exposure to foreign currency liabilities.

Regulatory Reforms and Capital Adequacy: In the face of macroeconomic challenges, regulatory oversight has become more stringent. The Capital Adequacy Ratio (CAR) for the industry stood at 13.9% by the end of 2023, slightly below previous levels but still above the minimum regulatory requirement. As the deadline for capital restoration approaches, banks will need to continue raising capital to ensure compliance with Bank of Ghana regulations, while also maintaining liquidity and financial stability. Additionally, banks will need to prepare for future regulatory changes, particularly in areas such as cybersecurity, data protection, international trade, and digital currency regulation. As the sector becomes more digitalized, regulators are likely to introduce new frameworks to ensure that banks operate in a secure and compliant manner.

Promoting AfCFTA and Economic Transformation: According to the African Transformation Index (2023), African economies have become increasingly less diversified, with a marked decline in the competitiveness of their exports—significantly undermining their resilience to external shocks. Between 2000 and 2020, the average African Diversification score fell by nearly six points, while the Export Competitiveness score remains a mere 13.8 out of 100. Economies heavily reliant on raw materials and characterised by weak export competitiveness are particularly vulnerable to global price volatility and economic disruptions, threatening to reverse progress on economic transformation.

Driving economic transformation hinges on diversification, increased production, and the acceleration of intra-African trade. As Wamkele Keabetswe Mene, Secretary General of the African Continental Free Trade Area (AfCFTA) Secretariat, has highlighted, the cost and challenges of trading within Africa far exceed those of trading with countries outside the continent; this is unthinkable and unacceptable. Therefore, reducing the barriers and costs of trade across Africa is essential to fully harness the potential of AfCFTA. By facilitating efficient intra-African trade, the continent can boost production, lower unemployment, and open up new business opportunities for the banking sector.

Conclusion

The Ghanaian banking sector stands at a critical crossroads, navigating challenges such as high non-performing loans, the effects of the Domestic Debt Exchange Programme, and macroeconomic volatility. However, the sector has demonstrated resilience, underpinned by strong asset growth, robust deposit accumulation, and innovative strategies for credit risk management. Looking ahead, banks will need to focus on sustainable finance, digital transformation, and greater collaboration with emerging sectors such as agribusiness and technology to drive inclusive growth. By fostering sound credit culture, improving loan recovery mechanisms, and embracing green finance initiatives, the sector is well-positioned to support Ghana's broader economic transformation and meet the challenges of an evolving global financial landscape.

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Glossary of Key Terms

Capital adequacy ratio
Is the ratio of adjusted equity base to risk-adjusted asset base as required by the Bank of Ghana (BoG); and recommended by Basel II and III

Cash assets
Include cash on hand, balances with the central bank; money at call or short notice; and cheques in course of collection and clearing

Cost income ratio
Non-interest operating expenses/ Operating income

Financial leverage ratio
Total assets/ common equity

Liquid assets
Include cash assets and assets that are relatively easier to convert to cash, e.g., investments in government securities; quoted and unquoted debt and equity investments; equity investments in subsidiaries; and associated companies

Loan loss provisions
(General and specific provisions for bad debts + Interest in suspense)/ Gross loans and advances

Loan portfolio profitability
(Interest income attributable to advances - Provisions for bad and doubtful loans)/ Net loans and advances

Loan loss rate: Bad debt provisions/ Average operating assets

Net book value per share: Total shareholder's funds/ Number of ordinary shares outstanding

Net interest income: Total interest income - Total interest expense

Net interest margin: Net interest income/ Average operating assets

Net operating income
Total operating income – Total non-interest operating expenses + Depreciation and amortisation - Loan loss adjustment + Exceptional credits.

Net operating (or intermediation) margin
[(Total interest income + Total non-interest operating revenue)/ Total operating assets] - [Total interest expense/ Total interest-bearing liabilities]

Net profit before tax
Total Operating Income - Total Operating Expenses

Net spread
(Interest income from advances/ Net loans and advances) - (Interest expense on deposits/ Total deposits)

Non-interest operating expenses
Include employee related expenses; occupancy charges or rent; depreciation and amortisation; directors' emoluments; fees for professional advice and services; publicity and marketing expenses

Non-interest operating revenue
Includes commissions and fees; profit on exchange; dividends from investments and other non-interest investment income; and bank and service charges

Non-operating assets
Comprise net book value of fixed assets (e.g., landed property, information technology infrastructure, furniture and equipment, vehicles); and other assets, including prepayments, sundry debtors and accounts receivable

Operating assets
Include cash and liquid assets; loans and advances; and any other asset that directly generates interest or fee income

Profit after tax margin
Profit after tax/ Total operating income

Profit before tax margin
Profit after extraordinary items but before tax/ Total operating income

Quick (acid test) ratio
(Total cash assets + Total liquid assets)/ (Total liabilities - Long term borrowings)

