Leasing in Ghana
A SURVEY OF THE LEASING MARKET
June 2008

In collaboration with
The Ghana Association of Leasing Companies (GALCO)
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Acronyms

BoG        Bank of Ghana
GoG        Government of Ghana
RCBs       Rural and Community Banks
IFC        International Finance Corporation
PEP Africa Private Enterprise Partnership for Africa
MoFEP      Ministry of Finance and Economic Planning
GDP        Gross Domestic Product
NBFIs      Non-Bank Financial Institutions
S&Ls       Savings and Loans
NGOs       Non Governmental Organizations
CUs        Credit Unions
SMEs       Small and Medium Sized Enterprises
VAT        Value Added Tax
GNAS       Ghana National Accounting Standards
IAS        International Accounting Standards
IFRS       International Financial Reporting Standards
EIB        European Investment Bank
SSNIT      Social Security and National Insurance Trust
SECOs      Swiss Secretariat for Economic Affairs
GoG        Government of Ghana
MCR        Minimum Capital Requirement
MDG        Millennium Development Goals
GALCO      Ghana Association of Leasing Companies
Foreword

This is the third in the series of surveys of the financial leasing market in Ghana. This survey is prepared by the International Finance Corporation (IFC) Private Enterprise Partnership for Africa (PEP Africa), through the SECO IFC Leasing program, in collaboration with the Ghana Association of Leasing Companies (GALCO). This survey is an update of the two previous publications and thoroughly examines the state of the Ghana leasing industry in 2007.

There have been major developments in the Ghana leasing industry since the start of the program. In 2005, there were 5 active leasing companies (three non-bank and two bank lessors) compared to 14 as at December 2007. The value of new leases booked in 2007 increased by almost 200%. Generally, there have been positive developments in all sectors of the leasing industry. The general public including professional associations, firms, government agencies, SMEs and regulators have developed greater understanding of leasing as a result of the program’s capacity building and public awareness activities.

The objective of this survey as already mentioned is to provide an update on the two previous surveys and to further highlight the development within the industry in 2007. This survey goes further by analyzing and estimating the potential demand for leasing in Ghana and determining the potential size of the Ghana leasing market. The Ghana leasing market survey, over the years, has become the most sought after resource in the Ghana leasing industry and it is intended to serve as a source of information to all stakeholders and further stimulate investment in the industry.

The survey was conducted through questionnaires distributed to various stakeholders, specifically lessors. It also involved a review of legislation, economic data, regulatory and tax framework governing leasing as well as analysis to determine the potential size and demand for leasing in Ghana.

The SECO IFC Leasing program, Ghana team would like to thank all those who contributed their time and energies to this publication, especially the Ghana Association of Leasing Companies and all leasing practitioners. It is our hope that through this publication and other activities, the overall objective of the program of enhancing the role of leasing as an alternative financing mechanism for SMEs and other businesses in Ghana will be achieved.

Herbert P.K. Aidoo
Team Leader, SECO IFC Leasing program, Ghana
International Finance Corporation
The Ghanaian economy has improved considerably over the past few years. All the key macroeconomic indicators have been very positive. Inflation declined to its lowest of 10.1 percent in October 2007 before increasing to 12.75 percent in December as a result of inflationary pressures driven mainly by the high world crude oil prices. Furthermore, interest rates on the benchmark government of Ghana Treasury bills declined by 53 basis points to 9.8 percent in 2007. Ghana's GDP growth rate has also increased consistently over the last few years and it is estimated that the GDP growth rate for Ghana would reach 7 percent by the end of 2008.

On the financial sector, Ghana has been undergoing a process of financial sector restructuring as part of the country's strategy of achieving emerging market status. In that regard, the Bank of Ghana is undertaking reforms in the legal, institutional, and infrastructure framework of the payments system to make the Ghanaian financial system modern and competitive.

The Ghana leasing industry has experienced substantial growth in the past few years. The number of leasing operators increased from 7 in 2005 to 14 in 2007. Bank lessors now dominate the leasing market and make up 9 out of the total 14 companies with leasing operations.

The growth of the leasing market has also reflected in the value of leases booked, the number of lease contracts signed, as well as the total growth of the leasing market portfolio. The value of new leases booked increased substantially from $31.46 million in 2006 to over $93 million in 2007 representing an increase of over 196 percent. Also, the number of new leases booked (new lease contracts signed) increased from 536 to 1,381 during the same period. Correspondingly, the increase in the value of new leases booked has resulted in a substantial increase in the total value of the leasing market portfolio from $51.3 million to over $107 million representing an increase of about 109 percent.

This rapid growth in the leasing industry has been attributed mainly to bank lessors. The portfolio of bank lessor increased from $22 million in 2006 to over $71 million in 2007 an increase of 220 percent. More significantly, over the past 5 years, the total lease portfolio of banks has appreciated by more than 4700 percent.
Banks now control over 65 percent of the total lease market as compared to just 20 percent in 2005.

As is typical for most developing countries, vehicles are the most leased equipment in Ghana, making up more than 64 percent of total equipment financed in 2007. The economic sector that attracts the most leases is the retail sector contributing about 20 percent of total leases booked in 2007. The construction, mining and manufacturing sectors together constitute approximately 35 percent of leases booked. One clear observation for the period was that, over 80 percent of the leases booked were in the Greater Accra region of Ghana.

Although the size of leasing market has been increasing consistently over the past few years, a thorough analysis and observation of the market indicate that the demand for leasing in Ghana could even be higher. An estimate of the current market size revealed that the current size of the leasing market is approximately $185.5 million as compared to the actual lease market size of $107 million. A forecast of the potential demand and size of the leasing market in the next couple of years estimate the size of the leasing market in 2009 at approximately $300 million.
Overview of the Ghanaian Economy in 2007

Ghana's GDP has grown consistently over the past few years. From a low of 3 percent in 2000, GDP increased to 6.3 percent in 2007. Poverty levels have reduced substantially and Ghana is tipped to become one of the few Third World countries to achieve the Millennium Development Goal (MDG) of cutting extreme poverty by half by the scheduled date of 2015. On every count, the country's economy is ready for a major take-off. The macroeconomic framework for the year 2008 projects a GDP growth rate of 7.0 percent and an annual inflation rate of 6 - 8 percent for Ghana (2008 Budget Statement of GoG). The chart below indicates the GDP growth rate from 2002 to 2007.

Figure 1: Real GDP Growth Rate

In 2007, Ghana became the first sub-Saharan country after South Africa to access the international capital market with a debut Eurobond which was highly over-subscribed (2008 Budget Statement of GoG). In each of the past two years, the international community has rated Ghana among the "Global Top-Ten" reformers and the leading reformer in sub-Saharan Africa in 2007, in the "Ease of Doing Business" category.

