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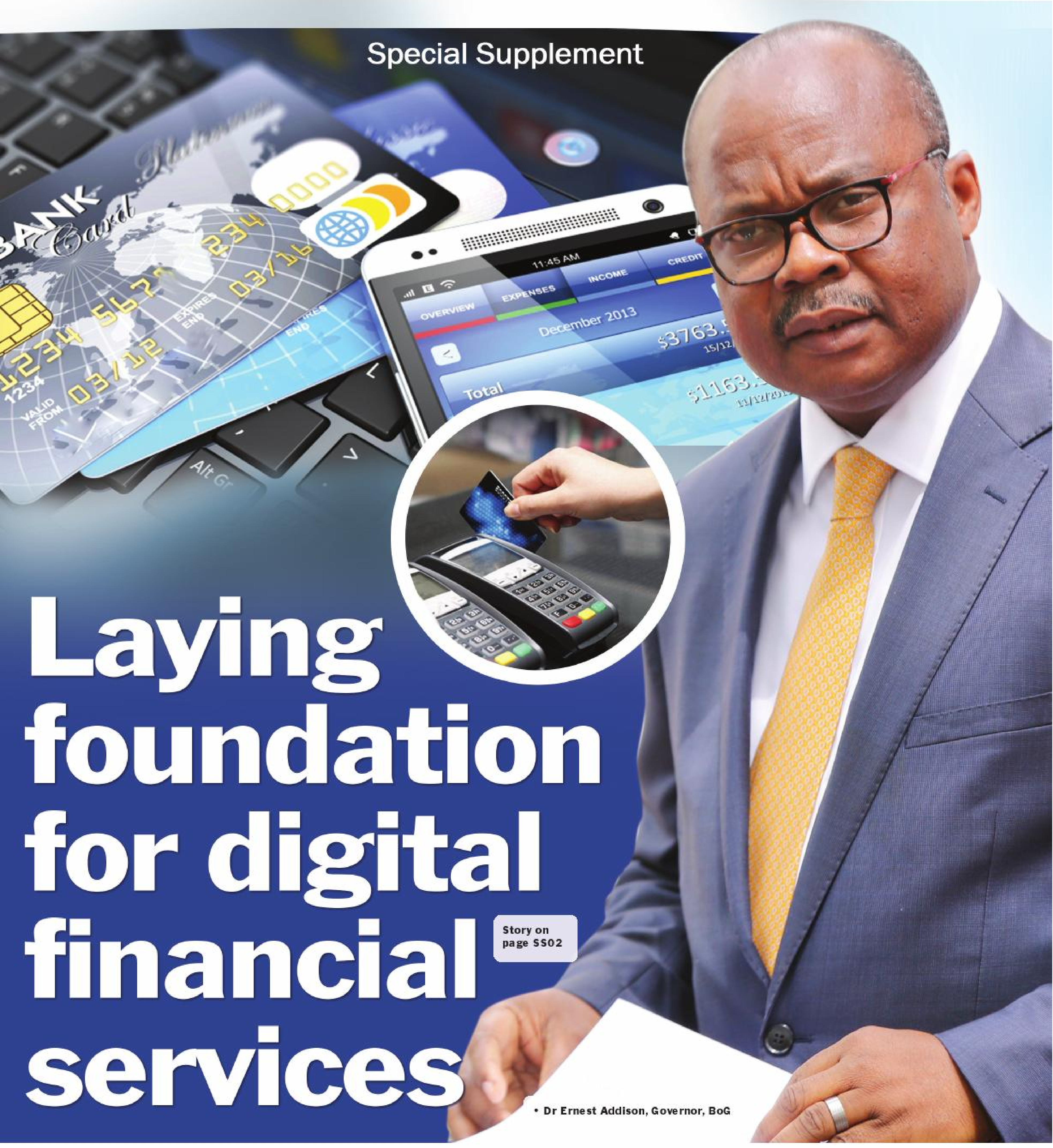

Special Supplement

Laying foundation for digital financial services

Story on page SS02

• Dr Ernest Addison, Governor, BoG

Consolidating gains, laying foundation for digital financial services

THE year 2015 marked a remarkable departure in Bank of Ghana's approach to digitalisation and financial inclusion with the issuance of the Electronic Money Issuers and Agents Guidelines (EMI & AG). Prior to that, the Branchless Banking Guidelines (2008), which ushered in mobile money, had leveraged the well established banking industry to provide a firm foundation for remote delivery of affordable financial services in partnership with the telcos.

The mandatory bank-based model of the 2008 Guidelines provided the regulatory basis for the budding digital financial services industry and Ghana stood out for regulatory certainty in an era when the service was not regulated in most jurisdictions, and nurtured the partner telcos in the rudiments of financial services.

With the fundamentals established for electronic money issuance, the EMI&AG was passed to further expand access by promoting a hybrid model which permitted both banks and non-bank entities to issue electronic money. This led to a phenomenal uptake of mobile money from 7,167,542 accounts in 2014 to 23,947,437 accounts in 2017.

The exceptional contribution of this enabling piece of Guideline (EMI&AG) to financial inclusion was affirmed by the 2017 Global Findex Database of the World Bank, which reported a marked improvement in the financial inclusion index for Ghana from 42 per cent in 2014 to 58 per cent in 2017.

Following from this, the Digital Financial Services (DFS) in the payments ecosystem regime has expanded rapidly and contributed to efficient financial outcomes for businesses and consumers. As part of the payments and settlement systems, Ghana's financial technology (fintech) subsector has grown significantly and become an effective channel for financial inclusion across the country.

The combination of technological advances and broad acceptance of digital financial services have positively influenced the mode of financial transactions.

To this end, the vibrant FinTech industry is working with banks, specialised deposit-taking institutions (SDIs), and electronic money issuers to deliver diverse innovative digital financial products including credit, savings, investments, payments and merchant acquiring solutions which have further enhanced access to financial services.

The growing importance of Fintechs in the financial service industry and

• Dr Ernest Addison — Governor, BoG

complexity of the emerging digital financial service ecosystem necessitated a review of the regulatory framework to support the process without risking the stability of the financial system.

Strengthening the Legal Basis for Digital Financial Services

A regulatory review and consolidation process to provide a strong legal basis for digital financial service commenced in 2017 and ended in 2019 with the passage of the Payment Systems and Services Act 2019 (Act987). It entailed review and consolidation of the Electronic Money Issuers and Agents Guidelines (2015) and the Payment Systems Act 2003 (Act 662).

This was further enriched with Fintech industry practices and supervisory issues and the Bali Fintech Agenda into a single piece of legislation. Act 987 seeks, among other things, to promote competition, innovation and efficiency in DFS by allowing non-bank entities, including FinTechs, to offer digital financial products and services to customers.

At the moment, a total of 26 licences across the categories have been issued, reflecting a mix of local and foreign ownerships.

This is expected to promote availability and acceptance of electronic money and also assist in removing barriers to financial inclusion.

To ensure fair access to participate in the DFS ecosystem, Bank of Ghana issued a licensing application requirement for payment service providers on Act 987 based on the principles of proportionate regulation in July 2020. Accordingly, a six-tiered licence framework has been established with defined risk-based permissible activities for each licence type and corresponding licensing requirements to accommodate Fintechs of varying sizes and capabilities in the DFS ecosystem. Non-bank entities are allowed to establish, own and manage electronic money business as Dedicated Electronic Money Issuers (DEMIs) or establish payment service business in any of the licence categories. Notable among the categories is the Standard Payment Service Provider Licence which does not require minimum capital and is reserved for young Ghanaian start-up techpreneurs to encourage budding talents and innovation in the financial services industry.

With MSMEs constituting about 90 per cent of businesses, their participation in the digital financial ecosystem is critical to boosting usage of digital financial services.

In general, the conducive regulatory regime for DFS provided by Bank of Ghana has been well received both locally and internationally evidenced by the large number of applications received and growing by the day. At the moment, a total of twenty-six (26) licences across the categories have been issued, reflecting a mix of local and foreign ownerships.

As to be expected, activities in the ecosystem have intensified with banks and Fintechs enhancing their service offerings while collaborating in other areas of service delivery to harness synergies. One typical area of increasing cooperation among banks, SDI, electronic money issuers and Fintechs is the delivery of digital credit made possible by the rich data on mobile money customers, predictive power of artificial intelligence in credit scoring and the ubiquitous presence of mobile money networks. Strategic alliance among these entities fostered by the enabling regulatory regime is aggressively expanding access to micro credit without the need for collateral and further enhancing financial inclusion.

Charting a Strategic Direction for Digital Financial Service

Besides the supportive regulatory environment, Bank of Ghana has, over the years, worked with stakeholders to establish a solid interbank and cross-network infrastructure serving as the underpinning for the DFS ecosystem in support of Government's national digitalisation agenda. These developments, like previous payment sector development programmes, are guided by a strategic document of which the recent one is the five (5)-year National Payment Systems Strategic Plan (2019-2024).

The current strategy, which was developed with key industry stakeholders, is aimed at promoting a safe, efficient and inclusive payment system with an enabling environment for competitive delivery of innovative, convenient and affordable digital payment solutions.

Half way through its life, the strategic plan has already registered a number of accomplishments. Notable among them are the GhQR merchant payment system which is enabling affordable and interoperable merchant payments and the hybrid Gh-Link Card, an EMV compliant card facilitating both biometric E-zwich transactions and PIN-based transactions at point of sale (PoS).

The expected impact of these in the diffusion of digital payments into everyday activities of the Ghanaian is enormous and have the potential for deepening financial inclusion among individuals and micro, small and medium-sized enterprises (MSMEs) attested by usage of street vendors.

Consolidating Gains and Expanding Access

With MSMEs constituting about 90 per cent of businesses, their participation in the digital financial ecosystem is critical to boosting usage of digital financial services. For this

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Discipline, integrity, cardinal in personal growth — GCB Deputy MD

THE Deputy Managing Director (Operations) of GCB Bank Ltd, Mr Emmanuel Odartey Lamptey, has reiterated that discipline and integrity are cardinal principles for personal growth and development.

He said personal achievement and becoming a person of value in society did not just emerge unless there was determination, deliberate efforts and actions on the part of the individuals especially the youth to realise those values.

• Mr Emmanuel Odartey Lamptey, Deputy Managing Director (Operations) of GCB Bank, at the Success Africa' leadership conference

Speaking at the Success Africa' leadership conference at the University of Ghana, Legon in Accra, Mr Lamptey, said with self-discipline and integrity, one might emerge as an achiever irrespective of the background and conditions.

GCB Bank in line with its objective of reaching out to the youth in talent development and capacity building is sponsoring this year's Success Africa's young leaders and entrepreneurs' summit.

The event affords young people in the various tertiary institutions the opportunity to be mentored by influential people in business and other aspects of society.

This year's summits and conferences are taking place in seven tertiary institutions across the country. The beneficiary institutions are the University of Ghana, Legon, Kwame Nkrumah University of Science and Technology (KNUST), Sunyani Technical University, Takoradi Technical University (TTU), University of Cape Coast (UCC), University for Development Studies, Tamale and S.D. Dombo University of Business and Integrated Development Studies, Wa.