Return on assets
Profit after tax/ Average total assets

Return on equity
Profit after tax/ Average total shareholders' funds

Shareholders' funds
Comprise paid-up stated capital; income surplus; statutory reserves; and capital surplus or revaluation reserves

Solvency
[(Net Interest Income + Depreciation) / Total Liabilities]

Total assets
Total operating assets + Total non-operating assets

Total debt ratio
Total liabilities/Total assets

Abbreviations

ABSA	ABSA Bank Ghana Limited
ADB	Agricultural Development Bank Limited
AfCFTA	African Continental Free Trade Area
AI	Artificial Intelligence
AML/CFT	Anti-Money Laundering/Countering of the Financing of Terrorism
ATM	Automated Teller Machine
BDCs	Business Development Companies
BOA	Bank of Africa Ghana Limited
BoD	Board of Directors
BoG	Bank of Ghana
CAL	CalBank Limited
CAR	Capital Adequacy Ratio
CAGR	Compound Annual Growth Rate
CBDCs	Central Bank Digital Currencies
CBG	Consolidated Bank Ghana Limited
CEO	Chief Executive Officer
CFLE	Center for Financial Literacy Education
CFO	Chief Financial Officer
CI	Constitutional Instrument
COTVET	Council for Technical and Vocational Training
CRR	Cash Reserve Ratio
CSR	Corporate Social Responsibility
DDEP	Domestic Debt Exchange Programme
DGPP	Domestic Gold Purchase Programme
ECF	Extended Credit Facility
EMDEs	Emerging Markets and Developing Economies
ECB	Energy Commercial Bank Limited
EPA	Environmental Protection Agency
ERP	Economic Recovery Programme
ESG	Environmental, Social, and Governance
FDI	Foreign Direct Investment
Fintech	Financial Technology
FSI	Financial Stock Index
FSIs	Financial Soundness Indicators
GAB	Ghana Association of Banks
GCX	Ghana Commodity Exchange
GDP	Gross Domestic Product
GFSF	Ghana Financial Stability Fund
GIPC	Ghana Investment Promotion Centre
GSA	Ghana Standards Authority

GSBPs	Ghana Sustainable Banking Principles
ICD	Inland Container Depot
IESG	Integrated ESG
IFC	International Finance Corporation
IMF	International Monetary Fund
IMS	Identity Management System
IRENA	International Renewable Energy Agency
IT	Inflationary Targetting
LDR	Loan to Deposit Ratio
LI	Lawful Interception
LICs	Low Income Countries
LLM	Large Language Model
MPC	Monetary Policy Committee
KYC	Know Your Customer
LTFC	Long-Term Foreign Currency
MFIs	Microfinance Institutions
MMI	Mobile Money Interoperability
NFC	Near Field Communication
NFIDS	National Financial Inclusion and Development Strategy
NIB	National Investment Bank
NIRP	National Industrial Revitalisation Programme
MTOs	Money Transfer Organisations
NAP	National Apprenticeship Programme
NIM	Net interst Margin
NPLs	Non-Performimg Loans
OCC	Official Credit Committee
PAGE	Partnership for Action on Green Economy
PPP	Public Private Partnerships
ROA	Return on Assets
ROE	Return on Equity
SDIs	Specialised Deposit-Taking Institutions
SAP	Structural Adjustment Programme
SEC	Securities and Exchange Commission
SECO	Secretariat for Economic Affairs
TVET	Technical and Vocational Training
UNCTAD	The United Nations Conference on Trade and Development
VUCA	Volatility, Uncertainty,Complexity and Ambiguity
UBA	United Bank for Africa

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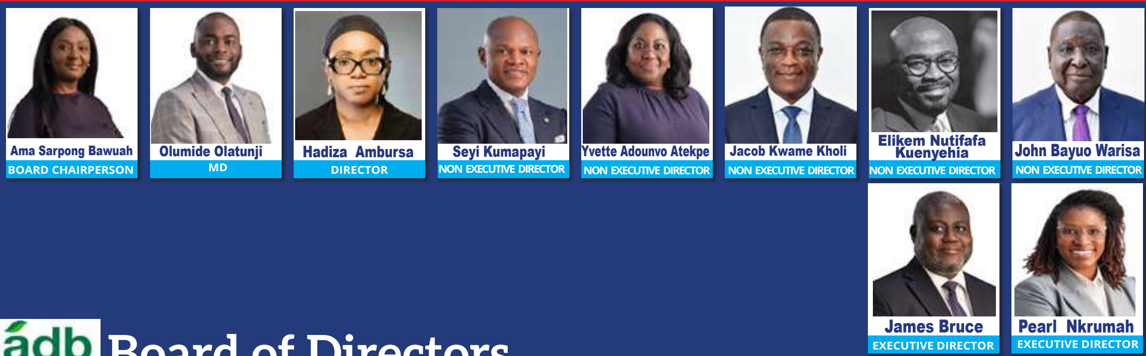

