

# Building Resilience Through Digital Financial Services

Africa COVID-19  
Digital Finance Market Impact Series

## Ghana

The **COVID-19 pandemic** highlighted the important role **digital financial services (DFS)** can play in reducing disruptions to supply chains, maintaining economic activity, supporting social transfers and ensuring safe transactions while maintaining social distancing.

In these challenging times, IFC's DFS advisory has worked with clients to build resilience and capacity through the Covid-19 crisis while designing, building and developing innovative business models for financial inclusion. This DFS market research series endeavors to share the insights gathered through this work.

**Ghana's** economy is heavily dependent on the hydrocarbons sector as well as the gold and cocoa industries, which are also key export sectors. The government pursues a Ghana Beyond Aid industrialization and economic development strategy which relies heavily on private-sector activity and investment.

Although the pandemic drove GDP growth projection down by over 4%, remittances remain high. Although financial inclusion, phone ownership and internet penetration rates are slightly below regional averages with a gender gap of 8%, overall, the Ghana's socio-demographic landscape provides **a positive picture for financial inclusion.**



## GHANA: KEY COUNTRY STATISTICS



**30.4 million**

**Population**  
57% Urban  
43% Rural



**\$3.5 billion**

Remittance inflows (5% of GDP),  
2nd highest in Africa.



**6.8% to 2.6%**

**GDP growth projection  
revisions for 2020**



**37.8%**

**Internet penetration**  
60% via 3G



**58%**

**Financial Inclusion**  
8% Gender Gap



**Phone ownership:**

**47.9%** Basic

**12.8%** Feature

**46.1%** Smartphone

### Financial Inclusion

Nigeria: 63.3% (2018)  
Cameroon: 64% (2017)  
Uganda: 78% (2018)

### Internet penetration

Nigeria: 61.2%  
Cameroon: 29.7%  
Uganda: 40.4%

### Uganda Device Ownership

Basic: 17%  
Feature: 59%  
Smart: 24%

Sources : Bank of Ghana (2020), The Mix Inclusion Lab (2018), World Bank Global Findex 2017.

## IMPACT OF THE COVID-19 PANDEMIC ON DFS

The Covid-19 pandemic significantly impacted household welfare and poverty has jumped to 30.4% in 2020. Surveys administered by the World Bank in May-June 2020 suggest that three-quarters of households experience a decrease in their incomes, especially from self-employment, remittances, and private transfers. There was a slowdown in many services sectors including wholesale and retail trade and hospitality while loss of income was also felt in agriculture, particularly in the cocoa sector, and manufacturing, despite public support programs.<sup>1</sup>

**All the key governmental financial sector players responded to the pandemic with supportive measures in their jurisdictions.**

Agency	COVID-19 Response	Impact
Bank of Ghana (GoB)	<ul style="list-style-type: none"> <li>Lowering of the Monetary Policy Rate (MPR) by 150 basis points to 14.5%</li> <li>2% reduction in primary reserve requirements</li> <li>1.5% reduction in Capital Conservation Buffer (CCB) for banks</li> <li>Strengthening of the capacity of ARB Apex Bank and liquidity support to Savings and Loans companies (S&amp;Ls) and Finance Houses (FHs) facing temporary liquidity challenges</li> <li>Extension of deadline for Statistics on Depository Institutions (SDIs), microfinance institutions (MFIs) and rural and community banks (RCBs) to meet new capital requirements to December 2021</li> <li>Reduction in primary reserves for S&amp;Ls, 2% for Finance Houses from 10% to 8%, 200 basis points for MFIs and RCBs</li> </ul>	<ul style="list-style-type: none"> <li>Lowered lending rates to facilitate credit growth</li> <li>Released extra liquidity for banks to lend to critical sectors of the economy</li> <li>Reduced the minimum Capital Adequacy Ratio (CAR) from 13.0% to 11.5% to remove credit extension constraints</li> <li>Extended credit to micro, small and medium-sized enterprises, and low-income households</li> <li>Provided temporary relief to operate with current capital levels</li> </ul>
Ghana Revenue Authority (GRA)	<p><b>Income Tax waivers for:</b></p> <ul style="list-style-type: none"> <li>Health workers salaries from April to June 2020</li> <li>All COVID-19 donations, which were considered deductible expenses</li> </ul> <p><b>VAT Waivers for:</b></p> <ul style="list-style-type: none"> <li>Payments by donors for goods donated for COVID-19 response</li> <li>Penalties on principal debts upon payment of outstanding debts due to the GRA up to 30 June 2020</li> </ul>	<ul style="list-style-type: none"> <li>Provided support for donations to fight the pandemic</li> <li>Supported citizens to clear outstanding VAT due</li> </ul>
Ministry of Health (MoH)	<ul style="list-style-type: none"> <li>Front line health workers received a 50% increase in basic salary and life insurance cover</li> </ul>	<ul style="list-style-type: none"> <li>Recognition of the effort made and risk taken by the front line workers</li> </ul>