In all these challenges and setbacks, there are opportunities and alternatives which you must take advantage of to soar in life.

The mentorship programme and summit at the KNUST and TTU, and Ho Technical Universities have already taken place.

Mr Lamptey, who represented the Managing Director of GCB, Mr Kofi Adomakoh, shared with the young people his grass to grace story and how he worked his way up the ladder.

Starting off from Bukom in the Ashiedu-Keteke Area in Accra, through basic education, Prebyterian Boys Secondary (PRESEC) and becoming a graduate at the UCC, Mr Lamptey urged the youth not to give up in the face of little or initial setbacks they encounter in life.

"In all these challenges and setbacks, there are opportunities and alternatives which you must take advantage of to soar in life. Be resilient and bounce back."

"There is one thing you must not forget in life. Have time for your Maker. Even when you trip, go back to God, serve Him and be willing to learn and invest in knowledge acquisition," he said.

Personal experience

Mr Lampteу advised them to invest in motivational and inspirational books, saying, "personal development is a personal responsibility. You do not have to leave this to teachers or the human resource department to do these for you. There should be a deliberate effort to feed your mind."

The Head of Corporate Affairs Department, GCB, Mr Kojo Kwarteng, advised the students and youth who might find themselves in the corporate world to adapt to corporate culture and show respect to authorities in order to survive in the corporate environment.

He said some of the issues relating to corporate culture could not be found in books and could be learned by cultivating a healthy relationship with experienced staff and mentors.

The President of LEC Group, Mr Albert Prempeh Kusi, explained that the organisation was focused on empowering the next generation of African leaders and entrepreneurs with quality and life-transforming information, aimed at assisting them to make informed decisions about their lives.

Digital banking here to stay

By Emmanuel Bruce

THERE is no doubt that the COVID-19 pandemic is the most disruptive experience since the global depression. All businesses across the world suffered from this once in a century pandemic and the banking sector was no exception.

However, despite the challenges posed by the pandemic to banks, it has not all been gloom, as the pandemic has boosted the level of digitisation in the banking sector.

Prior to the COVID-19 pandemic, banks were already moving into digitisation, although at a relatively slower pace, with banks introducing innovative products and services that brought more convenience to customers. These products and services were gradually moving financial services away from the brick and mortar model.

Spike in usage of digital channels

The pandemic has led to a spike in the usage of banks digital channels across the world and Ghana is no exception.

Fidelity Bank Ghana, at its recent annual general meeting, noted that more than 80 per cent of its customer transactions in 2020 came through its various digital channels. This achievement, which the bank described as an enviable milestone in its drive towards digitalising its banking services, is evidence of the level of digitisation in the banking industry.

Aside Fidelity Bank, the past months, have seen banks introduce an array of digital products and services, ranging from mobile apps, online account opening, online banking portals, among others.

While the above may come as good news to the banks, as it reduces their cost of operation, the question that has been on the minds is whether the pandemic has changed the banking business for good or whether customers would return to the brick and mortar structures post COVID-19.

Speaking in an interview with the Daily Graphic, the West Africa Head of BPC Banking Technologies, Mr Emmanuel Obinne, said customers should not expect to go back to the old ways of banking.

"Technology has come to stay and the evolution will continue," he stated.

Role of fintechs

Commenting on the role of financial technology companies (Fintechs) in an era of digital banking, he said several aspects of banking had been taken over by fintechs.

"After the 2008 recession, that was when the word fintech emerged and they began to unbundle banks and several aspects of banking were taken over by fintechs. What happened was that a company would take one aspect of banking and just focus on that, using technology.

"Others came in as payments facilitators and gateways and these were services that banks used to perform," he stated.

Banks have good relationships with their customers and have built credibility over the time, and people would rather keep their $10 million with an established bank than a fintech that is emerging.

Mr Obinne, however, noted that fintechs were not a threat to traditional banking as they did not have the credibility that banks had and had not forged relationships over a long period of time.

"So coming with a competitive mindset wouldn't be the best way to go. Fintechs should as much as possible collaborate. Banks have good relationships with their customers and have built credibility over the time, and people would rather keep their $10 million with an established bank than a fintech that is emerging.

"Fintechs are nimble, fast and have a risk taking mindset as opposed to banks who have a lot more to lose so are risk averse. So balancing the structures that are in place which will see the banks merging their ability with that of the fintechs to uncover new business models will be a collaboration that will better the ecosystem.

"So I don't think it is really about competition or displacing banks but fintechs should be about the choices you give to customers to make the most use of their money," he explained.

Banks coming up with fintech prepositions

With regard to banks now coming up with their own fintech prepositions to fight off competition from fintechs, Mr Obinne said that would not kill off the fintech industry, but rather increase innovation.

He said what would eventually happen was collaboration, stating that "I am a bank and I have the money and the reach, you are a fintech and has the risk taking mindset, very nimble and agile in coming up with solutions, let us come together and serve the customer."

"When fintechs emerged with that competitive mind, the first reaction from banks was to also begin to compete so they also started setting up innovation hubs and started building their own fintech prepositions.

"Fintechs came to change the customer experience and made it easier to access some banking services and banks introducing their own fintech prepositions will not kill off fintechs. It just increases the competition and gives room for fintechs to innovate," he said.

He said fintechs, however, had an unfair advantage because most of them were focusing on a specific value offerings, while banks had a lot more that they were focusing on.

Mr Obinne noted that collaboration between banks and fintechs would go a long way to benefit the customer and provide a huge boost for customer experience.

Mortgage financing in COVID-19 times

• Role of banks

By Mawuli Zugbenu

In most developing countries, low income levels, coupled with huge capital requirements to buy a house, have brought about the crucial need for mortgage financing in the housing sub-sector.

For instance, acquiring a mortgage or home loan in Ghana is one of the ways one can consider financing his or her dream home acquisition, without having to break his or her back.

According to the Centre for Affordable Housing Finance Africa, CAHF (2020), Ghana's rapid urbanisation of 56.7% has occurred at a time when there is a huge affordable housing deficit of an estimated one million houses yearly or 5.7 million rooms in the country.

Ghana's Mortgage Market

The Ghanaian mortgage market is, however, still largely under-developed and immensely bedeviled with both supply and demand constraints. Supply constraints include capital inadequacy of the banks, inability of the financial institutions to establish credit worthiness of potential borrowers and unfavourable macro-economic conditions which make investment in long-term loans unattractive to the banks. The demand side constraints include high house prices, high interest rates, unfavourable terms of loan repayments, low income levels and the cultural belief that it is not good to be in debt (Gavu & Adamu, 2015).

The low participation of banks in Ghana in Mortgage Financing, in particular, has been the bane of most low-to-middle income earners acquiring their own home, despite the high demand. According to a report by Devtraco Plus, as of February 2021, only six (6) notable banks out of the 28 licensed private banks in Ghana, being 21 per cent, were associated with Mortgage or Home Financing, and with an average interest rate of 23 per cent and loan term for 10 to 20 years.

Given the interconnectedness of the factors negatively affecting mortgage acquisition in Ghana, also aggravated by the COVID-19 pandemic, at the very least, one would expect greater interest and participation in the space by banks in Ghana to enable the low-to-middle income earners acquire decent homes to live in.

The Ghanaian mortgage market is, however, still largely under-developed and immensely bedeviled with both supply and demand constraints.

Increased life expectancy

According to the World Bank, life expectancy among Ghanaians, as of 2018, is 63:78 years compared to Nigeria's 54:33 years and Cote d'Ivoire's 57:42 years. Much as this sounds refreshing to know, this does not necessarily suggest that not many working persons are dying much younger than expected. As this may also affect the demand for some forms of insurances, it does not take away the fact that the risk management mechanisms of especially lending institutions should be taken for granted. Thus, this even calls for a tighter adherence to ensure that such lending institutions remain firmly in business as life goes on!

This notwithstanding, it would not augur well for us if a chunk of the banks in Ghana are becoming extremely rigid in the offering of facilities that would make accommodation life easier for their customers especially those in the low to middle income bracket.

Owning a house

Owning a house is one of man's biggest desires, but only a few people are able to acquire their own through mortgage finance from financial institutions as it has proven to be one of the safest ways to acquire a house, considering the many land litigations often associated with building a house on one's own.

Having said that, it is important to note that most of these banks require mortgage insurance, as a prerequisite for granting a mortgage facility. Because such facilities often span between 10 to 35 years – which may be the entire working life of the borrower, it is associated with a number of risks (e.g., borrower's death, incapacitation, job loss and pandemics). A classic example is having a family ejected from their homes after their breadwinner fails to continue to repay his or her mortgage facilities as a result of job loss, death or incapacitation. These associated risks, therefore, birthed the need for Mortgage Insurance.

Mortgage Insurance (MI)

MI, also referred to as mortgage guarantee, home-loan insurance or mortgage indemnity guarantee, is an insurance policy that provides compensation to lending institutions for losses arising from the default of a mortgage loan. MI may be public or private, depending on the particular insurer. Typically, MI reimburses the lending institution in the event of default resulting from death, incapacitation, etc. The borrower pays the premium, often referred to as Private Mortgage Insurance (PMI), but these premiums may vary depending on the advance payment. The nature of who pays the premium will largely depend on who is taking the policy; i.e., the borrower or the lender.

Borrower-Paid Private Mortgage Insurance (BPMI) or "Traditional Mortgage Insurance" is default insurance on mortgage loans provided by insurers and paid for by borrowers.

The Lender-Paid Private Mortgage Insurance (LPMI) is similar to BPMI except that it is paid for by the lender, and the borrower is often unaware of its existence. The cost of the premium is usually built into the interest rate charged on the loan.

How MI works

Just like any other forms of insurance transaction, in mortgage insurance, a policy document is issued to a lending institution, a commercial bank or other mortgage-holding entity, detailing the terms and conditions of the coverage. The policy document often contains client-specific information and general conditions such as exclusions (e.g. suicide clauses), conditions for notification of loans in default, and claims settlement. Depending on the mortgage value, however, some insurance underwriters may require a medical report of the borrower.

Jurisdictional Differences

Notwithstanding that MI operates differently in different countries, the indemnity principle remains the same. For instance, whereas in Australia borrowers pay over 80 per cexnt of the purchase price for Lenders Mortgage Insurance (LMI) for home loans, in Singapore, it is mandatory for flats owners to have a mortgage insurance if they are using the balance in their Provident Fund accounts to pay for the monthly mortgage installment. It is, however, optional for owners of private homes in Singapore to take mortgage insurance. Meanwhile, in the United States, private mortgage insurance is typically required when down payments are below 20 per cent.

Rating

Essentially, factors such as the value of the loan insured, loan-to-value (LTV) or the proposer's credit profile are often taken into consideration when rating a mortgage risk. Rates can range from 0.32% to 1.20% of the principal loan amount and premiums may be paid in a single lump sum, annually, monthly, or a combination of the two.