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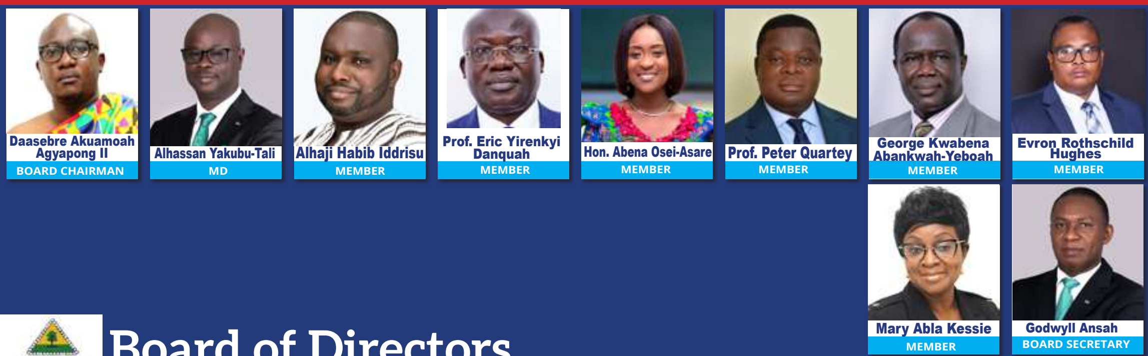

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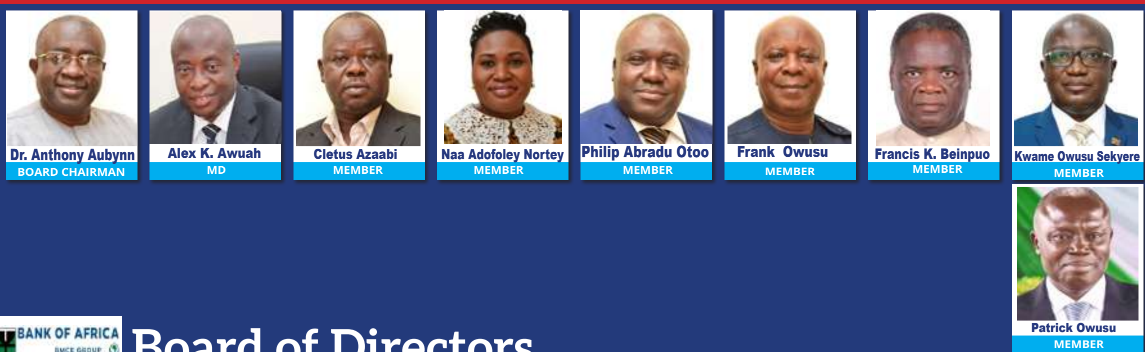

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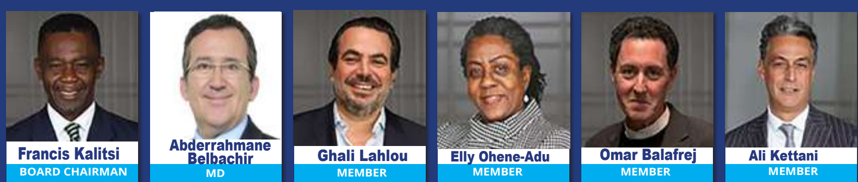

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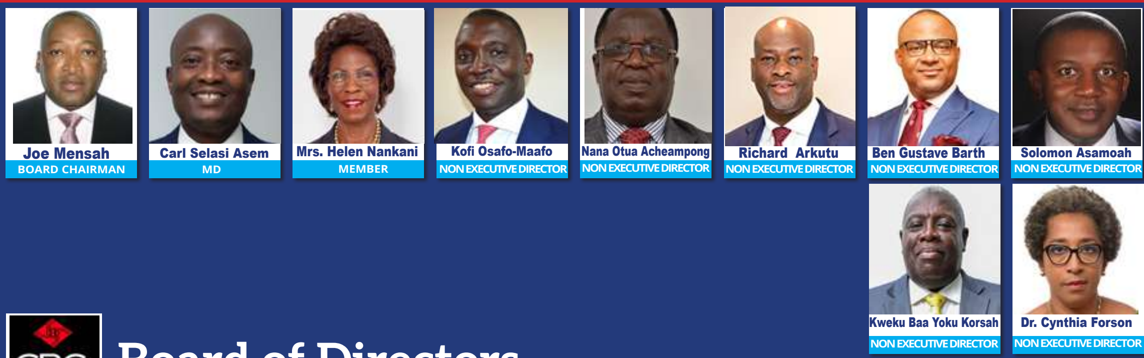