Generally, Ghana’s economy has improved and strengthened considerably. All the key economic indicators have shown an improving economy. Headline inflation declined from a high of 40 percent in 2000 to a low of 10.10 percent in October 2007. However, as a result of increases in world market prices for petroleum products, inflation increased to
12.75 percent in December 2007. Interest rates on government of Ghana 91 day Treasury bill and 182 day Treasury bill also declined by 53 and 61 basis points in 2007 to 9.8 percent and 10.2 percent respectively.

Table 1: Some key economic indicators:

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest rate %, 91 day T/bill</td>
<td>17.10</td>
<td>11.40</td>
<td>10.70</td>
<td>10.60</td>
</tr>
<tr>
<td>Inflation Year End (Y on Y, %)</td>
<td>11.80</td>
<td>14.80</td>
<td>10.51</td>
<td>12.75</td>
</tr>
<tr>
<td>Exchange Rate GHC/USD</td>
<td>88.52</td>
<td>91.30</td>
<td>92.35</td>
<td>*0.97</td>
</tr>
</tbody>
</table>

* in July 2007 the cedi was redenominated to (10,000 = GHc = 100 pesewas)
Source: Bank of Ghana

2.1. Recent Development in the Financial Sector

Ghana has been undergoing a process of financial sector restructuring and transformation for some time. The financial sector reform is a critical part of the country's strategy to achieving emerging market status. In this regard, several reforms are taking place to enable the financial sector provide world class services within the globalized financial system. As part of the process, the Bank of Ghana is undertaking reforms in the legal, institutional, and infrastructure framework of the payments system to make the Ghanaian financial system modern and competitive.

- National Switch and Smart Card Services
- Cheque Clearing
- Code line Cheque Truncation
- Real Time Gross Settlement System (RTGS)
- Central Securities Depository (CSD)
- Automated Clearing House (ACH)

2.1.0. Improved Payment Systems (EZWICH)

The Bank of Ghana is establishing a National Switch (E-ZWICH) to allow the establishment of a common platform for all payments transactions in the country. This would result in the integration of all existing bank switches. It would also allow the inter-operability of all ATMs and the settlement of payments
2.1.1. Re-denomination of the Currency

On July 1, 2007, the Bank of Ghana re-denominated the cedi by setting ten thousand cedis to one Ghana Cedi, equivalent to one hundred Ghana Pesewas (i.e. ¢10,000=Gh¢1=100Gp) to help remove the significant dead weight burden that the old cedi regime placed on the economy. This measure has already resulted in significant efficiency gains which are expected to enhance business operations.

2.1.2. Increase in Minimum Paid up Capital (MCR) for Financial Institutions

The Bank of Ghana has directed an increase in the minimum capital requirement for banks and non-bank financial institutions. The objective of the increase is to strengthen the financial institutions and make them internationally competitive. The increases are also to enable the financial institutions reposition their capital to support the new activities of Ghana's expanding economy. The Bank of Ghana has directed that banks should increase their minimum capital from GH¢7million to GH¢60 million by 2010. Non-Bank Financial Institutions (NBFIs) and finance houses are also expected to increase their minimum capital from GH¢1.0 million and GH¢1.5 million to between GH¢5-8 million.

2.1.3. Financial Sector Legislative Reforms

In line with the financial sector restructuring, the Bank of Ghana has initiated major legislative and regulatory reforms in a bid to improve the integrity of the financial markets and increase access to finance. In that regard, in 2007 a Credit Reporting Law and a new Foreign Exchange Law were passed. Other bills currently being considered include a Borrowers and Lenders bill and a new Non-Bank Financial Institutions bill (NBFI). These changes are expected to improve access to finance considerably and also have significant implications for leasing. The Borrowers and Lenders bill and the NBFI bill have both incorporated recommendations made by IFC and the Ghana Association of Leasing Companies (GALCO).
Overview of the Ghana Leasing Industry

The Ghana leasing industry has experienced a phenomenal growth over the past few years driven primarily by bank lessors. This growth has resulted in a substantial increase in the volume and value of leases booked. Other factors that have contributed to the expansion of the market is, the increased knowledge of leasing and its benefits as a result of the IFC leasing program and the accessibility of leasing to various sectors of the market. This growth is expected to continue over the next few years because the level of leasing activities in Ghana is relatively low and still in its developmental stages. Furthermore, as more businesses understand leasing as an effective mode of equipment financing coupled with the increased competition in the industry as a result of new players entering the leasing industry, leasing in Ghana is expected to grow even more rapidly.

3.1. Size and Structure of the Leasing Industry

The number of companies engaged in leasing in Ghana at the end of 2007 was 14 comprising 5 non-bank lessors and 9 bank lessors. The number of bank lessors increased from 5 in 2006 to 9 in 2007. This growth was predicted and reported in the 2007 Ghana leasing market survey. Below is a table showing the number of lessors from 2005 to 2007.

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank Lessors</td>
<td>2</td>
<td>7</td>
<td>9</td>
</tr>
<tr>
<td>Non-Bank Lessors</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>7</td>
<td>12</td>
<td>14</td>
</tr>
</tbody>
</table>

All the leasing companies in Ghana are based in the capital city, Accra. However with banks which have wider branch network now actively in leasing, access to leasing is spreading to other regions of Ghana. In 2006 leasing transactions were recorded in only 5 out of the 10 regions in Ghana. However, in 2007, all but one region (Upper West Region) recorded some level of leases. The structure of the leasing industry is thus changing rapidly.
\textbf{Bank Lessors}

Bank lessors are becoming more important and will continue to play a very significant role in the industry. As a result of the changes in the banking regulations, all banks in Ghana can engage in leasing without acquiring any special license. This has fueled the increase in the number of banks with leasing operations. Other factors that have contributed to the impact of banks in the leasing industry are their access to relatively cheaper sources of financing.

\textbf{Non- Bank Lessors}

Non-bank lessors have played a very important role in the development of leasing in Ghana in the past and will continue to have a very significant role to play in the industry. Non-bank lessors focus mainly on relatively smaller ticket leases and reach a larger segment of the market. However, as the market changes non-bank lessors are certainly expected to face some difficulties. Access to funding as well as funding margins problems are some of the major difficulties the non-bank lessors face. Non-bank lessors relied substantially on banks to finance their leases who now directly engage in leasing. These difficulties among others affect the competitiveness of the non-bank lessors.

\subsection*{3.2. Growth in the Value of New Leases}

In 2007, the value of new leases booked increased phenomenally from $31.46 million in 2006 to $93.31 million in 2007 representing an increase of 196.60%. It is obvious from the developments in the leasing industry that leasing is gradually becoming a complementary financial product to other banking products in Ghana. The chart below shows the growth in the value of new leases between 2004 and 2007.
3.3. Growth in the Number of New Leases (lease contracts signed)

Correspondingly, the number of new leases booked (new lease contracts signed) has also increased. The number of new lease contracts signed increased from 536 in 2006 to 1,381 in 2007 representing an increase of 158.65%. The chart below is a representation of the growth in the volume of leases from 2004 to 2007.