Some Challenges

In all of this, the quest to circumvent the underwriting processes by some unscrupulous borrowers may have to be contended with, as some would-be borrowers may want to conceal their deteriorating health statuses in order to exploit the processes. It must, however, be emphasised that providing appropriate health and other personal details helps in the determination of appropriate premiums at inception.

Claims Processing

For MI claims to be processed, there must be adequate proof of loss or events leading to that. For example, in the event of death, a medical cause of death may be required. Though claims may be declined on the basis of misrepresentation, the Central District of California court in 2009 held that mortgage insurance could not be repudiated en bloc.

Banks to consider

Though underwriting MI in Ghana started several years ago, its current high demand is partly due to the developments in the estate industry, which is helping to address the housing deficiency in Ghana. Indeed, there is a growing interest among the working class to acquire homes through mortgage facilities from various financial institutions. The question on my mind remains: 'how will commercial banks or lending institutions meet these demands if already some of the major ones are shunning mortgage financing?'

I think this can partly be answered if they (i.e. lending institutions) continue to insist on mortgage insurance for all mortgage facilities, as it provides them, the borrowers and the business community at large, peace of mind.

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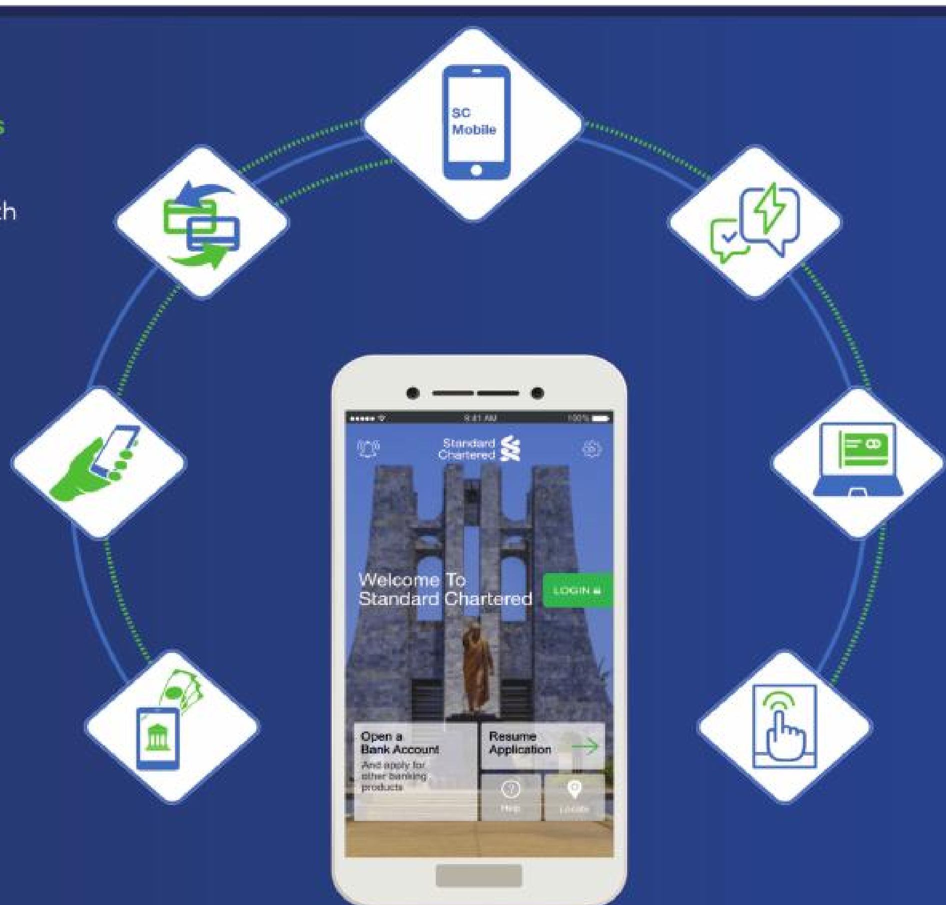

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Were banking sector reforms justified post COVID-19?

By Suleiman Mustapha

COVID-19 has presented Ghana's reformed financial intermediation industry with a litmus test. Almost three years after the BoG announced the completion of its banking industry reforms, questions still linger on about how the central bank went about the reform process.

This was always inevitable considering the sheer weight of the vested interests that were so adversely affected.

Add the inevitable political machinations in the run up to the 2020 general election and it makes for a volatile mix that could fuel the controversy for quite some time to come.

Though the banking industry has smoothly navigated the unprecedented negative impacts of the biggest global medical pandemic in the history of the world, the dust of the reforms is yet to settle.

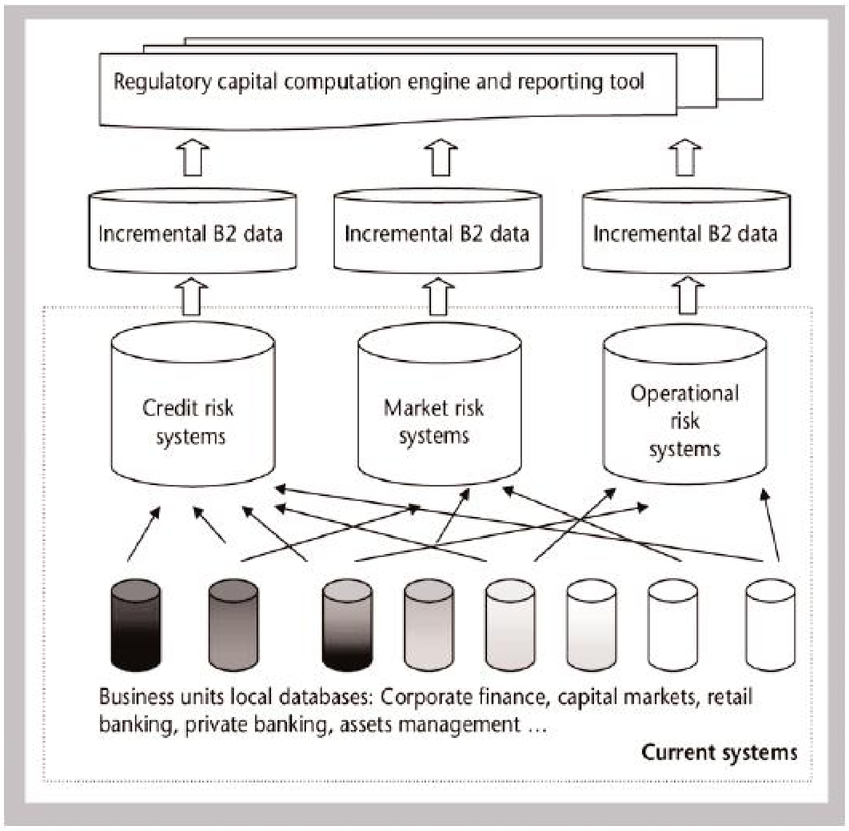
Ghana's banks have uniformly rode a panic-driven run on deposits, ahead of an outright lockdown of the country's two biggest economic centres for three weeks; extended restrictions on economic and social activities over several months; and ultimately a sharp slowdown in economic activities accompanied by an enforced significant narrowing of bank interest margins on loans, following an agreement between the government and the Ghana Association of Bankers to reduce interest rates on all ongoing and new loans by 200 basis points (two per cent).

Financial solidity

At the same time, their unprecedented financial solidity brought about by recapitalisation above the new minimum core capital of GH¢400 million has funded massive upgrades in digital banking capacities, which have proved crucial during the extended period of restrictions on physical movement and interactions.

But the fortunes of non-bank financial intermediaries – savings and loans companies, microfinance and other specialised non-bank finance houses inclusive - have been even more instructive.

None of them have descended into insolvency and failed to honour withdrawal requests from customers since the socio-economic crisis caused by the COVID-19 outbreak began in March 2020.



All these evidences are possible because of the unimpeachable financial solidity achieved by financial intermediaries under the regulatory purview of the Bank of Ghana through the recent industry reforms.

Simply put, a pre-reform industry that was tottering in the brink of systemic insolvency even within a normal, relatively stable economic operating environment - while some participants struggling to honour their obligations to their customers (many of them unsuccessfully) – has been transformed into a post-reform industry which has remained unscathed by the biggest economic crisis it has ever had to contend with.

Ardent critics

All but the BoG's most ardent critics readily agree that the pre-reform financial intermediation industry would have sunk under the weight of the financial challenges that COVID-19 has brought with it.

But the critics have failed to calculate — or at least estimate — the cost of not implementing the reforms.

This is why the management of the BoG, led by Governor, Dr Ernest Addison, himself deserves be seen as doing something right.

However, even erstwhile critics of the recent reforms who now admit to their crucial and timely impact, still argue that the cost of implementing them have been inimical to the state of Ghana's public purse.

Indeed, the reforms have proved expensive, costing the government over GH¢17 billion in all so far. Meanwhile, only about GH¢2 billion has been recovered so far.

Cost of reforms

This has had a dire effect on Ghana's public indebtedness – without the cost of reforms; the country's public debt would have been equivalent to about 54 per cent of its Gross Domestic Product (GDP), rather than the 59.3 per cent it stood at by the end of March this year.

But the critics have failed to calculate – or at least estimate – the cost of not implementing the reforms. Prior to the central bank's drastic regulatory actions it had been providing unsecured Emergency Liquidity Assistance to troubled banks. But such support had not resolved the insolvency challenges of any of them – rather it had effectively amounted to throwing good money after bad money.

Even more importantly, the banking public has largely regained its confidence in the financial intermediation industry as safe havens for their savings and investments.

In 2019, the first full year after the completion of the reforms in the universal banking sector, customer deposits increased by some 18 per cent, well above the 12 per cent growth at the peak of the industry's insolvency crisis.

Data is not available for the much smaller non-bank financial intermediation sector but analysts expect it to be lower because of an inevitable "flight to quality" by depositors at the height of the insolvency crisis when about half of that sector's participants were unable to honour deposit withdrawal requests.

Nevertheless, the panache with which the non-bank financial institutions met the dramatically sharp spike in customer deposit withdrawal requests immediately prior to the three-week lockdown in April 2020 restored full customer confidence in a way even the most concerted publicity campaigns by the BoG could not.

Here again, the arrival of COVID-19 inadvertently proved the worth of the recent industry reforms; the financial institutions left standing are solid enough to withstand severe stress, showing that deposits held with them are safe, at least for now.

Corporate governance

Expectedly, the array of corporate governance and risk management directives introduced by the central bank over the past two years should keep them that way.

But even the cost incurred may not be nearly as high as the BoG's critics are claiming. So far, recoveries of assets from liquidated financial institutions are proceeding much more slowly than originally anticipated, in part because of the slowness of the requisite legal processes underpinning the recoveries.

But the agreement by William Ato Essien, the owner of Capital Bank, to refund GH¢25 million of the money a new frontier in government's efforts to recoup monies it borrowed to resolve the capital shortfalls of the liquidated banks.

While some public policy commentators insist that prosecution and punishment of offenders should be the priority, the government is simply being pragmatic in agreeing to cut deals that will allow such offenders refund illegally obtained monies in exchange for their continued freedom.

The logic here is that if you cannot have it both ways, take the one which is most practically useful to you.