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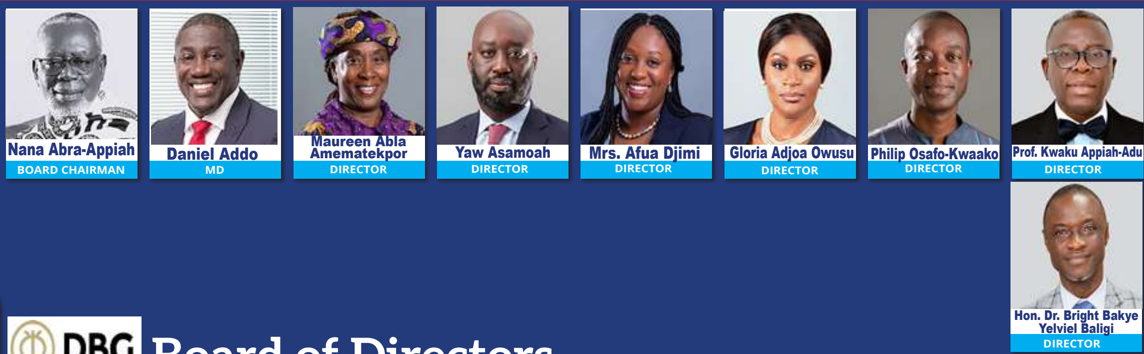

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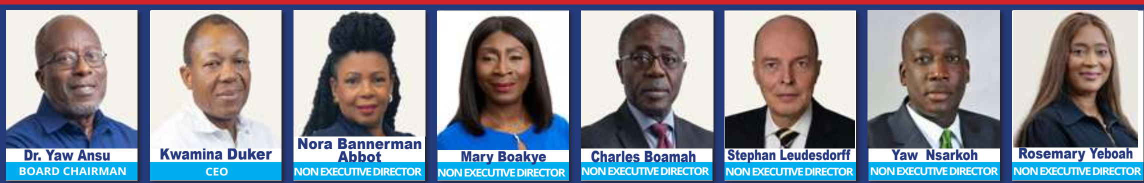
DBG Board of Directors



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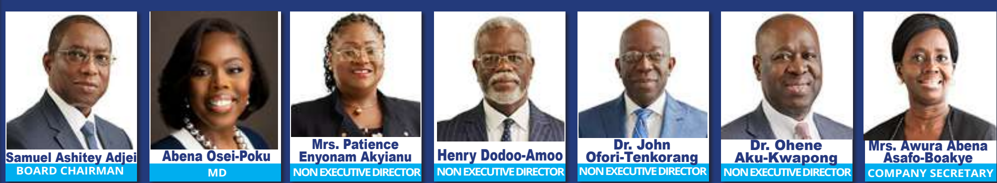
Ecobank The Pan African Bank Board of Directors



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0302235319

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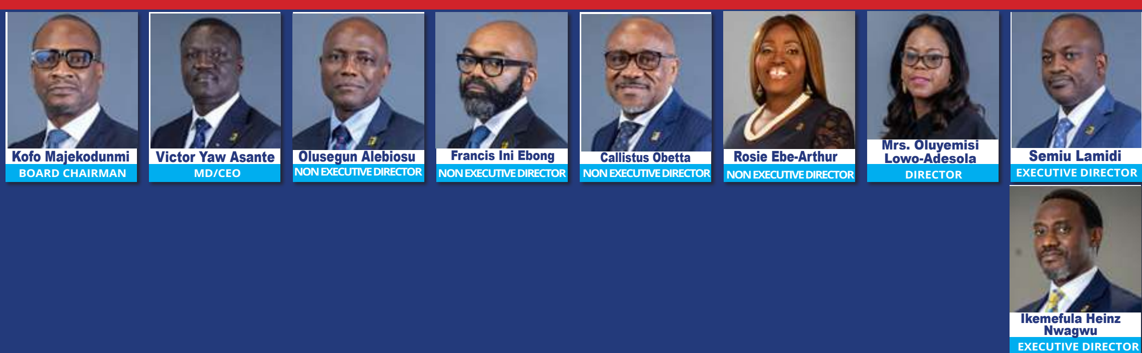
FirstBank Ghana Board of Directors



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Board of Directors

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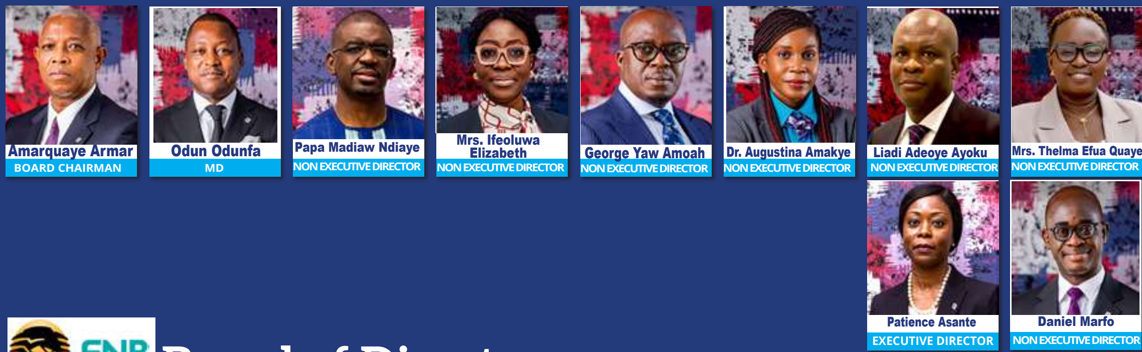
Board of Directors