Source: IFC Ghana Leasing Survey Questionnaire 2008
3.4. Increase in Lease Portfolio

The total lease portfolio (represented by gross lease receivables) as expected has increased as a result of the general growth in the leasing market in 2007. The total leasing industry portfolio in 2007 was $107.58 million. This compares favourably with that of 2006 of $51.30 million. This appreciation represents an increase of over 109% in one year. As is consistent through this survey, bank lessors are driving this growth. The chart below indicates the growth in total lease portfolio between 2004 and 2007.

**Figure 4: Total Lease Portfolio (Gross Lease Receivables) 2004-2007**

<table>
<thead>
<tr>
<th>Millions ($)</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>27.70</td>
<td>29.80</td>
<td>51.30</td>
<td>107.58</td>
</tr>
</tbody>
</table>

Source: IFC Ghana Leasing Survey Questionnaire 2008

3.5. Growth in the Leasing Portfolio of Bank Lessors

This survey has attributed the growth in the leasing market mainly to the operations of banks. It is therefore imperative that we assess the contribution bank lessors have made to the industry. The chart below shows the growth in bank leasing (value of leases booked) between 2003 and 2007.
Table 3 : Growth in the Value of Banks Leasing: 2003 - 2007

The graphical representation depicted in figure 5 above shows that there was a substantial increase in the portfolio of bank lessors between 2006 and 2007. What is remarkable about this development is that, 2007 is the first year in which banks started active leasing, the portfolio of bank lessors increased from $21.95 million to over $71 million representing an increase of over 220%. More significantly, over the past five years, total lease portfolio of banks has increased by over 4,700%. It is expected that the portfolio of banks will increase even further

3.6. Market Share - Banks Vs Non-banks

Up until 2004, the leasing market was dominated by three non-bank lessors; (Ghana Leasing Company, Horizon Finance and Leasing Company and Leasafric Ghana Ltd) who together controlled over 90 percent of the leasing market. However, over the last three years bank lessors have continuously increased their share of the market and now dominate the market. From the charts below, in 2005 banks controlled approximately 20 percent of the leasing market. This more than doubled in 2006 to 46 percent. In 2007, bank lessors totally dominated the leasing market controlling over 65% of the market share.
3.7. Market Trends (Growth in Bank Leasing)

The recent trend on the Ghana leasing market has been marked by an increase in the level of leasing transactions mainly driven by banks. The size of the leasing market as already reported has more than doubled in one year. Banks lessors have continuously increased their market share and now dominate the leasing market.

The main reasons for such rapid growth include the following:

1. The passage of the universal banking law in 2004 allowed banks to directly engage in leasing as part of their operations without any special license. Prior to 2004, banks were required to establish a subsidiary to undertake leasing. This has resulted in the increase in the number of bank lessors from 2 to 9 in about three years.
2. Banks are deposit taking institutions have access to a larger pool of funds at a relatively cheaper cost. Banks do not face the funding challenges experienced by non-bank leasing companies.

3. Banks also have larger capital and are able to write much larger ticket leases as compared to non-bank lessors.

4. Banks have a wider branch network and a wide pool of existing customers who are being offered leasing as an alternative banking product.

3.8. The Effect of the Changing Leasing Market on Non Bank Lessor

There have been suggestions in the market that as bank lessors increase their activities, non-bank lessors would eventually be driven out of the market. The reason for this assertion is that non-bank lessors will be unable to compete with banks in terms of pricing because they borrow directly from the banks who are now competitors to finance their leases. Leasing costs from non-bank lessors will therefore be considerably higher than leasing from a bank and as a result lessees will eventually shift to leasing directly from banks.

Results from this survey, on the face of it may seem to support the above assertion because the results clearly show that within a year of banks actively engaging in leasing, they now dominate the market controlling over 65% of the market share. This dominance is expected to be further strengthened as existing banks increase their level of leasing activities and as more banks start leasing.

However, a critical view of the market shows that, non-bank lessors play a very important role in the Ghana leasing market and will continue to be a significant player in the industry due to the following reasons:

1. Non-bank lessors have maintained their level of leasing transactions and in some areas have increased their business albeit as a slower rate. Although banks have been increasing their market share it is clear from this survey that it has not been at the expense of the non bank lessors.
2 Non-bank lessors contribute significantly to the total leasing market. The number of leases booked (lease contracts signed) by non-bank lessors has also been increasing. In 2006 non-bank lessors in total signed 323 lease contracts as compared to over 570 signed in 2007. The chart below shows the growth in lease contracts signed by non-bank lessors between 2004 and 2007.

Figure 6: Lease Contracts Signed by Non Bank Lessors 2003 - 2007

![Figure 6: Lease Contracts Signed by Non Bank Lessors 2003 - 2007](chart.png)

Source: IFC Ghana Leasing Survey Questionnaire 2008

3 Ghana has a large informal sector which may not meet the criteria to qualify as bank customers. Currently, only about 10 percent of the total population have bank accounts. This large informal segment presents a significant market for non-bank lessors.

4 Probably the strongest argument to support the importance and survival of non-bank lessors is that, the leasing law in Ghana does not permit banks to do operating leases. Non bank lessors can therefore develop this segment of the market and not compete directly with banks.
3.9. Funding

Funding still remains critical for leasing in Ghana. However, the dynamics of the leasing market have changed with banks in leasing. Bank lessors do not face funding problems as they finance their leasing transactions from deposits. Nevertheless, banks generally do not have access to long-term funds which is necessary for growth of leasing. This limitation affects the lease term banks are able to offer to lessees. The typical lease term for most banks is 24 months.

On the other hand, non-bank lessors are increasingly facing funding challenges. Non-bank lessors borrow mainly from banks who are now their competitors. Non-bank lessors are borrowing at commercial rates to fund their leasing transaction which makes their leases relatively more expensive. There is the notion that banks may decide to reduce their funding to non bank lessors which could eventually lead to the demise of these institutions.
4.0. Leasing Operations

There has been a general increase in leasing activities in Ghana over the past year. The increased activities in the leasing industry has resulted in the increase in lease transactions (volume and value of leases) and generally in an increase in the size of the leasing market. This growth has been driven primarily by the increase in the number of lessors especially banks. Significantly, leasing is spreading to more regions in Ghana and lease operators are financing more equipment.

4.1. Asset Classification of Leases

Typical of leasing in most developing economies, vehicles are the equipment that is financed the most by lessors in Ghana. In 2007, vehicles contributed about 64.68% of total equipment leased. Saloon cars, buses, pickups and trucks are the vehicles mostly leased. Other equipment leased includes construction and mining equipment- 18.59%, production equipment- 6.08% and office equipment 4.22%

Figure 7: Leased Assets: Value of Equipment Financed, 2007

Source: IFC Ghana Leasing Survey Questionnaire 2008
4.2. Economic Sector Distribution Leases

The retail sector attracted the most leases in 2007 contributing about 20% of the value of leases booked. Construction, mining and the manufacturing sectors together constitute over 35% of total leases booked. The agricultural, medical services and energy sectors attracted the least lease financing; 0.94%, 0.54%, and 0.67% respectively. Below is a chart indicating the percentage of lease financed per economic sectors in 2007.