Prosecution of captains

Similar deals, entered into with more former bank chieftains facing prosecution, have the potential to significantly increase financial recoveries and thus commensurately reduce the cost of the reforms to the public purse.

Unfortunately however, most of the issues underlying the reforms, being highly technical, have been lost on, or completely misunderstood, by the general public.

But to do this, it is necessary to correct the shortcomings of the media with regards to their understanding of the technicalities involved in the reforms.

During the crisis and the regulatory effort to resolve it, the politically driven media were given a foot in the door into the public's collective consciousness because the financial media failed to set the records straight. This in turn was due to inadequate understanding of the technical issues by the financial media.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Post COVID-19: Consolidating digital financial services

By Musah Abdallah, Head, Transactional Products and Services, Stanbic Bank

EMERGING payments and digital financial services have experienced increased adoption in Africa and specifically Ghana over the last decade.

Traditional banks, mobile operators and fintechs have invested heavily in deploying various client led solutions aimed at facilitating the delivery of efficient payments and collections services in the economy.

From person to person (P2P), person to business (P2B) business to person (B2P), business to business (B2B), person to government (P2G) and government to person (G2P) transactions, we have seen a lot of investments aimed at creating solutions to facilitate efficient movement of funds.

From the announcement of the Imposition of Restrictions Act, 2020, (Act 1012) enacted to enforce social and physical distancing protocols in response to COVID-19 and the subsequent closure of our borders last year to the current gradual return to the new normal, we have seen a significant increase in the adoption of digital financial services and emerging payments solutions.

Traditional banking

According to the recent PWC Ghana Banking Survey Report 2020, the traditional mode of banking (face-to-face) changed during the COVID-19 crisis with mobile banking becoming the most preferred medium of banking.

From a corporate and business banking perspective, we have also seen an increase in the use of digital solutions (web and mobile) such as Stanbic Bank's Business Online and Host-to-Host solutions with document upload feature as a means of keeping the business going whilst adhering to the COVID-19 protocols.

Emerging payments and digital financial services in Ghana is evolving very fast. The beauty about the evolution is the ability to customise to the unique needs of Ghanaian clients and their respective ecosystems.

The increasing rate of mobile and web penetration in Ghana has meant that we have a tool that can help us leapfrog and more importantly customise our technology to suit our reality instead of the wholesale adoption of technologies from advanced countries that may not be practical to our Ghanaian reality.

• The writer

Critical issues

As part of the continuous improvement process, there is an increasing need for coordination and improved integration of emerging payments and other digital financial solutions to ecosystems as an embedded function to make it seamless, efficient and hustle free.

Prior to COVID-19, I published an article titled 'Riding the tide: Emerging payments and doing business in Ghana'.

In the article, I noted that "emerging payments sit at the core of the transformation of the Ghanaian economy and has the potential to impact on all spheres of our lives'.

The rate of adoption then, though good, was relatively slow compared to other countries such as Kenya and South Africa.

Since the onset of the current pandemic, adoption of emerging payments in the personal, commercial and corporate segments of the population has increased significantly. For instance, digital payments captured by GhIPPS grew by 81 per cent in quarter one of 2020.

As the saying goes, necessity is the mother of invention. The current pandemic helped move people outside of their comfort zone and their proficiency in digital consumption increased with experience and exposure to the solutions.

Payment options

The variety of options available such as Apps, Web Portals, QR Codes and USSD made emerging payments and digital financial services available to a wide variety of consumers catering for the varying degrees of sophistication and preferences.

Emerging payments prior to COVID-19 were seen largely as efficiency, convenience and cost saving tools. It was largely delivered through a push marketing strategy by financial institutions, mobile operators and fintechs.

The pandemic has given it a new relevance and we will likely see that consumption of emerging payment products and solutions transform from a push strategy to partnerships and co-creation between consumers, financial institutions, fintechs and telecoms companies.

This gives me confidence that, the recent gains in adoption will be sustained and accelerated post COVID-19.

The rate at which various forms of emerging and contactless payment mechanisms are being introduced and adopted by customers means that this phenomenon is here to stay. I see people naturally gravitating towards contactless payments as a way of life.

The rate at which various forms of emerging and contactless payment mechanisms are being introduced and adopted by customers means that this phenomenon is here to stay.

Benefits

This is because it is not only the new normal, I think it's the new better. There are several benefits to emerging payments and I struggle to see a return to cash. Cash and Cheques will still be used but I see an increasing decline in favour of electronic alternatives.

With heightened awareness of hygiene in the wake of the COVID-19 pandemic, and the risk associated with dealing with physical cash I think behaviours and attitudes towards cash will dwindle. At the same time, there is an increasing shift towards emerging payment instruments in Ghana such as account transfers, mobile money payments, QR code, inter-account transfers through instant pay in the personal space.

In the corporate and commercial banking space, the ability to make domestic and cross border payments the feature to upload supporting document online as well as the functionality to connect clients ERP through a secured interchange with banks means payment flexibility and security for clients.

With Stanbic Business Online for example, Corporate clients can initiate cross border payments on their electronic banking portal, attach all the necessary supporting documents to enable the payment go through automatically without the need for any manual intervention.

Financial institutions and Fintechs need to build on the current momentum to consolidate the adoption rate of emerging payments and digital solutions. There is a need for constant engagement with clients to understand what works for them.

Stability, simplicity, efficiency, security and cost are some of the key areas of concern and efforts must be made by the players to address these to create the needed comfort and confidence in financial institutions.

Whilst there are risks associated with emerging payments, they are insignificant compared to risks associated with physical alternatives especially cash and cheques in Ghana.

I would argue that due to various layers of authentications, the risk of fraud is minimised with greater adoption of digital alternatives. The key here is the intensification of client education to prevent them from falling victims to phishing attacks.

Banking fraud

In the recently published 2019 Banking Industry Fraud Report, whilst overall fraud increased marginally from 2,175 in 2018 to 2,295 in 2019, suppression of cash and deposits accounted for 77 per cent of the total number of fraud cases in Ghana.

On the other hand, there was a 34.48 per cent drop in cyber and email fraud from 174 to 114 cases. Fraud associated with e-money accounted for 0.6 per cent of fraud cases.

The increase in the adoption of digital financial services allows banks, telcos and fintechs to continue the current drive to invest in protecting clients and their valuable data in a much better way to ensure that they are always protected.

Also, because of improved security, audit trail and the use of sophisticated systems of verification and authentication, digital payments are safer than physical transactions with cash and cheques.

Positive digital financial services adoption is linked to increased uplift of GDP as it helps in reaching and roping in the largely unbanked population. It can also be a great tool for revenue mobilization by governments as well as deployment of targeted social interventions in P2G and G2P respectively.

A recent study by MasterCard revealed that countries that prioritise digital payments are better placed to mitigate the associated adverse impact of unemployment, financial exclusion, fraud, theft, cost of cash and corruption.

The study found that each one per cent increase in use of digital payments produced an average annual increase of 0.04 per cent in GDP in developed markets and 0.02 per cent in developing countries.

The digitisation agenda by government across the various segments of the economy highlights the importance of digitisation and financial institutions and other significant players have a great role in facilitating it.

The next evolution in digital payment development has to be in the area of full integration into ecosystems as an embedded functions that is seamless and intuitively connected.


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Prudential Bank picks up pace with digital solutions

CUSTOMERS of Ghana's leading indigenous bank, Prudential Bank, were already being ushered into a cash-lite regime before the emergence of the COVID-19 pandemic in early 2020.

The bank, which has over the years proven to understand the needs of Ghanaian workers, individuals and businesses, was already embracing the digitisation drive that was booming in many sectors of the economy including the banking space before the human endeavours were altered with what has become known as the "new normal" which generally hinges on the limits of human interactions.

• Mr John Addo — MD, Prudential Bank

This 'new normal' has ultimately reinforced the need for businesses, including banks to embrace digitalisation as the panacea to dealing with the effects of the pandemic.

Customer-Centric

Prudential Bank, which prides itself as a customer-centric financial institution, had prior to the emergence of the pandemic positioned itself in the digital space by modifying its organisational structure to diversify its services through three business segments, namely Corporate and Institutional, Commercial and Retail Banking, with support from a new Digital Transformation team.

In order to ensure businesses continue to thrive and customers were not hindered by an inability to visit the bank's business locations physically, a number of digital products, services and other measures to assist customers and staff were introduced.

Firstly, the bank's human capital, a treasured asset which requires protection primarily through the observance of the COVID-19 protocols, had to be managed through the introduction of a shift system to ensure that staff are adequately protected and socially distanced with associated sanitising materials provided on the bank's premises and at ATM locations.

Key among new products introduced was the scaling up of the mobile banking offering by introducing the bank's dedicated USSD short code *772# with remote onboarding capability for a special account with reduced Know Your Customer (KYC) requirements which is driving financial inclusion and serving customers better. For merchants and businesses and in particular SME businesses which form the majority of the bank's business customers, this code also offers extension capabilities for receipt of payments via mobile money, thereby reducing the handling of cash.

The bank now offers varied debit and prepaid card options to provide greater convenience for customers and also support the government's efforts towards a cash lite economy.

The bank's actions in the digital space have contributed to supporting its corporate and SME business customers.

Digital platforms

Beyond that, the bank is aggressively promoting the deployment of collection platforms including POS machines with web acquiring solutions being deployed extensively to SMEs, corporate and potential customers as a means of reducing cash handling which is increasingly becoming costly and risky.

Bulk payment solutions are also on offer at Prudential Bank to facilitate bulk payments such as salary and multiple/regular supplier payments. The solution allows for bulk payments to be made into a combination of bank accounts and mobile money wallets.

The bank continues to support customers whose businesses have been affected by the pandemic through various initiatives such as interest rate reductions, repayment moratoria, interest waivers and other concessionary measures to support their recovery efforts.

In addition, the recently established customer contact centre of the bank provides support for customers from 6am to 10pm daily, including weekends with well trained centre staff ensuring that customer queries are handled professionally. There was a concious strategy that was adopted by the bank to blend humanity with technology to deliver exceptional service to customers and the general public.

Closely associated with the deployment of digital products is the need to ensure that the level of cyber security is commensurate with the level of risk associated with the use of these products. The bank, in 2019, completed the ISO27001 certification and in 2020 completed the PCIDSS certification to provide greater security and comfort for customers.

The bank's actions in the digital space have contributed to supporting its Corporate and SME business customers and in particular the informal sector to also contribute their quota to the country's socio-economic development and nation-building.

In its bid to remain the local bank of choice, the bank is also partnering Fintechs with operations in other African countries to support SME businesses to leverage opportunities under the Africa Continental Free Trade Area AfCFTA which presents a pipeline of interesting opportunities in the near future.

GTBank, stalwart in digital banking

GUARANTY Trust Bank (Ghana) Limited, since commencing operations in Ghana 15 years ago, has served hundreds of thousands of customers with unrivalled and exceptional financial services. Since inception, GTBank has received local and international recognition for its strength in digital innovation. The bank has carved an irrefutable niche as the most technologically advanced bank in Ghana.