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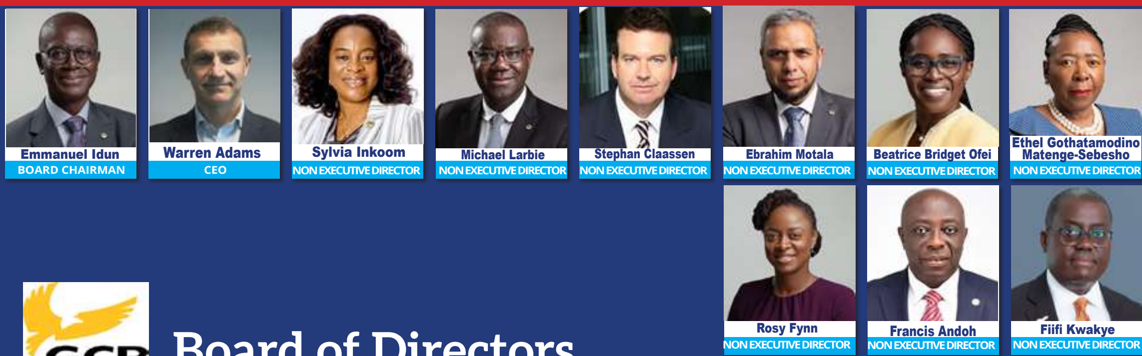
Board of Directors



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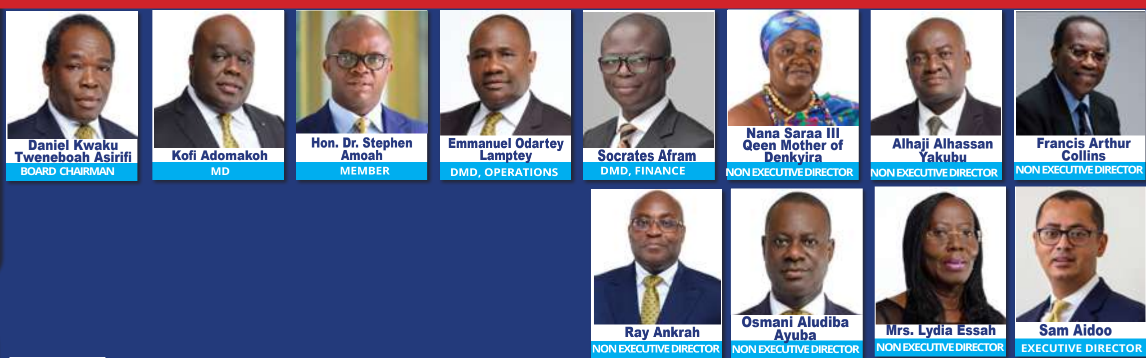
Board of Directors



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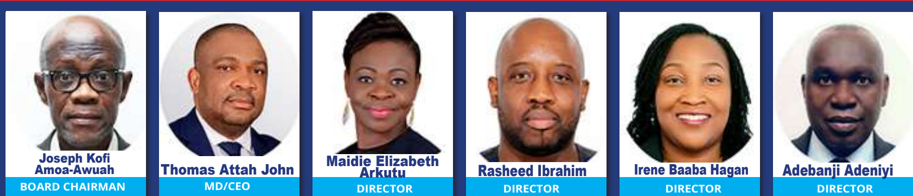
Board of Directors



Connnect With Us

NATIONAL INVESTMENT BANK Board of Directors

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37 Kwame Nkrumah Avenue

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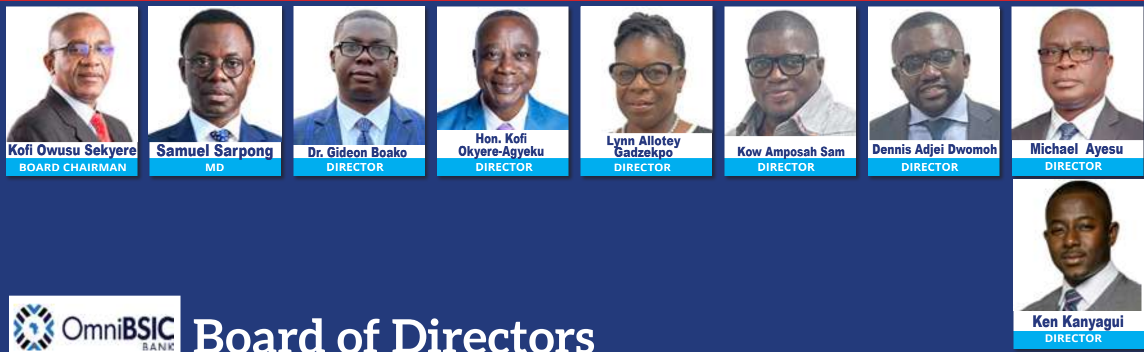