Financial service providers (FSPs) participated in the Covid response by passing onto their customers the measures mandated by Bank of Ghana (BoG) and adapting their service offering in particular to encourage the use of DFS.

Banks/Microfinance Banks:	MNOs:
<p>From March to June 2020, service charges were waived for:</p> <ul style="list-style-type: none"> <li>GhIPSS Instant Pay: For Banks &amp; Fintechs offering Instant Pay services</li> <li>Automated Clearing House (ACH) – Direct Credit: For Banks leveraging the ACH Direct Credit platform for bulk payments such as salaries; on behalf of their corporate Institutions</li> <li>Banks offered free transactions within defined limits and encouraged usage of branchless options</li> </ul>	<ul style="list-style-type: none"> <li>Issued waiver of send fees for transactions up to GH¢100 for free (excluding cash out), including sending to a recipient on the same network, or another network via the interoperability platform. Vodafone Cash waived send fees for person-to-person transactions without limits</li> <li>Increased transaction and wallet limits</li> <li>Enabled transferable know-your-customer (KYC) from SIM registrations to allow for remote mobile money account opening</li> <li>Complied with BoG and multi-agency government directives on transaction and balance limits</li> <li>Facilitated mobile money payments to beneficiaries of the largest social transfer program (LEAP) in the country</li> </ul>

Sources:

<sup>1</sup> World Bank (2021) Sub-Saharan Africa. Macro Poverty Outlook. Country-by-country Analysis and Projections for the Developing World

## DFS MARKET OVERVIEW

Ghana is a very dynamic DFS market. A number of events in terms of policy and strategic initiatives, key product development, legal and regulatory landscape or market changes drive the growth of the market.

 <b>Policy and Strategic Initiatives</b> <ul style="list-style-type: none"><li>• <b>The National Financial Inclusion and Development Strategy (NFIDS)</b>(2018-2023)- increasing inclusion rates to 85% by 2023</li><li>• <b>The Digital Financial Services Policy</b> - blueprint for achievement of financial inclusion goals</li><li>• <b>The Cash-Lite Roadmap</b> - outlines steps towards building inclusive digital payments ecosystem.</li></ul>	 <b>Key Product development</b> <ul style="list-style-type: none"><li>• Universal QR Code - contactless payment solution (GhIPSS and HPS) enables instant payments to merchants from mobile wallets, cards, bank accounts and USSD option.</li><li>• "Gh-Dual Card", launched by GhIPSS. The card which serves as a gh-link card and an e-zwich card</li><li>• BoG plans to launch e-credi, a national Digital Currency under the Central Bank Digital Currency (CBOC) initiative.</li></ul>	 <b>Legal and Regulatory</b> <ul style="list-style-type: none"><li>• Passing of the Payment Systems and Services Act (2019) into law, it consolidates payment systems, laws and guidelines</li><li>• Cybersecurity bill has been drafted and was forwarded to Cabinet for approval in September 2020.</li></ul>	 <b>Market Changes</b> <ul style="list-style-type: none"><li>• Bharti Airtel plans to exit the market. Government of Ghana finalizing talks to takeover shares estimated to be close to US\$25 million. The impact of the take over is not immediately known.</li></ul>
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### **Regulatory reforms address areas of deep need and prioritize inclusiveness**

- Sustained efforts are being made to enhancing Credit Information sharing system by 2022.
- Given the rising agent numbers, an agent registry will be development by 2021 with geospatial data to better link financial access points and users.
- The formulation of a comprehensive policy framework to promote access to finance for Persons with Disability by 2021 is under way.
- Guidelines for consumer protection in the digital finance space will be develop by the end of 2021.
- Evidence based gender-specific policies and regulatory measures to **promote gender-inclusive financial services ecosystem** are being prioritized.