It is referred to as "the Bank of firsts" as it introduced a number of great innovations into the Ghanaian banking sector. Notable among them are its slip-free banking service where customers do not have to fill any form to make deposits or withdrawals from their accounts.

Products

Products such as Internet Banking, Myghpay, GTWorld, Guaranty Trust Automated Payment System (GAPS) and the USSD platform Bank *737# (another industry first) have been introduced to enable individuals and corporate customers bank on the go.

Zero balance account opening is one thing GTBank is known for. This initiative afforded everyone the opportunity to own a bank account without having to make any initial deposit.

The novel coronavirus pandemic took a toll on individuals and businesses the world over, bringing in-person activities and transactions to almost a halt.

During this period, the bank's investment in tailor-made digital channels came into an extremely important play, offering customers and non-customers the convenience of transacting from their mobile devices and computers anywhere.

GAPS platform

Corporate customers could process payments of salaries and taxes on the GAPS platform without visiting their offices.

Retail customers could pay for utility bills and perform day-to-day sales and purchases on their phones via Ghana's biggest payment platform, Myghpay App and Web; and by dialing *737#.

With the world experiencing a grind in businesses, Guaranty Trust Bank ensured seamless continuity any day, any time for its cherished customers and the community at large.

In a bid to offer customers support as the world recovers gradually from COVID-19 business losses, the bank also introduced the SME Credit, a flexible loan facility for its small and medium enterprises.

With these aforementioned in place, Guaranty Trust Bank remains your most trusted and dependable financial partner.

Digitalisation

Guaranty Trust Bank (Ghana) Limited has always been a digital-first bank. Digitalisation has been and will always remain our core mandate as we continuously innovate and thrive on the use of technology to redefine banking. COVID-19 was indeed a business-ravaging pandemic as many companies folded up while others had their revenues take cliff-edge nosedives.

Its adverse impact was clear for all to see. Some workers around the globe were laid off, households broken, some industries, especially

• Continued on page SS27

• Front view of the GT Bank head office


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Receivership process of banking sector clean-up exercise

• Continued from page 16

have commenced work on Phase 3, that is, the final Phase of the process. Payments to creditors commenced as soon as the validation exercise was completed, all stakeholders have been duly engaged and the process is continuing.

The Receivers have commenced several legal actions to recover these monies from shareholders, directors, and customers of the defunct institutions. In collaboration with the Economic and Organised Crime Office (EOCO) and the Special Investigation Team (SIT) established by the government, the Receivers of the defunct institutions are investigating some directors of the defunct institutions to trace and identify hidden and undisclosed assets financed with the resources of the defunct institutions.

The Attorney General has commenced prosecution of certain individuals alleged to have been complicit in the failure of the defunct institutions.

It is important also to mention that EOCO and SIT are continuing with their investigations to ensure that wrongdoings and impunity on the part of management, shareholders and related parties of these failed institutions face the full rigour of the law to serve as deterrent to others.

Asset recoveries are made primarily through the law courts and currently, several cases are in court over the recovery processes.

Defaulters are using the court system to frustrate the recovery process by filing various applications to the law courts. Other challenges faced by the Receivers include poor documentation which make it difficult to identify and pursue some of the loan defaulters as the information gathered is either not sufficient or non-existent.

• Mrs Elsie Addo Awadzi, 2nd Deputy Governor, BoG

In addition, the lack of perfection of charges on assets used as collaterals by some customers, inability to locate some debtors due to lack of information and inaccurate pre-receivership updates of customer loan repayments records, among others are some of the challenges being encountered by the Receivers, thus the slow rate of recovery.

Furthermore, some of the monies siphoned out of the institutions by related and connected parties that led to their insolvency, were used to acquire foreign assets in the names of those related and connected parties, making them difficult to trace and recover.

Some of the loans were even fictitiously created and some directors are being pursued to recover such monies. Notwithstanding the above challenges, the Receivers continue to use all lawful means to recover assets and monies from some of the shareholders, directors and other loan defaulters of these defunct institutions.

Settlement of Claims

The Receivers of the defunct institutions are expected as part of their work to notify all creditors (including depositors) to file their claims on the defunct institutions and consequently, validate the claims and make payments based on the availability of funds from recoveries made. Specifically, section 135(1) of Act 930 prescribes priorities in the payments of claims as follows:

- Allowed secured claims shall be paid
  - i. To the extent of the realisation of the security; or
  - ii. By delivering to the secured creditor, the security held by the bank or the specialised deposit-taking institution; and

- Other allowed claims shall be paid in relation to all other debts, in the following order:
  - i. Necessary and reasonable expenses incurred by the receiver and the Bank of Ghana, including professional fees under sections 123 to 139 of Act 930;
  - ii. Payments made by the institution responsible for deposit protection in respect of insured deposits in compliance with the Ghana Deposit Protection Act, 2016 (Act 931);
  - iii. Credits extended to the bank or specialised deposit-taking institution by the Bank of Ghana until the appointment of the receiver;
  - iv. Statutory amounts owed to the government or to a municipality, except as determined by the government;
  - v. Wages or salaries earned by an employee not later than 180 days before the appointment of the receiver, as may be specified by the Bank of Ghana except for wages and salaries earned by a director or a key management personnel;
  - vi. Credits extended to the bank or specialised deposit-taking institution after the appointment of the receiver;
  - vii. Deposits not covered under subparagraph (ii);
  - viii. Compensation of employees not covered under subparagraph (v);
  - ix. Unsecured credits extended to the bank or specialised deposit-taking institution before the appointment of the receiver; and
  - x. Subordinated debt.

It is important to note that the funding government raised bonds which were monetised by the Bank of Ghana amounting to GH¢18.99 billion to protect depositors of the affected banks and SDIs (including the establishment of Consolidated Bank Ghana Limited) was to ensure that depositors did not have to wait until their turn per section 135(1) of Act 930, which would probably have taken a very long period before depositors received their funds.

The Bank of Ghana, for its part also had to provide some funding amounting to GH¢310.44 million to be paid to ex-staff of the defunct banks and SDIs as exit packages to reduce the hardship these staff would have faced as a result of job losses with the defunct institutions. The ex-staff would have also waited for a long while before receiving any compensation from the ongoing receivership per section 135(1) of Act 930.

It is worthy to note that the Receivers will refund these monies to the government and the Bank of Ghana as and when enough recoveries are made.

The BoG has established a Resolution Office charged with the responsibility to maintain oversight over the Receivership process. Among others, the office monitors the work of the Receivers and ensures that their monthly and other reports are delivered, dividend payments are made in line with statutory requirements, and expenses are duly reviewed.

In addition, BoG will continue to track the Receivership process to ensure that the defunct institutions are properly wound up.

• Dr Maxwell Opoku Afari, 1st Deputy Governor, BoG

Next Steps for the Receivership Process

While government made funds available to settle deposits of the 420 defunct financial institutions which had been dissipated by mismanagement, continued efforts are being made to recoup taxpayers monies used to settle these claims. The Receivers have published and will continue to publish the names of loan defaulters and other debtors in the media and engage all stakeholders on the recovery processes.

The successful banking sector clean-up exercise has resulted in a strong and resilient banking industry which is supportive of Ghana's economic transformation agenda. BoG remains vigilant and has intensified supervision to protect depositors' funds and promote the stability of the financial system. It is expected that the gains achieved will be consolidated as regulatory and supervisory frameworks are strengthened in line with emerging threats in the financial sector. In addition, BoG will continue to track the Receivership process to ensure that the defunct institutions are properly wound up.

The resolution of these financial institutions has come at a cost to the taxpayer, and we should all lend support to the Receivers to recover the monies involved and reallocate them to productive uses to build our economy, particularly during the pandemic.

Standard Chartered — Delivering future banking now through digital offering

CUSTOMERS used to dress up to visit the bank about a century ago not just to withdraw some money but also to make a fashion statement.

Today, customers cannot wait to walk out of a bank. Indeed, over the last few decades, delivery of banking services has transitioned from the brick and mortar setting to a more digital and innovative approach, with increased focus on technology-driven banking.

"On the average, customers, today, walk into a bank branch once or twice a year, but they interact with their banks on mobile devices 20 to 30 times a month," Chairman and Chief Executive Officer (CEO) of Customers Bank and Bank Mobile, Jay Sidhu, revealed in 2018. Banking is now more of a lifestyle.

Digitisation

Financial Technologies (FinTech) and digitalisation in Ghana has grown exponentially over the last 5 years. Developments in the sector include the use of mobile telephone and email for financial service delivery.

The FinTech system of sending, receiving money, and effecting payment is now the most popular with individuals, households and corporate bodies due to its convenience and speed.

Prior to the COVID-19 pandemic, the writing was already on the wall – digitise your bank or die! The warnings about digitisation and repositioning had been going on for more than a decade, and so the pandemic, as unexpected and unmitigated as it was, has accelerated digital adoption.

Financial inclusion

It seemed the pandemic had come with a chastening query to find out how many financial institutions had taken financial inclusion and customer expectations seriously.

Standard Chartered passed this test because it had prepared. Anticipating the digital migration led by millennials, the bank globally began its second wave of digital-only retail banking in 2012.

Today, Standard Chartered has a full digital bank – the SC Mobile App and Straight 2 Bank, which provides the best digital banking experience for its clients.

It has features that allow clients to execute all banking activities from a mobile device, making banking more convenient and pleasurable.

It consolidates banking services in one's hands and has a very user-friendly interface. It is designed with the customer in mind, to give users a memorable experience with good analytics.

E-platform channels

There has been strong adoption of e-platform channels by clients. Digital solutions rollout has been accelerated due to high demand necessitated by control of physical engagement as part of the COVID 19 prevention protocols.

The Straight 2 Bank online platform allows corporate clients to bank seamlessly. Having a well-oiled ecosystem business proposal has become extremely relevant to serving clients now and into the future. We continue to focus on providing an integrated solution across the value chain of our clients.

Own your banking experience on your mobile device, it's just a click away to stay protected from COVID-19.

Standard Chartered has, totally, revamped its app experience, with SC Mobile app offering capabilities for clients to experience convenient secure banking: the app's users could even give themselves nicknames on the app's interface.

SC Mobile app

The SC Mobile app allows you to make 70 in-branch requests; "Report Lost/Stolen Credit Card"; "Replace Credit Card"; "Request for a Cheque Book", and "Change Debit Card Pin". Additionally, customers can manage and update personal details, request loan and overdrafts, among others.

Convenience and staying protected has been the hallmark of the era we find ourselves in today. Mobile Money is utilised by all mobile networks in Ghana and is the mostly used payment system in Ghana to curb the spread of the coronavirus during the lockdown period. Currently, it is the largest digital payment platform in Ghana.

Mobile money

On the SC Mobile app, users use mobile money to honour their bills using the "Pay to saved billers" functionality. It means you can purchase airtime and transfer money to all the three major Telcos: MTN, AirtelTigo and Vodafone and make a "One Time Bill Payment".

The app also supports "bank to wallet" and "wallet to bank" services. Several other utility service bills can be paid using the SC credit card.

A game-changing application, it eliminates human interaction, while still providing a personalised bank experience.