Kofi Owusu Sekyere — BOARD CHAIRMAN
Samuel Sarpong — MD
Dr. Gideon Boako — DIRECTOR
Hon. Kofi Okyere-Agyeku — DIRECTOR
Lynn Allotey Gadzekpo — DIRECTOR
Kow Amposah Sam — DIRECTOR
Dennis Adjei Dwomoh — DIRECTOR
Michael Ayesu — DIRECTOR
Ken Kanyagui — DIRECTOR

OmniBSIC BANK Board of Directors

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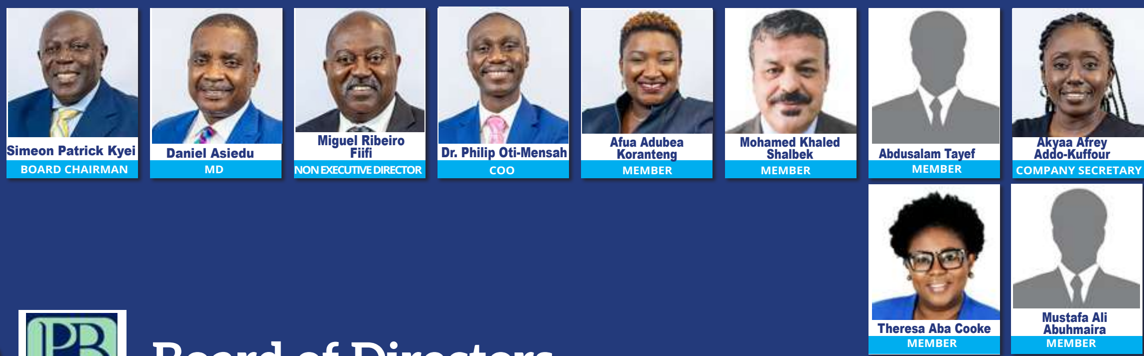

Simeon Patrick Kyei — BOARD CHAIRMAN
Daniel Asiedu — MD
Miguel Ribeiro Fiifi — NON EXECUTIVE DIRECTOR
Dr. Philip Oti-Mensah — COO
Afua Adubea Koranteng — MEMBER
Mohamed Khaled Shalbek — MEMBER
Abdusalam Tayef — MEMBER
Akyaa Afrey Addo-Kuffour — COMPANY SECRETARY
Theresa Aba Cooke — MEMBER
Mustafa Ali Abuhmaira — MEMBER

PB Board of Directors

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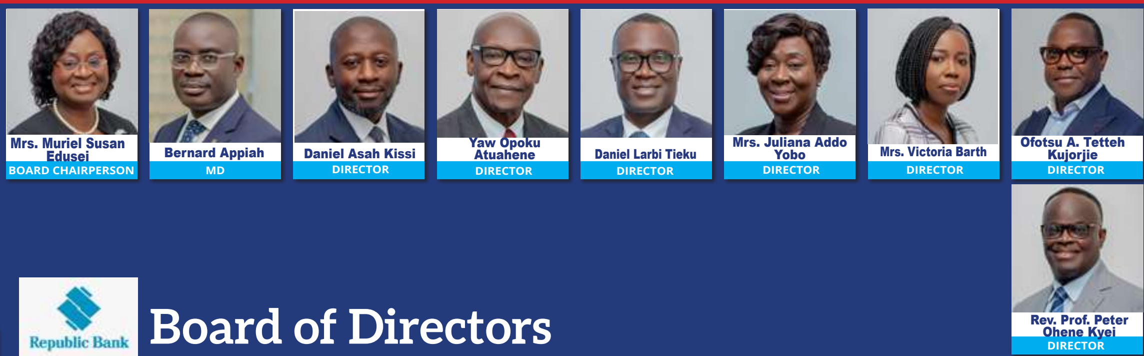

Mrs. Muriel Susan Edusei — BOARD CHAIRPERSON
Bernard Appiah — MD
Daniel Asah Kissi — DIRECTOR
Yaw Opoku Atuahene — DIRECTOR
Daniel Larbi Tieku — DIRECTOR
Mrs. Juliana Addo Yobo — DIRECTOR
Mrs. Victoria Barth — DIRECTOR
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Rev. Prof. Peter Ohene Kyei — DIRECTOR

Republic Bank Board of Directors

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Benjamin Dzoboku — MD
Nigel Baptiste — DIRECTOR
Parasram Saclickram — DIRECTOR
Arimeyaw Ibn Saeed — DIRECTOR
Vera Ogeh Lassey Fiador — DIRECTOR
Jonathan Prince Cann — DIRECTOR
Joseph Yaw Asumang — DIRECTOR