Figure 8: Economic Sector Distribution of Leases, 2007

![Economic Sector Distribution Chart]

Source: IFC Ghana Leasing Survey Questionnaire 2008

4.3. Regional Distribution of Leases

Over 80% of all leases booked in 2007 were in the Greater Accra region while the remaining 20% distributed among 9 other regions. Ashanti which is the second largest economic centre in Ghana has the second highest distribution of leases. One very significant development in the leasing industry is the increase in the number of regions where leases have been booked. In 2007, leases were booked in 9 regions as compared to 5 regions in 2006. The chart below shows in percentages the regional distribution of leases.
Figure 9: Regional Distribution of Leases, 2007

- Accra: 80.24%
- Volta: 0.28%
- Brong Ahafo: 3.80%
- Eastern: 1.65%
- Ashanti: 6.34%
- Western: 5.84%
- Central: 1.66%
- Northern: 0.18%
- Upper East: 0.03%
- Upper West: 0.00%

Source: IFC Ghana Leasing Survey Questionnaire 2008
The size of the leasing market in Ghana has consistently increased in the past few years. The total lease market portfolio has increased by over 8 times from about $12 million in 2000 to almost $108 million in 2007, while the value of new leases booked increased from approximately $13 million to over $93 million within the same period, a percentage increase of about 615. A close observation and analysis of the developments of the leasing industry signify that the demand for leasing in Ghana will increase even further as more banks start leasing and more companies become aware of leasing and its benefits.

Although leasing companies have been active in Ghana since 1992, leasing can still be considered as a relatively new financing option as very few institutions have financed their capital equipment needs with leasing. As a developing country pursuing rapid industrialisation, modernisation and growth, Ghana’s equipment need is increasing. Equipment financing which is a catalyst for economic growth is extremely important if Ghana is to achieve rapid economic growth. In that regard it is expected that the demand for leasing will naturally continue to increase over the coming years.

The main constraints to the development and growth of leasing in Ghana are (1) the non-availability of medium to long-term funding especially for independent leasing companies and (2) the lack of public knowledge of leasing.

5.1. Estimating the Potential Size of the Lease Market in Ghana

Statistical information on leasing in Ghana is almost non-existent. There is no single source of comprehensive information on the operations of leasing companies. The Bank of Ghana as part of its function of regulating the industry collects some data and information on the leasing industry. However, the data is not comprehensive enough and does not provide all the relevant information required for effective analysis and comprehensive study. Due to the lack of comprehensive data on the leasing industry in Ghana, it is challenging to accurately estimate the potential size of the leasing market in Ghana.
Although there are challenges associated with estimating the size of the leasing market, this survey will attempt to estimate the potential size and growth of the leasing market using some methods that has been used by leasing experts to estimate the potential size of the leasing industry in other leasing markets. These methods are as follows:

- Leasing as a percentage of capital goods imports
- Leasing as a percentage of GDP
- Leasing as a percentage of bank lending

5.1.0 Leasing as a Percentage of Capital Goods Imports

In estimating the size and growth of the leasing market using leasing as a percentage of capital goods imports, leasing experiences in some developed and emerging markets suggest that, in more developed leasing markets lease finance accounts for between 20 - 30 percent of capital goods imports while for developing economies leasing as a share of capital goods imports ranges between 10 - 20 percent.

Ghana is a developing country with low levels and sophistication in leasing. In that regard, leasing can be considered as still being in its formative stages. We have estimated leasing as 15% of capital goods imports for Ghana. This estimate is typical for developing leasing economies.

The table below provides information on total capital goods imports for Ghana in millions of dollars as well as its percentage growth year-on-year between 2003 and 2007.

**Table 4: Capital Goods Imports 2003 -2007 and Growth Trend Year-on-Year**

<table>
<thead>
<tr>
<th>Year</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Goods Imports ($ millions)</td>
<td>535.89</td>
<td>865.21</td>
<td>924.31</td>
<td>1,152.09</td>
<td>1,413.15</td>
</tr>
<tr>
<td>Growth Trend Year-on-Year</td>
<td>61.45%</td>
<td>6.83%</td>
<td>24.64%</td>
<td>22.66%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Bank of Ghana
As indicated in the table above, capital goods imports have increased each year. The average annual growth rate for the past couple years is approximately 23.65% which is used as a basis for projecting the growth of capital goods imports for the period 2008 to 2010.

Table 5: Projected Capital Goods Imports and Estimated Size of Leasing Industry 2008 - 2010

<table>
<thead>
<tr>
<th>Year</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Goods imports Projected ($' millions)</td>
<td>1,822.96</td>
<td>2,351.62</td>
<td>3,033.59</td>
</tr>
<tr>
<td>Share Attributed to Leasing (15%)</td>
<td>.15</td>
<td>.15</td>
<td>.15</td>
</tr>
<tr>
<td>Estimated Value of Leasing Markets ($' millions)</td>
<td>273.44</td>
<td>352.74</td>
<td>455.04</td>
</tr>
</tbody>
</table>

The first row of the table above is a projection of capital goods imports upon which the potential size of the leasing market is determined. We estimate that leasing as a share of capital goods imports is 15 percent. Based on our analysis, potential size of the leasing market for 2008 is $273 million increasing to over $455 million in 2010

5.1.1 Leasing as a Percentage of GDP

Typically leasing accounts for about 0.5 - 2.0 percent of GDP for less developed economies and about 2 - 5 percent for more developed economies. For the purposes of this analysis we have estimated 1.5 percent as the contribution of leasing to Ghana's GDP.
The table below shows the nominal GDP for Ghana and the growth rate year-on-year from 2003 to 2007.

Table 6: Nominal GDP and Year on Year Growth Rate 2003 - 2007

<table>
<thead>
<tr>
<th>Year</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Normal GDP ($' millions)</td>
<td>6,075</td>
<td>7,980</td>
<td>9,702</td>
<td>11,496</td>
<td>13,760</td>
</tr>
<tr>
<td>Growth Rate Y-on-Y</td>
<td>29.50%</td>
<td>31.46%</td>
<td>21.57%</td>
<td>18.50%</td>
<td>19.69%</td>
</tr>
</tbody>
</table>

Source: Bank of Ghana

From the table above, we determine the annual nominal average GDP growth for the period of 2003 to 2007 as 24.15%. As in the previous analysis, the estimated growth rate is used to project the growth in nominal GDP from 2008 till 2010 as indicated in the table below.

Table 7: Projected GDP for 2008 to 2010

<table>
<thead>
<tr>
<th>Year</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projected GDP ($' millions)</td>
<td>17,083</td>
<td>21,209</td>
<td>26,331</td>
</tr>
</tbody>
</table>

For the purposes of this survey and as already stated above, the total value of the leasing as a percentage of GDP is estimated as 1.5 percent. The projected size of the Ghana leasing industry for 2008 to 2010 as per the analysis above is between $256 million and $395 million as shown in the table below.