Digital banking

The SC Mobile App provides solutions that transcend the here and now. The focus has been on thinking ahead of the present and making those interventions that bring convenience to customers and offer easy and safe digital banking transactions in addition to growing and protecting the wealth of clients.

Investment has also been made easy and digital on the SC Mobile app. Clients can purchase and disinvest Government of Ghana local securities (T-bills and Bonds) 247.

This convenience is unmatchable on the Ghana Market especially in the era of social distancing. Clients can check their local investment holdings and on the status of any transaction executed. The power of trading in local securities is in the palm of the clients.

Digital retail banking

The platform is execution only, meaning, clients are given all the terms and conditions with which to make their investment decisions.

The Bank's dominance in digital retail banking is an open secret in Ghana's financial services sector, and therefore for eight years straight, the bank has been adjudged by the Global Finance Award as the Best Digital Consumer Bank in the country and has won the best Mobile Banking App at the Ghana Information Technology and Telecom Awards (GIITA) 2019.

In the past weeks, the bank has also won Ghana's Best Retail Bank (Asian Banker, Africa, and Middle East); the Best Mobile App in Ghana, and the Number 1 Digital Bank, both at the recent GITTA awards 2020 held in Accra.

For us at Standard Chartered, 'Here for good' is a brand promise. We are here for our clients and communities-- that means investing in tools that will make their lives convenient and simpler.

@ a glance

Standchart's dominance in digital retail banking is an open secret in Ghana's financial services sector, and therefore for eight years straight, the bank has been adjudged by the Global Finance Award as the Best Digital Consumer Bank in the country.

• The head office of Standard Chartered Bank


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Cashless economies: Fact or fiction?

By Eboh Richardson

THERE is no doubt that COVID-19 has accelerated digital and technology adoption across the Continent, driving banks and other businesses to fast-track their digital transformation efforts and expedite creation of solid platforms for innovative solutions.

One obvious manifestation of this has been the growth of online transactions and ongoing embedment of 24/7 banking. But the question remains: What lies ahead, as we approach what is expected to be a "better normal"?

Digital Banking in Africa

While cash is still predominantly used for payments across the African Continent, great strides have been made towards the realisation of the so-called "cashless society".

Of course, COVID-19 has been a key catalyst, with lock downs, health and safety protocols, and merchant / commercial restrictions significantly limiting physical interactions and thus reducing cash-based transactions.

The fact is, going cashless, or at least "cash-lite", is possible and remains a likely future scenario, given the development and trends we are seeing.

Financial institutions

Banks and other financial institutions, however, will need to provide incentives and demonstrate unparalleled convenience in order to encourage consumers to make the switch in a sustainable way. Additionally, and perhaps more importantly, regulators will need to create the requisite policy frameworks that stimulate and support adoption, as well as safeguarding consumer interests.

Indeed, Rwanda is one of the African countries leading the charge, with a goal of being a cashless society by 2024. Significantly, in alignment with this goal, the Rwandan government recently provided free meters to all taxi drivers, ensuring that only digital payments could be made.

Kenya is following suit, with some fees on mobile money transactions being waived during the pandemic, coupled with a surge in online shopping. As a result, experts estimate that Kenya could become a cashless economy by 2033.

Ghana is also making important and progressive strides, driven by the government's digitization agenda, which has seen the introduction of Mobile Money Interoperability (MMI), the launch of National Universal QR Code, and other payment systems projects in partnership with Banks, Telcos and Fintechs.

Just like Kenya, the waiver of some fees on mobile money transactions during the height of COVID-19 and the sustained incentives from some organisations, including Absa Bank, continues to encourage and promote digital payments.

Safety and security

In addition to higher daily transaction limits, Absa offers customers transfers from mobile money wallets to bank account at highly competitive rates ad free contactless payments, which save customers time and hassle while assuring their safety and security.

"Ghana is also making important and progressive strides, driven by the government's digitisation agenda, which has seen the introduction of Mobile Money Interoperability".

Overall, sector players are acknowledging the benefits of digital payments, noting that they are more convenient and safer for customers, and that they will inevitably reduce crime and fraud while promoting the inclusion of more people into formal financial services.

In addition to further increase in mobile and online transactions, indications are that we will see a notable shift to contactless payments, QR codes payments, and eventually even wearables.

Personalised digital journeys

Think a personalised Netflix profile, but for banking! Of course, personalised customer experiences in banking are far more complex as there are multiple factors and important regulations to consider; but they are entirely achievable.

Logging in should be a breeze and user interfaces should be intuitive and easy to navigate, complemented by specific product insights and recommendations. Round the clock, expert support, whether it be live-chat or a click-to-call option will be non-negotiable.

• Mrs Abena Osei-Poku — Managing Director of Absa

Technology systems

Consequently, banks will need to come to the fore with reliable, secure and integrated digital technology systems in order to meet ever-evolving customer expectations.

Furthermore, it is pivotal that financial institutions view technology as an essential enabler, and that artificial intelligence (AI) and machine learning (ML) ar

Chatbots are fast becoming the norm when it comes to automated client queries (such as Absa's Abby on WhatsApp), while machine learning can deduce user intent and match digital products with specific needs.

Regulation and resilience

With new technology comes the requirement for appropriate regulation. The EU's General Data Protection Regulation (GDPR), for example, currently emphasises the 'right to explanation' if an AI algorithm deems a customer ineligible for a loan or financing.

Banks will need to understand legislative expectations around emerging innovations and be in a position to meet them.

While there is still some regulatory ambiguity in some African countries, overall, policymakers have made noteworthy progress in implementing customer-centric frameworks that promote governance, support tighter lending requirements, and encourage financial inclusion and innovations.

Further to this, the rise in cyber-risk exposures as a result of increased digitisation, lends itself to an increased focus on building business resilience, as well as an increased need for specific cyber security legislation - particularly when it comes to data and privacy laws.

As this risk increases, policymakers are bound to take notice, with possible regional frameworks coming to the fore.

The banking sector as a whole is expected to be stable and healthy in order to kick-start economies and stimulate growth, especially post-pandemic.

Cloud-based platforms

To achieve this, banks will need to discard legacy infrastructure in favour of smarter, integrated and more resilient cloud-based platforms.

This will enable institutions to manage and access data quicker and bring products and solutions to market much faster.

Ultimately, digital banking should be viewed as a meaningful way to connect with customers across each stage of their life journeys.

What certainly won't abate going forward, is customer centricity, and the desire to meet customers at their point of need.

• The writer is the Chief Enablement & Information Officer, Absa Bank Ghana


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'Financial services personalisation crucial to building trust'

FINANCIAL inclusion across developing countries, especially those in Sub-Saharan Africa, remain low even though much progress has been made in the last decade.

According to the Global Financial Inclusion Data of the World Bank, the proportion of adult population in Ghana with financial account increased from 41 per cent in 2014 to 58 per cent in 2017.

The data also showed that the adult population with accounts with financial institutions increased from 35 per cent to 42 per cent within the same period.

Disparity

This implies that not all the accounts of the adult population are on the platforms of financial institutions, as the disparity largely explains the role of mobile money and the telecommunication companies in the financial inclusion process.

This notwithstanding, Ghana's performance is low compared to some other African countries like South Africa, Botswana, Mauritius and Kenya.

For instance, in Kenya 82 per cent of the adult population have accounts while 56 per cent of the adult population had accounts that are with financial institutions as of 2017.

Financial inclusion

According to the Managing Director of FBNBank Ghana Limited, Mr Victor Yaw Asante, the rate of financial inclusion depends on a number of factors both from the side of the banks and the customers, and as banks find ways to bridge the gap, the situation in Ghana will improve.

He mentioned that "factors such as customer due diligence requirements, eligibility requirements, documentation, information asymmetry, inadequate ICT infrastructure, affordability and trust affect the extension of the financial services and products to the underserved groups and also their willingness and ability to patronize them."

Although these factors are multi-facetted, he believes that the current situation can change significantly "if banks intensify efforts in product development and service delivery which are tailor made to satisfy the needs of individual customers, businesses or groups within the underserved population."

Institutional capabilities

According to him, once banks understood clients, the environment, the regulations, and the institutional capabilities, it was time to step up product and services design taking into account all these variables especially the clients.

He added that "the digital age is linked with tailor-made offerings that deliver personalised services, products and pricing to clients and leveraging technology and big data should help banks to reach the unbanked segment of the population especially through the trust built by customers being served."

Mr. Asante explained that personalization in banking is to provide a valuable service or product to clients based on their personal experiences and historical data.

> **The rate of financial inclusion depends on a number of factors both from the side of the banks and the customers, and as banks find ways to bridge the gap, the situation in Ghana will improve.**

Customer needs

This helps to directly satisfy the customer's needs and help to build trust which has large implications for the financial inclusion process in Ghana given our past. By building trust, "happy customers can assist in educating family and friends about the importance of being an account holder and using certain financial products and services," Mr Asante added.

To this end he envisaged that customer satisfaction and experience objectives and the need for banks to differentiate themselves from competition would drive personalisation through which financial inclusion will be impacted.

High financial inclusion is very high on government's agenda as it works towards a cash - lite economy leveraging on technology.

Policy initiatives

Last year, government launched three policy initiatives aimed at deepening financial inclusion and increase the shift to digital payments.

They were the Digital Financial Services Policy, the Cash-Lite Roadmap and the National Financial Inclusion and Development Strategy. Specifically, the aim of the National Financial Inclusion and Development Strategy is "increasing financial inclusion from the current 58 percent to 85 percent by 2023 thus helping to create economic opportunities and reducing poverty."

Mr. Asante is hopeful that banks and other financial institutions in the country will contribute immensely to achieving this goal.

• Victor Yaw Asante, MD/CEO of FBNBank Ghana

GTBank, stalwart in digital banking

• Continued from page SS12

aviation and hospitality, brought to a grinding halt and the lives of key business owners and employees lost.

Silver lining

However, this COVID-19 cloud brought a 'silver lining' as it showed the importance of digitisation in business. Statistics from technology giants VISA and Mastercard reveal that the adoption of digital payment methods across the globe grew by an astonishing 41 per cent in the year 2020.

E-Commerce's share of global retail trade grew by three per cent from 14 per cent in 2019 to17 per cent in 2020 (UNCTAD, 2020). In effect, COVID-19 acted as the 'necessary' catalyst to drive the acceleration of the adoption of digital payment methods.

Moreover, we have seen a high rate of acceptance expected in three to four years in one year (McKinsey, 2020) and the "share of digital or digitally enabled products in their portfolios has accelerated by a shocking seven years." (McKinsey,2020).

Banking sector

The trend in Ghana and the banking sector has been no different. Banks which relied mainly on traditional banking methods suffered the harsh effects stemming from the lockdown and restrictions on movements.

As lifestyle businesses were banned from operating during the period, they suffered the most with banks whose deposits relied on them reeling from the ripple effects.

GTBank also realised similar trends with card issuance and transactions growing over 30 per cent and 5 per cent in 2020 from 2019. The use of our digital payment products also increased. The breakdown is below -

Myghpay was the most patronised retail e-product which grew significantly by 100 per cent in 2020 compared to 2019. Internet banking (GTworld mobile) saw a minor dip as more consumers seemed to lean towards mobile banking.