SOCIETE GENERALE GHANA Board of Directors

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Margaret Boateng Sekyere — BOARD CHAIRPERSON
Hakim Ouzzani — MD
Georges Wega — DIRECTOR
Fosuhene Acheampong — DIRECTOR
Francis Awua-Kyerematen — DIRECTOR
Laurette Korkor Otchere — DIRECTOR
Juliana Asante. — DIRECTOR
Arnaud De Gaudemaris — DIRECTOR
Yvon Puyou — DIRECTOR
Peggy Osei Tutu Dzodzomenyo — DIRECTOR
Arthur Bright — DIRECTOR
Magloire Nguessan — DIRECTOR
Agnes Tauty Giraldi — DIRECTOR

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Stanbic Bank Board of Directors

- Esi Tawia Addo-Ashong — BOARD CHAIRPERSON
- Kwamina Asomaning — MD
- Estelle Akofio-Sowah — NON EXECUTIVE DIRECTOR
- Sarah-Mary Frimpong — NON EXECUTIVE DIRECTOR
- John Kofi Baisie — IND. NON EXECUTIVE DIRECTOR
- Prof. Robert Darko Osei — IND. NON EXECUTIVE DIRECTOR
- Zaranyika Timothy Mugodi — EXECUTIVE DIRECTOR
- Wilhelmus Jacobus Engelbrecht — NON EXECUTIVE DIRECTOR

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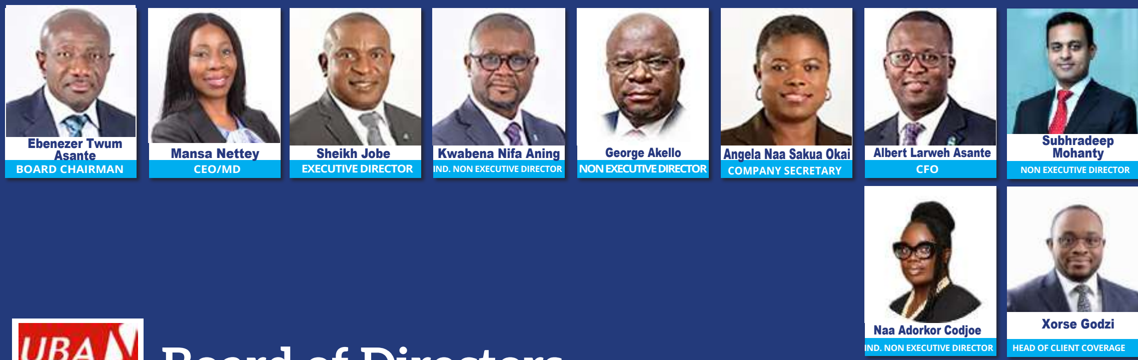
Standard Chartered Board of Directors



- Ebenezer Twum Asante — BOARD CHAIRMAN
- Mansa Nettey — CEO/MD
- Sheikh Jobe — EXECUTIVE DIRECTOR
- Kwabena Nifa Aning — IND. NON EXECUTIVE DIRECTOR
- George Akello — NON EXECUTIVE DIRECTOR
- Angela Naa Sakua Okai — COMPANY SECRETARY
- Albert Larweh Asante — CFO
- Subhradeep Mohanty — NON EXECUTIVE DIRECTOR
- Naa Adorkor Codjoe — IND. NON EXECUTIVE DIRECTOR
- Xorse Godzi — HEAD OF CLIENT COVERAGE

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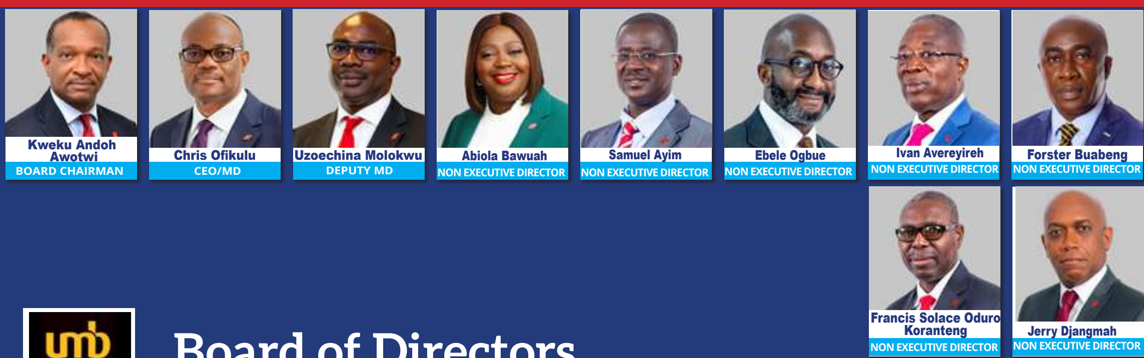
UBA Board of Directors