Table 8: Projected Leasing Market Size 2008 - 2010

<table>
<thead>
<tr>
<th>Year</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated Value of Leasing Markets ($' millions)</td>
<td>256.25</td>
<td>318.14</td>
<td>394.97</td>
</tr>
</tbody>
</table>
5.1.2 Leasing as a Percentage of Bank Lending to the Private Sector

In developed economies approximately 15-20 percent of the market for bank loans can be attributed to leasing while for developing economies it is fair to estimate that leasing will form about 5 - 8 percent of total lending. For the purpose of this survey, we have estimated leasing as 6 percent of bank lending.

In calculating bank lending to the private sector, we have used the outstanding credit to the private sector provided by the Bank of Ghana which gives an indication of the net amount of lending to the private sector at any given period. The table below shows the total outstanding credit to the private sector and the growth trend for 2004 to 2007.

Table 9: Outstanding Credit to Private Sector and Growth Trend 2004 - 2007

<table>
<thead>
<tr>
<th>Year</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding Credit to</td>
<td>1,042.24</td>
<td>1,323.28</td>
<td>2,064.03</td>
<td>3,298.19</td>
</tr>
<tr>
<td>Private Sector ($' millions)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Growth Trend Y-on-Y</td>
<td></td>
<td>27%</td>
<td>56%</td>
<td>60%</td>
</tr>
</tbody>
</table>

Source: Bank of Ghana

From the data provided by the central bank and the analysis above, annual average growth in outstanding credit to the private sector is approximately 50 percent which has been used to project lending to the private sector from 2008 to 2010. The table below shows the projected outstanding credit to the private sector of which the projected growth in the leasing industry is derived. As per the analysis below, leasing as a percentage of outstanding credit to the private sector is estimated at $296.84 million in 2008 and increases sharply to $667.88 million by 2010.
5.1.3 Actual Market Size Vs Potential Market Size 2003 -2007

Although the leasing market has been increasing very rapidly over the past few years, we estimate that the actual growth of the leasing market has always been lower the potential of the market. Using the same analysis above, we estimated the potential size of the leasing market from 2003 to 2007. The graph below gives an indication of the potential size of the leasing market in Ghana from 2003 to 2007 and compares it with the actual size of the leasing market for the same period. The graph clearly shows that the estimated size of the leasing market has always been much higher than the actual value of the leasing market.

Figure 10: Potential Size of the Leasing Market vs. Actual Lease Market Size

<table>
<thead>
<tr>
<th>Year</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projected Outstanding Credit to Private Sector ($’ millions)</td>
<td>4,947.29</td>
<td>7,420.93</td>
<td>11,131.39</td>
</tr>
<tr>
<td>Share Attributed to Leasing (15%)</td>
<td>.06</td>
<td>.06</td>
<td>.06</td>
</tr>
<tr>
<td>Estimated Value of the Leasing Industry ($’ millions)</td>
<td>296.84</td>
<td>445.26</td>
<td>667.88</td>
</tr>
</tbody>
</table>

Table 10: Projected Outstanding Credit to Private Sector and Leasing Industry Size, 2008 - 2010
5.1.4 General Conclusion on the Potential Size of the Leasing Market

Based on the three analyses above, (leasing as a percentage of capital goods imports, gross domestic product and lending to private sector) we estimate that the total value of the Ghana leasing industry will be between $256 million and $297 million in 2008 increasing to over $660 million by 2010.

A close observation and analysis of the current developments in the economy indicate that, the leasing market will increase even further as various sectors of the economy expand. Specifically, bank lending to the private sector has been growing at about 50 percent per annum. Furthermore, various sectors of the economy including the construction, mining, oil and petroleum sectors have also been growing rapidly. All these are expected to impact capital goods imported as well as investments in equipment resulting in a substantial growth in the leasing market.

Over the past two years, the leasing market has grown substantially. In 2006 the market increased by 73.63 percent and also by over 109 percent in 2007. Based on our knowledge of the market and recent developments in the leasing industry, we project that over the next couple of years the leasing market will grow at about the same rate experienced over the last two years.
Accounting and Taxation of Leases

This section focuses on accounting and taxation of finance leases and does not cover operating leases. As in the two previous surveys, this section has been split into two distinct parts. (1) Accounting for leases as a lessee and as a lessor and (2) taxation treatment for lessors and lessees for finance leases. A detailed analysis of taxation and accounting for leases has been thoroughly addressed in two previous surveys. This survey will thus highlight some key elements of accounting and taxation of leases for the lessee and the lessor.

Definition of Finance Lease (GNAS 11)

The Ghana National Accounting Standards (GNAS 11) adopts the same principles and application of finance lease as defined by IAS 17. A finance lease is defined under the GNAS 11 as:

"An agreement whereby the lessor conveys to a lessee in return for a payment or a series of payments the right to use an asset for an agreed period of time. A finance lease transfers substantially all the risks and rewards of ownership of an asset from a lessor to a lessee".

6.1. Accounting for Leases as a Lessee

Under the standards, accounting for lease transactions is based on the economic substance of the transaction rather than the legal form. The substance of a lease transaction from the accounting perspective is that, the lessee is buying the asset from the lessor, but instead of paying cash for the asset, the lessee is financing the purchase with a loan from the lessor.

In the regard the lessee will:

- Record a fixed asset on their books
- Depreciate the asset
- Record a payable representing future lease payment
- Recognize interest expense as part of the lease payment
The following principles should be applied in the financial statements of lessees.

- At the start of the lease, the lessee must record the lease as an asset and a liability at the lower of fair market value and the present value of the minimum lease payments.
- Rental payments for finance lease should be apportioned between the finance charge and reduction of outstanding liability.
- Depreciation should be consistent with that of owned assets. If there is no reasonable certainty that the lessee will obtain ownership at the end of the lease term, the asset should be depreciated over the shorter of the lease term or useful life of the asset.

Essentially in a finance lease the lessee will account for a transaction in two parts; (1) the acquisition of a fixed asset and (2) repayment of a loan. Part of the amount paid (rentals) by the lessee at the end of each period will be interest expense, while the remainder a reduction of the lease payable principal. The journal entries will consist of cash paid, interest expense and reduction of the lease liability.

This is calculated as follows:

**Annual Lease Payment - Interest Expense**

\[
\text{Annual Lease Payment} - \text{Interest Expense} = \text{Reduction of Lease Liabilities for the Period}
\]

As a result of this entry, the lease liability will be reduced and the amount of interest expense in future periods will decline each year.