### **Strong mobile money partnerships and interoperability increase payment opportunities for users**

- A Mobile Money Agents Insurance Scheme partnership between MTN Ghana & Enterprise Life has been launched.
- Airtel and Tigo Money have each entered into a partnership with Uber for direct fare payment from wallet.
- Vodafone Pay Small Small (PaySS) layby payment product allows payments to registered partners in instalments of 3, 6, 9 or 12 months.
- Interoperability is central to the DFS growth strategy. Through GhIPSS, an MNO model has been mandated by BoG for Account-to-Account transfers to be routed via Gh-Link, the central switch.

### **Banks accelerate their push towards branchless banking**

- Ghana Commercial Bank has launched its mobile payment service G-Money in early 2020 which is fully interoperable with send and receive capability from any mobile money wallet or bank account for registered users.
- Banks such as Fidelity, CalBank, FBN Bank or Ecobank now offer agency banking.

### **The very active Fintech sector bridges the gap in services not offered by traditional FSPs**

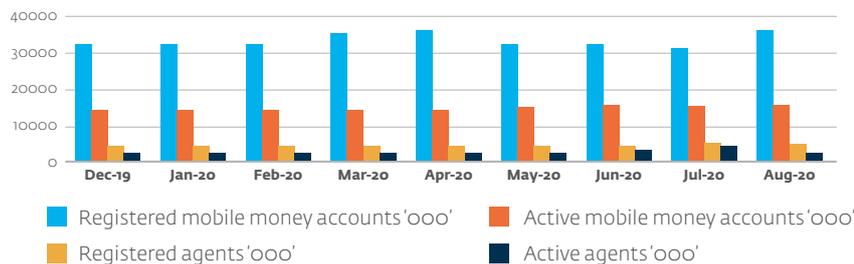
Some noteworthy services include:

- BezoMoney offers the Bezosusu digital savings platform to groups and Individuals.
- Onango offers on-demand cash and e-money daily loans for qualified mobile money and e-money merchants.
- Nvoicia offers Supply Chain Finance invoice-based lending for small businesses.
- Mazzuma offers mobile money based cross border remittance from Europe to Ghana.

Over the 9-month period in and around the onset of the pandemic, relatively high agent activity rates averaging **74.2%** (at least 1 transaction in 30 days) could be observed although the rate of registered mobile money accounts is **44.7%** (at least 1 transaction in 90 days) which is slightly below the industry average of 52%.

## Digital Payments Snapshot: Adoption and Usage

### Mobile Money Accounts & Agents



#### E-Channel

E-Channel	No.
ATM	2,216
POS	10,072
Debit Cards	4.7m
Credit Cards	32,000
Prepaid Cards	506,000

Transaction volume and value		Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20
Mobile Money	Total number of transactions Million	200	190	193	205	182	212	226	254	267
	Total Value of transactions billion (GHC)	32.8	30.2	30.1	33.8	32.8	41.5	45.3	52.5	56
Mobile Money Interoperability	Total number of transactions Thousand	1642	1586	1554	1987	2269	2784	3672	3835	4580
	Total transactions value Million (GHC)	132	129.9	126.6	166.3	186	236.8	321	532.9	685

Sources: [The Mix Finclusion Lab](#) (2018) and Bank of Ghana (2020)

The **volume and value of transactions almost tripled**, especially from July 2020. The fact that mobile transactions continued to rise following the launch of mobile money interoperability points to the strong demands for mobile financial services. These high rates can be attributed, at least in part, to the incentives for digital transactions and the multichannel awareness campaigns that were launched as a result of the pandemic.

## GAPS AND CHALLENGES

Over the past decade, poverty reduction has advanced at a slow pace in Ghana, in large part reflecting limited creation of productive jobs. What is more, the uneven regional distribution of social and physical infrastructure has increased spatial disparities making it difficult for the most vulnerable to escape poverty. In 2016, the poverty rate was 29.3% (using the lower-middle-income threshold) and by 2019 had fallen to 27.0%.<sup>2</sup> In this context, the Covid-19 pandemic and other contextual challenges continue to slow down growth in the use of DFS.