- Kweku Andoh Awotwi — BOARD CHAIRMAN
- Chris Ofikulu — CEO/MD
- Uzoechina Molokwu — DEPUTY MD
- Abiola Bawuah — NON EXECUTIVE DIRECTOR
- Samuel Ayim — NON EXECUTIVE DIRECTOR
- Ebele Ogbue — NON EXECUTIVE DIRECTOR
- Ivan Avereyireh — NON EXECUTIVE DIRECTOR
- Forster Buabeng — NON EXECUTIVE DIRECTOR
- Francis Solace Oduro Koranteng — NON EXECUTIVE DIRECTOR
- Jerry Djangmah — NON EXECUTIVE DIRECTOR

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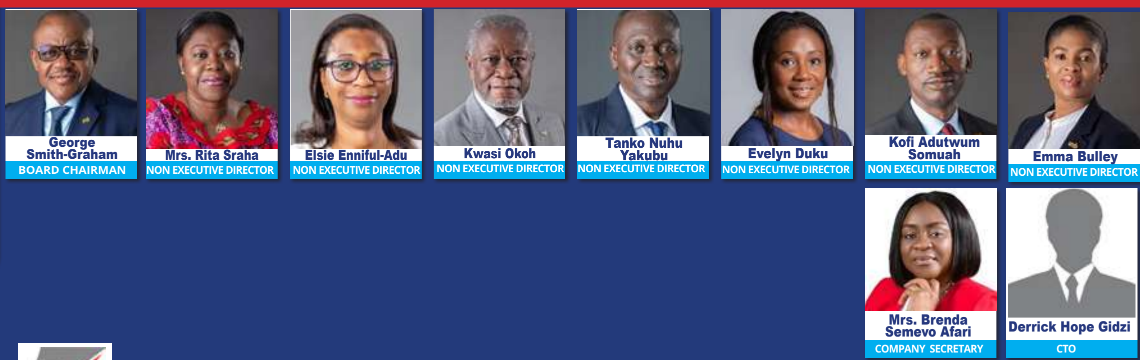
umb Board of Directors



- George Smith-Graham — BOARD CHAIRMAN
- Mrs. Rita Sraha — NON EXECUTIVE DIRECTOR
- Elsie Enniful-Adu — NON EXECUTIVE DIRECTOR
- Kwasi Okoh — NON EXECUTIVE DIRECTOR
- Tanko Nuhu Yakubu — NON EXECUTIVE DIRECTOR
- Evelyn Duku — NON EXECUTIVE DIRECTOR
- Kofi Adutwum Somuah — NON EXECUTIVE DIRECTOR
- Emma Bulley — NON EXECUTIVE DIRECTOR
- Mrs. Brenda Semevo Afari — COMPANY SECRETARY
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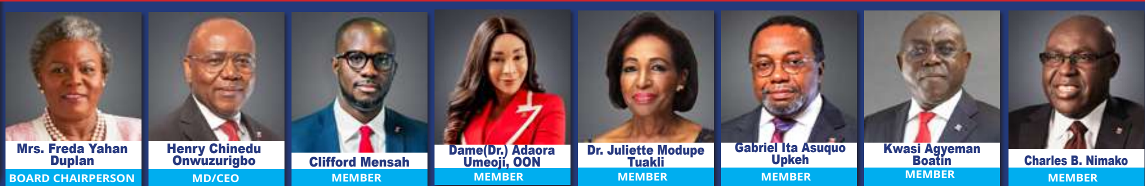
Zenith Board of Directors



- Mrs. Freda Yahan Duplan — BOARD CHAIRPERSON
- Henry Chinedu Onwuzurigbo — MD/CEO
- Clifford Mensah — MEMBER
- Dame(Dr.) Adaora Umeoji, OON — MEMBER
- Dr. Juliette Modupe Tuakli — MEMBER
- Gabriel Ita Asuquo Upkeh — MEMBER
- Kwasi Agyeman Boatin — MEMBER
- Charles B. Nimako — MEMBER

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KPMG

Data is everything; everything is data.

Harness the power of data to drive strategic decision-making, gain competitive advantage, improve operational efficiency, understand customer needs, manage risks, and foster innovation.

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DBG Development Bank Ghana

WHO WE ARE

DBG is a Development Finance Institution accelerating inclusive and sustainable economic transformation by fostering the growth of a competitive private sector.

DBG acts as an enabler to SMEs through its 11 Partner Financial Institutions and counting.

Partnerships

CBG Consolidated Bank Ghana · CalBank · access · absa · Ecobank The Pan African Bank · Zenith · GTBank · Opportunity International Savings and Loans Limited · Sinapi Aba Savings & Loans Touching Lives, Creating Wealth · Advans Savings & Loans

Mapping DBG's End Borrowers: Reach Across Ghana

12/16 Regions

DBG thanks all our partner banks, agencies and development finance institutions and SME's.
We are a wholesale lender, not a commercial bank so we do not accept deposits or provide direct funding to businesses

Funding Partners

GOVERNMENT OF GHANA · THE WORLD BANK IBRD · IDA | WORLD BANK GROUP · African Development Bank Group · European Investment Bank · KFW Bank aus Verantwortung

Development Bank Ghana · www.dbg.com.gh · @devbankghana

Together we grow. We do it different.