**Calculating the Value of the Leased Asset**

In accounting for a lease, the lessee should first determine the amount to be recorded on his books. This is usually the selling price of the equipment. The amount that will be capitalized in the books of the lessee as fixed asset is the present value of the minimum lease payment or the fair market value of the asset, whichever is lower.
Recording the Lease - Lessee Journal Entries

Once the lessee has determined the lease amount, the following journal entries should be made:

\[ \begin{align*}
&\text{Dr} \quad \text{Fixed Asset (amount calculated as selling price)} \\
&\text{Cr} \quad \text{Lease Liability (amount calculated as selling price)}
\end{align*} \]

The remaining entries will be recognition of interest expense and depreciation.

The selling price is recorded as a liability because it is the amount of money the lessee would have paid if he had paid cash for the asset. The difference between this amount and the amount the lessee would pay over the life of the lease will be interest expense.

Depreciation of Leased Assets

Leased assets are recorded in the books of the lessee and must be depreciated just like any other owned assets. In a finance lease, the depreciable amount will be equal to the cost paid by the lessee less any residual value. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset should be fully depreciated over the shorter of the lease term or its useful life.

6.2. Accounting for Leases as a Lessor

In a finance lease, the lessor transfers substantially all risks and rewards of ownership of the asset to a lessee. The lease is seen as a financing arrangement with the lease rentals considered mainly as repayment of principal and interest with the lessor receiving interest income from the lease.
At the inception of the lease, the lessor records the finance lease as a receivable at an amount equal to the net investment in the lease. Any initial direct cost incurred is included in the finance lease receivable. Finance income is recognised so as to produce a constant periodic rate of return on the lessor's net investment in the lease. The lessor needs to do the following in accounting for a finance lease:

- Remove the fixed asset from his books
- Recognize revenue from the sale of the asset
- Recognize a gain or loss on the sale
- Record receivables
- Record interest revenue each time a rental is received from a lessee

For the lessor the accounting is similar to the lessee's treatment. However, the lessor will recognize a lease receivable for the cash value of the lease and revenue for the present value of the lease. The difference between these two numbers is the amount of deferred interest income that the company will recognize over the term of the lease. The lessor also recognizes the cost of goods sold for the book value or the leased asset.

Fig 11: Recording the Lease - Lessors Journal Entries

<table>
<thead>
<tr>
<th>To record the lease of the asset:</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lease Receivables</td>
<td>GH¢ 50,000</td>
<td></td>
</tr>
<tr>
<td>Sales Revenue</td>
<td></td>
<td>GH¢ 40,000</td>
</tr>
<tr>
<td>Unearned Interest Income</td>
<td></td>
<td>GH¢ 10,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>To remove the asset from the books of the lessor and to recognize the cost of goods sold.</th>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of Goods Sold</td>
<td>GH¢ 40,000</td>
<td></td>
</tr>
<tr>
<td>Fixed Asset</td>
<td></td>
<td>GH¢ 40,000</td>
</tr>
</tbody>
</table>
6.3. Tax Treatment of Leases

In Ghana, the tax framework for leasing is relatively favourable especially for lessees. For the lessee, total lease rentals payable are tax deductible expenses. This provides an opportunity for a shorter tax write-off of the cost of the leased asset.

Finance lease is classified as a financial service and therefore does not attract VAT payment. However, like other companies, leasing companies pay all other taxes including corporate tax and customs duty. Leasing companies do not enjoy any exemptions for equipment imported for lease transactions unless that item is specifically exempted from these charges by law. Leasing in Ghana is also not subject to capital allowances either for the lessor or lessee.

6.4. Tax Benefits for Institutions Lending to Lessors

The law makes provision for a tax rebate to banks and/financial institutions that lend money to leasing companies. The rebate relates to income earned on the funds lent to the leasing company. The income tax rate applicable to income derived by a financial institution from a loan granted to a leasing company for the use by that company for funding lease transaction is 20 percent as opposed to the corporate tax rate of 25 percent.
The SECO IFC Leasing program Ghana presents the third edition of its annual market survey. This edition includes a review of the leasing industry in Ghana and trends in the industry over the past one year.

The program which is managed by IFC was launched in June 2006 with the overall aim of enhancing the role of leasing as an alternative financing mechanism for SME’s and other businesses in Ghana. The program is sponsored by the State Secretariat for Economic Affairs of Switzerland (SECO).

The five principal objectives of the program are to:

- Improve the legislative framework for leasing
- Build capacity of lessors and improve understanding of leasing among stakeholders.
- Increase public awareness and interest in leasing.
- Create opportunities for increased investment in the leasing industry.
- Assist in strengthening the Ghana Association of Leasing Companies (GALCO).
About The program Donor

The SECO IFC Leasing program Ghana is supported by the State Secretariat for Economic Affairs of Switzerland (SECO), under the Directorate for Economic Development Cooperation. The State Secretariat for Economic Affairs is responsible for the formulation of Swiss policy on cooperation with developing countries.

Switzerland's Economic Development Cooperation

SECO's Economic Cooperation and Development Division is the Swiss government's competence centre for the promotion of sustainable economic development in developing and transition countries, as well as for their better integration into the world economy. The main objective is to combat poverty by promoting the economy, developing the private sector and improving the standards of living.

The four instruments of SECO's economic development cooperation are:

- Macroeconomic support: Improvement of the macroeconomic conditions to promote growth;
- Investment promotion: Development of the private sector, promotion of SMEs and mobilization of capital, know-how and technologies from the private sector;
- Trade cooperation and environmentally sound technologies: Promotion of trade and integration of developing countries in the world economy taking into account modern, more effective and ecologically efficient production methods
- Infrastructure financing: Improvement of the economic and social infrastructure to support sustainable development.
In addition, the division is also responsible for working with multilateral financial institutions (the World Bank Group as well as the regional development banks) where it supports strengthening of multilateral cooperation and international coordination.

Together with the Swiss Agency for Development and Cooperation (SDC) SECO determines what path Switzerland's multilateral policy is to follow, mainly in the form of contributions made to the development countries, channeled through such international organizations as the World Bank, the regional development banks, and the specialized agencies of the United Nations.

Each year, Switzerland spends approximately 0.44 per cent of its gross national product on developmental aid.

Further information can be found on two SECO websites: www.seco-admin.ch or www.seco-cooperation.ch.
About IFC

The International Finance Corporation, the private sector arm of the World Bank Group, is the largest multilateral provider of financing for private enterprise in developing countries.

IFC's mission is to promote sustainable private sector investment in developing countries helping to reduce poverty and improve people's lives. IFC carries out its mission by providing financial products for private sector investments, mobilizing capital in international financial markets, facilitating trade, helps clients improve social and environmental sustainability, and providing advisory services to businesses and governments.

From its founding in 1956 through 2007, IFC has committed more than $56 billion of its own funds for private sector investments in the developing world and mobilized an additional $25 billion in syndications for over 3,531 companies in over 140 countries. With the support of funding from donors, it has also provided more than $1 billion in advisory services.

IFC is one of the biggest investors in the financial markets of a lot of developing countries and a recognized leader in developing leasing worldwide through its investment and technical assistance offerings. It has approved over $1 billion in 103 equipment leasing companies in 58 countries, and has advised on leasing legislation in over 50 countries.