### User habits

- Users are very price sensitive as demonstrated by the decline in digital transactions following the expiry of price incentives for digital usage.



### Ecosystem

- Financial infrastructure and liquidity lack in underserved rural areas, which remain difficult to service including through social transfers as part of the COVID 19 pandemic response.



### Regulation

- Limitations remain on the types of service provider that can send outbound remittances.



### Financing

- The contraction of domestic private financing (compounded by the COVID 19 pandemic) continues to limit MSME/SME access to finance.

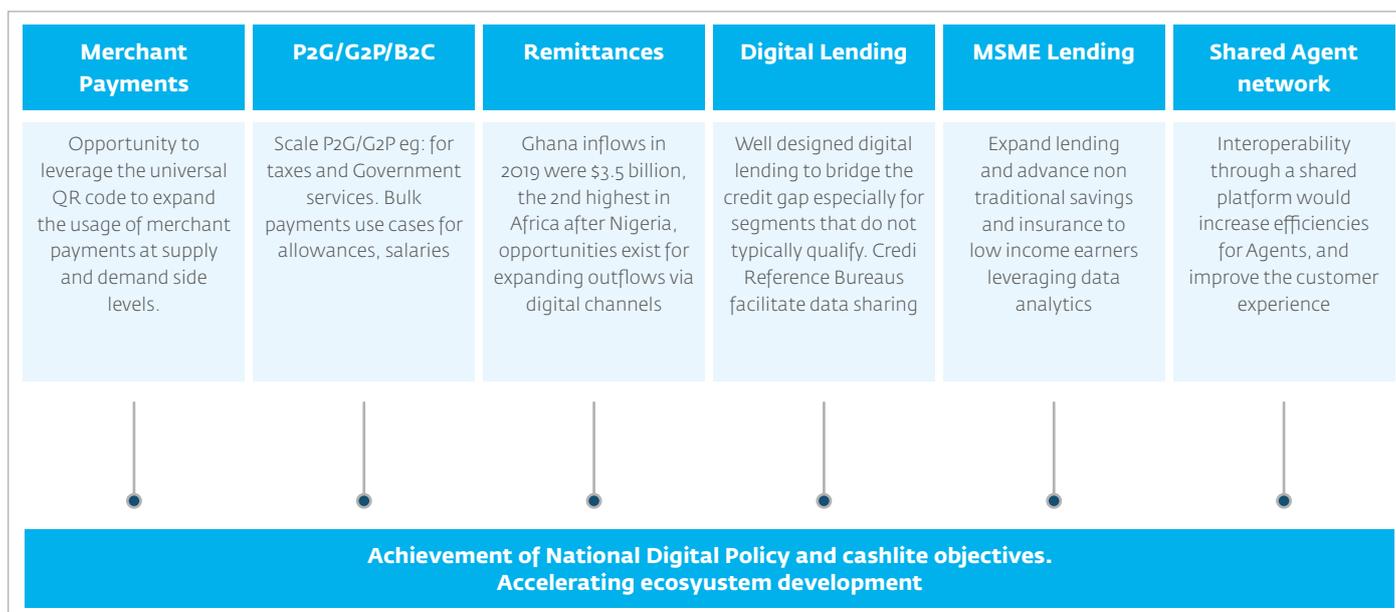
Sources:

<sup>2</sup> [World Bank \(2021\) Sub-Saharan Africa. Macro Poverty Outlook. Country-by-country Analysis and Projections for the Developing World](#)

## OPPORTUNITIES FOR MARKET GROWTH

The opportunities for DFS growth in Ghana are particularly prone to partnerships in terms of:

- **merchant payments** and the roll out of the universal QR code which set to transform user experience,
- **government payments and remittances** that can be supported by payment platforms operated by DFS providers,
- **digital and MSME lending** that both leverage data analytics in more innovative ways and
- **shared agent networks** which will be driven by interoperability.



June 2021

**Authors:** Judyth Awuor Engels and Kokoévi Sossouvi

**Acknowledgments:** The team would like to extend special thanks to Lesley Denyes, Fahima Said Bille, Maxim Valeriev Roussinov, and Minakshi Ramji from IFC for their valuable feedback on this note.