Flagship Product

The bank's flagship product, *737# continued to make tremendous strides, as more customers patronised this product in 2020 compared to those in 2019, representing a growth of over 50 per cent.

This caused a major shift in mindset for banks as work-from-home policies were quickly instituted to ensure business continuity and GTBank was no different. We employed the use of virtual collaboration tools, notably Microsoft teams and Zoom to replace in-person meetings.

In the same vein, operational processes were digitised by employing the use of process automation tools for approvals, among others.

In the same period, banking services available only in banking halls were now readily available on digital platforms such as ATMs, mobile banking applications, internet banking and USSD banking services. This coincided with a boom in mobile money transactions on both the bank and Mobile Network Operators (MNOs), as emphasis on the need to avoid physical contact grew substantially.

BOG policies

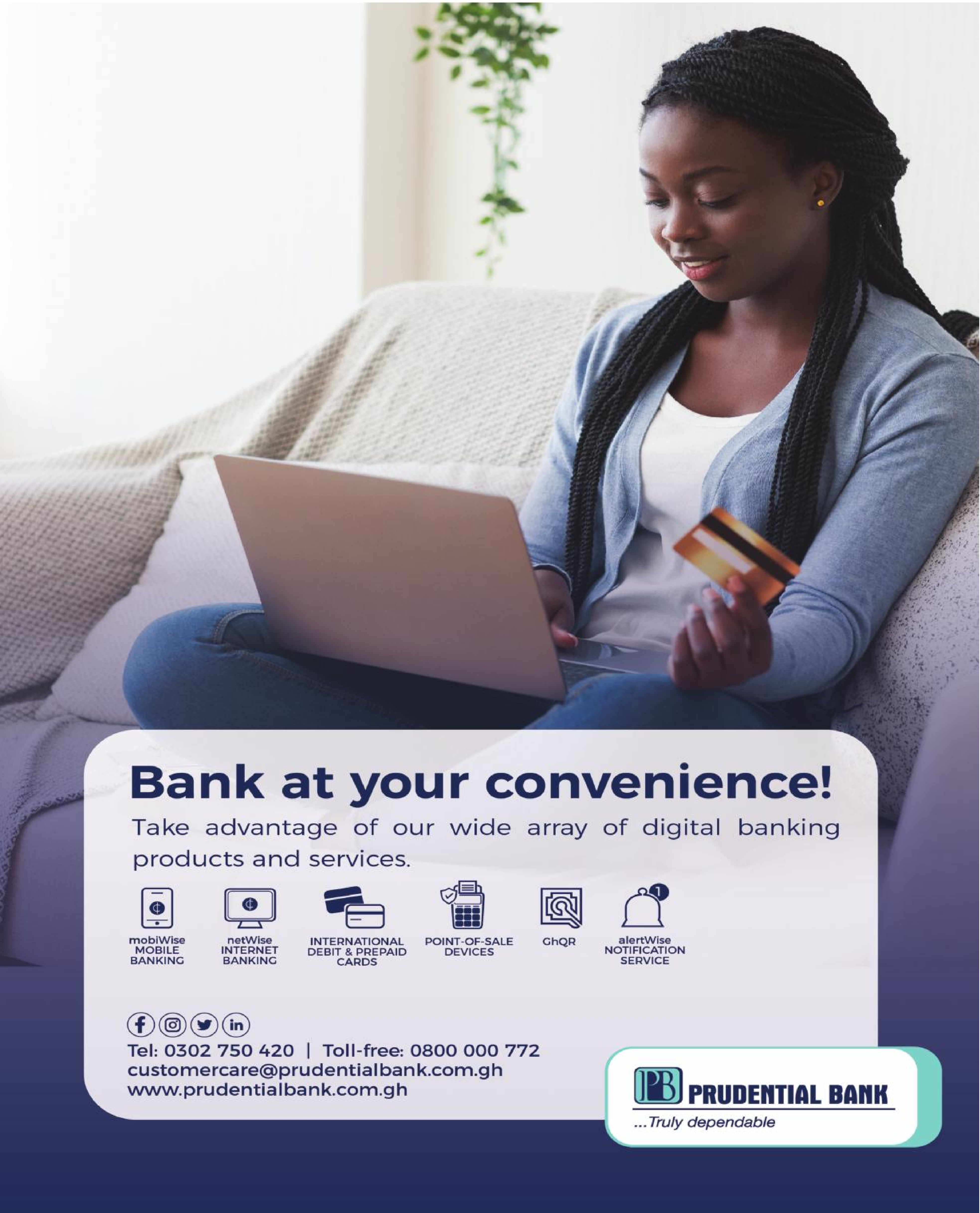
The Bank of Ghana instituted policies and frameworks to ease the financial burden on individuals caused by the pandemic by imposing free mobile wallet transfers across networks for transaction value ranges and increasing the transfer limits.

GTBank took advantage of this to sell the importance of using its digital channels for more transactions.

As we revamped our operational structures, they also developed more innovative digital payment and collection solutions to aid businesses move their businesses online.

Quick credit

In 2020, we rolled out a digital lending solution called Quick Credit to enable salaried customers access credit facilities at the cheapest rate in Ghana. Businesses were introduced to the GTBank SME Suite - an innovative solution which enables SME customers create an online presence via e- Commerce websites, financial advice, startup credit, among others.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PRUDENTIAL BANK
...Truly dependable

• Mr Anthony Akindele Ogunranti — Managing Director/Chief Executive Officer of the Zenith Bank Ghana

Think Government payments: Think Zenith Bank

DIGITALISATION comes with many benefits for person-to-government (P2G) payments. Broadly speaking, P2G payments allow for the transfer of funds from individuals or businesses to the government for public services.

Some of these services being paid for include obtaining documents such as birth or marriage certificates or business licenses, statutory payments such as taxes and payments for utility services.

Recipient agencies and institutions can be at the municipal, state or national level, and include public schools, police force and revenue authorities, for example.

Benefits which accrue, both to the state and its residents, is a reduction in administrative cost; which brings to bear the most famous of the four maxims of taxation, which requires that the cost of collecting a tax (or any other source of government revenue) should be as minimum as possible. Others include wider engagement and increased revenue collection base as well as reduction in the leakages of government revenues.

Enter ghana.gov.gh

With these considerations in mind and as further evidence in its conviction that digitalisation would transform the economic fortunes of the country, the Government of Ghana in 2020, introduced the ghana.gov.gh portal.

The move has proven to be a masterstroke, particularly in the light of the ongoing COVID-19 pandemic, which, more than any other occurrence in history, made glaring the need for all organisations, governments included, to be digitally agile.

The portal is a digital service and revenue collection platform created to provide a single point of access to Government of Ghana services for the public sector. Additionally, it seeks to consolidate all regulatory payments into easily accessible digital and cash payment methods and manage post-payment workflows such as receipts and invoices, customer notification, feedback and service ratings.

Agencies and services that can be accessed through the portal include Ministries and Municipal Assemblies; Birth and Death registry; Ghana Revenue Authority (GRA); Passport Office; Ghana Tourism Authority; Registrar-General's Department and a host of others.

Think Zenith Bank

With a proven track record of consistent top-tier, year-on-year

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CBG: Resilience amid COVID-19

COVID-19 is a disruption which has come up with huge challenges and opportunities, starting a digital revolution effectively changing how we interact, work, entertain, advertise, collect data and conduct business.

CBG being a mission-driven bank perfectly understands the new situation and has adapted and fashioned out different and robust strategies around the ever-increasing technological innovation and digital solutions in the banking space to serve the modern customer whose desire is to get first class banking services without risking their health and safety.

The role of CBG

Since the crisis, CBG has had to put measures in place for banking services to remain accessible whilst respecting health and safety protocols—remote working arrangements for branches nationwide, rapid increases in digital opening of new relationships, engaging customers online, and deploying contactless payment applications across several platforms as well as other activities aimed at reducing physical meetings with clients.

"At CBG, customers are at the heart of what we do and to sustain the high level of quality client services, we had to redefine customer experience by putting their needs at the forefront of our business".

• Mr Daniel Addo — Managing Director of CBG

Customer experience and Digitization

At CBG, customers are at the heart of what we do and to sustain the high level of quality client services, we had to redefine customer experience by putting their needs at the forefront of our business.

"To improve our digital services, we designed a self-registration feature on our USSD code *924# and the CBG mobile app, making it easy for customers to have the opportunity to perform banking transactions wherever they are; check account balance; transaction history; perform transactions such as funds transfers; fees and bill payments; Cheque book requests; airtime top up; online purchases; Momo and much more", says MD of CBG, Daniel Addo.

Apart from giving customers contactless account access from portable devices, we developed a data strategy for SME needs and designed tailored products and services to make SMEs thrive. Top on CBG's agenda is digitization of the operations of these small businesses.

The SME sector support

Despite the widespread acceptance of digital service solutions in the country, Micro Small and Medium Enterprises (MSMEs) are slow in aligning to the transformation in the business environment, largely due to misconceptions around costs, availability and general know-how.

This lag has resulted in most small businesses losing out on the fruits that information and communication technology (ICT) and its full deployment brings to firms. However, CBG is changing this narrative.

The Bank hopes to close the digital divide through the aggressive introduction of its SME clients to cost-saving digital services that opens new doors and strengthen their existing operations.

Under the Digitize SMEs agenda, the bank aims to sign on more than 50 per cent of its clients to its digital platforms -- a strategy that would also help to formalize that sector of the economy.

Access to credit

Also, the bank has ringfenced more than GHS120 million in funding to the SME sector in 2021, reduced transaction and credit costs while allowing smaller enterprises to borrow without collateral. Through these unique services, the bank is addressing the core of SME challenges including access to and cost of credit which have long held down the fortunes of these businesses.

In the end, CBG hopes to unleash the potential of the SME sector and set them on the path of growth in the crisis period.

CBG has a tall list of SME products including, SME Classic Plus Account, SME Savings Account, SME Current Account, SME Smart Loans, and SME Hybrid Account to support growth of businesses in the MSMEs.

Digitalisation in banking:
Key opportunities, challenges

DIGITAL transformation is everywhere. Regardless of what industry you're in, digital technologies are increasing in relevance as organisations strive for new ways to keep up with the competition and deliver the maximum value to customers.

Over the past three decades, the digital revolution has disrupted multiple sectors rapidly and significantly. The digital wave transformed industry segments such as music, retail, entertainment, travel and more, and paved the way to the rise of the tech forerunners that we all know today including Apple, Netflix, Airbnb and Amazon, among others.

More recently, the world has witnessed digital technologies reshape more traditional industries such as banking and financial services, driven primarily by increasingly digitally savvy customers.

The Middle East and Africa's banking and finance industry spending on information and communications technology (ICT) is expected to reach $15.24 billion in 2023, according to the latest insights from IDC.