Private Enterprise Partnership for Africa

The Private Enterprise Partnership for Africa (PEP Africa) is IFC's advisory services program in Sub-Saharan Africa. PEP Africa establishes partnerships with donors, governments, and the private sector to design and deliver advisory services programs that improve the investment climate, mobilize private sector investment and enhance the competitiveness of private enterprises in Africa. In Ghana, PEP Africa is supporting a number of sector and company-level advisory services projects in sectors such as mining, financial services, and education.

For further information, visit www.ifc.org/africa.
Ghana Leasing Company Ltd

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Okponglo, East Legon, Accra
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Fax: +233 21 520206
www.glelease.com

Contact Person:
Ernest Mintah
Managing Director

Established: 1991
Started Leasing: 1992

Shareholding Structure
Local 100%
Foreign 0%

Asset Allocation of Leases
- Medical 0.88%
- Prod. & Manufact. 10.19%
- Construction & Mining 20.27%
- Office Equip. 17.22%
- Vehicles 46.57%
- Others 4.87%

Regional Distribution of Leases
- Accra 80.72%
- Ashanti 8.02%
- Western 9.35%
- Brong Ahafo 1.91%

**leases were booked in 4 out of the 10 regions in Ghana

Economic Sector Distribution of Leases
- Manufacturing 15.97%
- Mining 10.99%
- Transportation 12.81%
- Consumer 4.42%
- Construction 16.05%
- Agriculture 8.78%
- Communication 7.20%
- Education 7.20%
- Fin. Services 4.45%
- Others 0.49%
Horizon Finance and Leasing Company

Contact Information:
9 La-Tebu Crescent
East Cantonments
Accra
Tel: +233 21 781761, 782895
Fax: +233 21 783082

Contact Person:
Mr. Kwei Abedu Wilson
Ag. Managing Director:

Established: 1994
Started Leasing: 1995

Shareholding Structure
Local 62.5%
Foreign 37.5%

Asset Classification of Leases

Regional Distribution of Leases
100% of leases are booked in the Greater Accra Region

Economic Sector Distribution of Leases
Amalgamated Bank Ghana Ltd

Contact Information:
C131/3 Farrar Avenue
P.O. Box C1541
Cantonments, Accra, Ghana
Tel: +233 21 249690
Fax: +233 21 0249697
www.amalbank.com.gh

Contact Person:
Wole Ajomale
Managing Director

Established: 1997
Started Leasing: 2006

Shareholding Structure
Local 49%
Foreign 51%

Asset Classification of Leases
- Vehicles 77.12%
- Const. & Mining 20.12%
- Prod. & Manuf 0.95%
- Other 1.82%

Regional Distribution of Leases
- Accra 98.82%
- Ashanti 0.95%
- Northern 0.23%

**leases were booked in 3 out of the 10 regions in Ghana

Economic Sector Distribution of Leases
- Transportation 20.24%
- Consumer 0.95%
- Construction 1.23%
- Communication 1.39%
- Others 76.19%
Barclays Bank Ghana Ltd

Contact Information:
Head Office
Accra High Street
P. O. Box 2469
Tel: +233 21 682487, 665376
Fax: +233 21 662720

Contact Person:
Mathias Dorfe
Head, Vehicle and Asset Finance

Established:
Started Leasing: 2006

Shareholding Structure
Local 0%
Foreign 100%

Asset Classification of Leases
Not available

Regional Distribution of Leases

Economic Sector Distribution of Leases

- Manufacturing
- Mining
- Transportation
- Consumer
- Construction
- Communication
- Energy
- Fin. Services
- Others

Accra 97.42%
Ashanti 1.25%
Western 0.44%
Eastern 0.26%
Northern 0.18%
Volta 0.45%
**Ecobank Ghana Ltd**

**Contact Information:**
19, Seventh Avenue  
Ridge West  
P.M.B., G.P.O  
Accra, Ghana  
Tel: +233 21 681146-8,  
680426 - 7  
Fax: +233 21 680428,680425

**Contact Person:**  
Arielle Enninful  
Head of Leasing

Established: 1993  
Started Leasing: 2002

**Shareholding Structure**  
Local 49%  
Foreign 51%

**Asset Classification of Leases**
- Vehicles: 90.00%
- Medical Equipment: 2.00%
- Construction & Mining: 8.00%

**Regional Distribution of Leases**
- Accra: 76.91%
- Ashanti: 6.62%
- Western: 9.08%
- Central: 7.39%

**Economic Sector Distribution of Leases**
Not available
Contact Information:
Valco Trust House
Castle Road, Accra
P.O. Box CT 2344,
Cantonments, Accra
Tel: +233 21 687670 - 8
Fax: +233 21 687669
www.stanbic.com.gh

Contact Person:
Alhassan Andani
Managing Director

Established: 1999
Started Leasing: 2007

Shareholding Structure
Local 0%
Foreign 100%

Asset Classification of Leases
Not available

Regional Distribution of Leases

Economic Sector Distribution of Leases

Manufacturing
Transportation
Consumer
Construction
Others
Leasafric Ghana Ltd

Contact Information:
No.6 Airport West, Accra
P.O. Box CT 2430, Cantonments
Tel: +233 21 780901 -3, 768087
Fax: +233 21 776373
www.leasafric.com

Contact Person:
Bernard Adade
Managing Director

Established: 1994
Started Leasing: 1996

Shareholding Structure
Local 23.36%
Foreign 76.64%

Asset Classification of Leases
- Vehicles 69.93%
- Generators 5.58%
- Construction & Mining 12.57%
- Medical Equip 0.19%
- Construction & Mining 12.57%
- Office Equip. 4.58%
- Other 3.18%
- Prod. & Manufacturing 3.97%
- Other 3.18%

Regional Distribution of Leases
- Accra 95.82%
- Ashanti 0.30%
- Northern 0.84%
- Eastern 0.14%
- Western 1.54%
- Bono 0.74%
- Ashanti 0.15%
- Upper East 0.47%

Economic Sector Distribution of Leases
- Manufacturing
- Mining
- Transportation
- Consumer
- Medical Services
- Construction
- Communication
- Education
- Energy
- Fin. Services
- Others
Merchant Bank Ghana Ltd

Contact Information:
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57 Examination Loop
North- Ridge Accra,
Tel: +233251131-5
Fax: +233 21 251138
www.merbangh.com

Contact Person:
Philip Okantey
Head Leasing

Established: 1972
Started Leasing: 1978

Shareholding Structure
Local 100%
Foreign 0%

Asset Classification of Leases
- Office Equip. 5.00%
- Generators 10.00%
- Construction & Mining 25.00%
- Prod. & Manufacturing 15.00%
- Medical Equipment 5.00%

Regional Distribution of Leases
- Accra 50.00%
- Ashanti 16.67%
- Eastern 8.33%
- Western 12.50%
- Brong Ahafo 4.17%
- Central 8.33%

Economic Sector Distribution of Leases
- Agriculture 2.00%
- Manufacturing 8.00%
- Mining 4.00%
- Transportation 25.00%
- Consumer 10.00%
- Medical Services 5.00%
- Construction 15.00%
- Education 10.00%
- Fin Services 20.00%
- Others 2.00%
Zenith Bank Ghana Ltd

Contact Information:
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PMB CT 393, Cantonments
Tel: +233 21 660075, 660079, 660091
Fax: +233 21 660760
zenithbank.com/ghana

Contact Person:
Andy Ojei
Managing Director

Established: 2005
Started Leasing: 2006

Shareholding Structure
Local 10%
Foreign 90%

Asset Classification of Leases
- Vehicles 84.10%
- Construction & Mining 12.73%
- Generators 1.82%
- Office Equip. 1.36%
- Others 2.98%
- Agriculture 2.98%
- Fin. Services 1.36%
- Manufacturing 23.37%

Regional Distribution of Leases
- Accra 78.73%
- Ashanti 4.34%
- Western 16.93%

Economic Sector Distribution of Leases
IFS Finance and Leasing Ghana Ltd

Contact Information:
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37 Liberation Road, Accra
P. O Box SR 344, Accra
Tel: +233 21 766303
www.ifsghana.com

Contact Person:
Kojo Ohene-Kyei
Chief Executive Officer

Established: 2006
Started Leasing: 2007

Shareholding Structure
Local 100%
Foreign 0%

Asset Classification of Leases
- Vehicles 80.50%
- Production & Manufact. 19.50%

Regional Distribution of Leases
All leases booked by IFS were in the Greater Accra Region

Economic Sector Distribution of Leases
- Manufacturing 15.34%
- Construction 3.80%
- Fin. Services 53.05%
- Others 27.80%
**Intercontinental Bank Ghana Ltd**

**Contact Information:**
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Starlets 91 Road  
P. O. Box GP 333, Accra  
Tel: +233 21 689668,  
214200-9  
Fax: +233 21 663365  
Intercontinentalbankghana.com

**Contact Person:**
Lolu Akindele

**Established:** 2006  
**Started Leasing:** 2007

**Shareholding Structure**
Local  1.41%  
Foreign  98.59%

**Asset Classification of Leases**

- **Vehicles**: 46.14%
- **Construction & Mining**: 53.86%

**Regional Distribution of Leases**

- **Accra**: 98.36%  
- **Ashanti**: 1.64%

**Economic Sector Distribution of Leases**

- **Construction**: 46.14%  
- **Fin. Services**: 53.86%
Guaranty Trust Bank Ghana Ltd

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Contact Person:
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Established: 2006
Started Leasing: 2007

Shareholding Structure
Local 15%
Foreign 85%

Asset Classification of Leases

Regional Distribution of Leases
All leases booked by Guaranty Trust Bank were in the Greater Accra Region

Economic Sector Distribution of Leases
Manufacturing 100%
Glossary

Accelerated Depreciation
An accounting method that allows a company to write off an asset's cost at a faster rate than the traditional straight line method that is, not spreading the cost evenly over the life of the asset. This includes any depreciation method that produces larger deductions for depreciation in the early years of a project's life. It often results in a larger tax deduction on a company's income statement.

Capital Allowances
Depreciation allowances on assets as allowed by income tax provisions of a country.

Capitalize
To record expenditure that may benefit future periods as an asset rather than as an expense to be charged off in the period of its occurrence.

Collateral
This refers to the security that is made available to secure finance. In leasing, collateral can be a pledge of property, bank guarantee etc., and usually refers to the leased equipment.

Cross-border Leases
A lease deal under which the lessor is located in one country and the lessee is located in a different country.

Default
A condition whereby the lessee does not make the payments required as per the lease contract.

Depreciation
A means for a firm to recover the cost of a purchased asset, over time, through periodic deductions or offsets to income. Depreciation is used in both a financial reporting and tax context, and is considered a tax benefit because the depreciation deductions cause a reduction in taxable income, thereby lowering a firm's tax liability.
Finance Lease
Finance leases transfer substantially all the risks and rewards incident to ownership to the lessee.

Funding
The process of paying the manufacturer of the equipment for the equipment being placed on lease.

Funding Source
An entity that provides any part of the funds used to pay for the cost of the leased equipment. Funds can come from either an equity funding source, such as the ultimate lessor in a lease transaction, or a debt funding source, such as a bank or other lending institution.

IAS-17
The International Accounting Standard (IAS) 17 on lease accounting was published by the IAS committee in London in September 1982 and has been updated regularly. IAS-17 prescribes, for lessees and lessors, the accounting policies and disclosure to apply to leases.

Independent Lessor
A type of leasing company that is independent of any one manufacturer, and as such purchases equipment from various unrelated manufacturers. The equipment then is leased to the end-user or lessee. This type of lessor also is referred to as a third-party lessor.

Interest
The difference between the total loan payments and original loan amount (principal). Interest is to a loan as earned income is to a lease.

Lease
A contract between the owner of an asset and its user for the hire of that asset. The ownership rests with the lessor, while the right to use the asset is given to the lessee for an agreed period of time in return for a series of rentals paid by the lessee to the lessor.
Lease Agreement
The contractual agreement between the lessor and the lessee that sets forth all the terms and conditions of the lease.

Lease Payments
Also known as rentals. The amount the lessee pays the lessor in return for using the leased equipment.

Lease Term
The fixed, non-cancelable term of the lease. Includes, for accounting purposes, all periods covered by fixed-rate renewal options which for economic reasons appear likely to be exercised at the inception of the lease. Includes, for tax purposes, all periods covered by fixed-rate renewal options.

Lessee
The user of the equipment being leased

Lessor
The owner of the equipment which is being leased to the lessee

Lien
A security interest on property to protect the lender in the event of lessee default.

Operating Lease
A lease arrangement wherein the lessor seeks to recover his investment in a lease by leasing the equipment to more than one lessee. For financial accounting purposes, an operating lease is a lease that does not meet the criteria for a capital lease or direct financing lease. Also, used generally to describe a short-term lease whereby a user can acquire use of an asset for a fraction of the useful life of the asset. The lessor may provide services in connection with the lease such as maintenance, insurance, and payment of personal property taxes.

Repossession
A situation in which a lessor reclaims and physically removes the leased equipment from the control of the lessee, usually because of payment default.
**Sale-Leaseback**
A transaction that involves the sale of equipment to a leasing company and a subsequent lease of the same equipment back to the original owner, who continues to use the equipment.

**Sub-lease**
A transaction in which leased property is re-leased by the original lessee to a third party, and the lease agreement between the original parties remains in effect.

**Withholding Tax**
Payable on the rentals received from many cross-border leases, depending on the double-taxation arrangements between the countries involved. May be prohibitively high.


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Ghana Banking Survey 2007, PricewaterhouseCoopers


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Finance Lease Law, 1993 (PNDCL 331)

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