In the IDC report, the firm's senior consultant for the Middle East and Africa, Nagia El Emary highlighted that the banking and finance industry is becoming increasingly reliant on emerging digital technologies to attract and retain customers. "The sheer magnitude of financial technology (fintech) products and services on the market today is staggering, and financial institutions are increasingly embracing third-platform technologies and innovation accelerators such as cloud, mobility, and artificial intelligence (AI) to increase their market penetration rates, enhance customer satisfaction through the delivery of personalised services, and streamline operations to cut costs and maximise efficiencies. As such, these technologies are becoming an inextricable part of the sector as a whole."

Digitalisation in the banking industry primarily entails the shift from manual and often paper-based processes to offering online and digital services to enhance experiences and build customer loyalty.

Digitalisation in the banking industry primarily entails the shift from manual and often paper-based processes to offering online and digital services to enhance experiences and build customer loyalty.

Today, millions of consumers are embracing fully integrated digital banking experiences, using smartphones, tablets and wearables to do complete transactions such as making payments, opening new accounts, applying for loans and more. A study conducted by McKinsey revealed that consumers in the UAE and Saudi Arabia are already heavy users of digital banking channels with 80 to 90 per cent of respondents saying that they prefer to do at least some of their banking on mobile devices, and visit branches and call service hotlines only to meet specific and more complex needs.

Digitalisation arms banks with the bandwidth and capabilities to continuously put the customer at the centre of their innovation processes, which also enables them to stay competitive.

However, while digital transformation presents a multitude of opportunities for banks, it also comes with an array of challenges. Here we look at some of the key opportunities and challenges of the increasing digitalisation in the banking industry:

Opportunities

As with most digital objectives, the success of digitalisation within banks all comes down to data.

A recent Accenture survey C-level executives revealed that companies that leverage data for their development have higher growth rates. With data at the foundation of its products and services, banks can develop tailored solutions that will enable them to personalise banking experiences and improve customer engagement, which in turn increases revenue.

By unlocking data's value, banks can also derive rich insights that will help them make accurate and nimble decisions. They can also use this data to create new products and services, and ultimately revenue streams.

Tech-savvy generation

It is undeniable that everyone is going the digital way. The era of digitalisation is inhabited by the digital natives of Generations Y and Z. These two demographic are driving the demand for ubiquitous access to digital products and services. Additionally, Generation X is becoming increasingly digitally-savvy as well and the majority of the population is expected to be technologically-adept by 2025.

This means that digital initiatives by banks will be able to reach more customers and drive growth.

Tech advancements

More than anything, technology plays a vital role in the digital transformation of banks. Emerging technologies such as Bitcoin, blockchain, new Open APIs, new IT infrastructures are all part of the digital shift. The game-changing features of these technologies provide banks with the opportunity and capability to stay on top of the next wave of banking innovations.

As with any industry, it is also expected that AI will drive significant disruptions within the banking sector. In fact, global business information provider IHS Markit forecasted the business value of AI in banking to reach $300 billion by 2030.

Challenges

Banks continue to remain an attractive target for cybercriminals. Threat actors are still giving financial institutions a run for their money. The cost of cyber-attacks is highest in the banking industry, reaching $18.3 million annually per company. Therefore, banks need to ensure that cybersecurity is at the top of their agenda.

Leaders in the banking sector need to look beyond traditional security solutions to improve their security postures. Investments in cybersecurity should be focused on tools that will enable them to better prevent, detect and respond to threats.

Legacy and siloed environments

Many bricks and mortar banks still rely on traditional banking systems. They use a COBOL programming language, which has been around for more than six decades, making back-office technology in desperate need of a refresh. However, organisations often find the transition from these dated and disparate legacy banking systems to a modern, digitally connected environment daunting.

What's more is that the shift will require huge upfront investments for the necessary applications, custom processes, and integrations with external systems, security, and maintenance. They will also need to develop a more centralised platform to monitor that these newer systems are secure and in compliant with the right regulatory requirements. On top of that, people will have to be trained and constantly updated to enable them to maximise their investments and derive great value from it.

Challenge and opportunity: Rise of FinTech challengers

While many traditional banks are investing heavily to transform their legacy, siloed systems, this may not be happening fast enough. According to ResearchandMarkets, the value of global Neo and challenger bank industry is projected to reach $471 billion by 2027. These FinTechs offer digital-native services and many consumers view them as more customer-centric as compared to traditional banks.

However, many banks have found a way to take advantage of FinTech firms' disruptive technologies through strategic partnerships. Bank-FinTech partnerships offer financial institutions with the opportunity to accelerate its digital initiatives as well as save time and resources by leveraging existing solutions instead of creating new ones.

Challenge and opportunity: COVID-19 pandemic

The current environment is undoubtedly challenging for banks. The behavioural and economic effects of the COVID-19 pandemic are profound and have placed immense operational and consumer pressures on them. Due to health and safety precautionary measures many physical branches had to be closed, forcing banks to quickly and definitively deal with the rise in demand for digital services.

However, the pandemic has also pushed banks to fast-track their digital initiatives and those that are able to quickly adapt have a unique opportunity to succeed in the long term.

SME growth through digitisation :

The Access Bank approach

BEFORE the onslaught of the coronavirus pandemic which hit Ghana last year, most financial institutions had been pushing the digital banking agenda with a minimal adoption rate due to several factors.

However, with its attendant issues, COVID-19 has forcefully changed our way of life, including the use of digital solutions that will eventually become what we now call the "new normal".

Taking advantage of this phenomenon to remind its customers of the various digital solutions investment it has made, Access Bank has taken a front seat to support customers, particularly SMEs, navigate this curve to ensure they go about their banking transactions without any interference.

It is a known fact that SMEs form the bedrock of many developing countries, including Ghana.

• Olumide Olatunji, MD of Access Bank Ghana

SMEs

However, this assertion has been challenged as many SMEs across the globe are struggling to survive during this pandemic.

The COVID-19 pandemic has made it difficult for many SMEs in Ghana to play a critical role in stimulating the economy as evidenced in the 2020 COVID-19 Business Tracker Survey conducted by the Ghana Statistical Service (GSS), in collaboration with the United Nations Development Programme (UNDP), and the World Bank.

Taking cognizance of this fact and the impact SMEs have on the economy, Access Bank has intensified its strategy efforts towards SMEs to help turn their operations into profitable and sustainable businesses using digital solutions.

Digital Solutions

Several digital solutions for SMEs have been introduced by the bank including AccessAfrica - a money transfer service which can also be accessed on the bank's mobile app, AccessPay – an online platform for various payment solutions (salary, SSNIT contributions, Meridian Port Services, International transfers, among others), Collection Portal – to receive payment from various third parties, AccessMobile App, Internet Banking, among other corporate services.

In addition to these solutions, SME business owners can access the Bank's Advisory Services to enjoy a list of non-financial services offered. They also get access to the Mpower Business account which gives them the Instant Business Loan, PayDay loan, insurance options, Trade and other investment products.

SME Clinic with Graphic Business

The bank has also held the SME Clinic in partnership with Graphic Business to highlight the importance of digitisation as well as a capacity-building workshop in collaboration with Lead Afrique to help these SMEs identify what digital solutions their businesses need.

These activities have been planned to continue throughout the year.

Overall, these activities and solutions are expected to help accelerate the business operations of SMEs to stay relevant, profitable and be sustainable to weather the current challenges facing the sector and the economy at large.

@ a glance

■ Since 2009, Access Bank has demonstrated a strong commitment to sustainable business practices driving profitable, sustainable growth that is also environmentally responsible and socially relevant.

Highly efficient operations

As the bank continues to invest in its digital banking infrastructure to ensure an excellent customer experience and highly efficient operations, it is believed this will help reduce banking cost for customers and provide them value for money.

Since 2009, Access Bank has demonstrated a strong commitment to sustainable business practices driving profitable, sustainable growth that is also environmentally responsible and socially relevant.

The bank is also leading the way with investments in key sectors of the economy including telecommunications, energy, oil and gas, manufacturing and agriculture.

These have contributed to the bank being recognised in various awards including the 2020 Global Financial Inclusion Award by The Banker Magazine.

Think Government Payments: Think Zenith Bank

• Continued from Page SS29

performance; an extensive network, with a presence across the country, on the continent, in the middle East, Far East and the United Kingdom; best-in-class digital platforms, and an accompanying class-leading support system, it comes as no surprise that the Zenith Bank is positioned as a preferred payment partner for the Ghana.gov.gh portal.

With the institution tasked with receiving the most important element of government revenue - the Ghana Revenue Authority (GRA) - going cashless, all Custom Duties, Income Taxes, Corporate Taxes, as well as other GRA Taxes can now be paid for through Zenith Bank.

Across three channels - Cash, Unstructured Supplementary Service Data (USSD), and online - Zenith provides you with the fastest, safest, and most convenient way to do business with the government of Ghana. Zenith Bank's USSD - *966# and in-branch cash transactions are available to customers and non-customers alike, with Corporate Internet Banking (CIB) exclusively available to the Bank's corporate customers.

Payments via *966#USSD

For government services payments via Zenith Bank's USSD, customers and non-customers generate an invoice on the ghana.gov platform. Payer dials *966*3*111# and sees 'Ghana.Gov Payment'. Payer enters invoice number and payment details are verified. Payer selects 'pay with mobile money' or 'pay from account (enter Zenith Bank account number)' and authorises payment with a PIN. Payers mobile money wallet or Zenith account is debited, and a payment notification and receipt are automatically sent to the payer via SMS and email.

Payments at Zenith Bank Branch

Payer visits any Zenith Bank branch and presents his/her invoice (self-generated or assisted by Zenith Bank's Customer Service Officer) to a teller. The teller verifies the invoice number and payer details and informs customer of the amount payable. Payment is made in cash or cheque and a receipt printed for the payer.

Payments via Zenith Corporate Internet Banking (CIB) Platform

Corporate customers of Zenith Bank generate an invoice on the ghana.gov platform and proceed to log onto the Bank's CIB platform at www.zenithbank.com.gh, select 'payment' and click on 'pay for services'. Customer selects source account, selects Ghana.GOV from list of services and clicks on the link to verify the invoice. After verification of invoice number, payment details are populated to enable the customer make payment. Customer approves the transaction and receives a payment notification and receipt via SMS and email.

On the above-mentioned payment channels of the Bank, Zenith Bank assures customers and non-customers of a seamless end to end process that guarantees secure real-time payments.

Going Digital

Zenith Bank has a plethora of e-products such as the USSD Code (*966#) to enable more customers who hitherto did not have bank accounts to execute banking transactions seamlessly.

In line with government's cashlite agenda and the Ghana Interbank Payment and Settlement Systems roll-out of the GhQR code to encourage cashless payments at merchant locations nationwide, Zenith Bank has embedded in its USSD, a function that enables customers and non-customers to make payments via GhQR. GhQR is the easy way to receive payments as a merchant by displaying a QR Code and a Merchant ID in your shop. To make GhQR payments via Zenith Bank, customers dial *966*3#, select GhQR payment, enter terminal ID (merchant code) and follow the prompts to complete payment. Funds are credited to the merchant instantly.

Improving economy

The Bank believes the momentum that digital finance has gained in Ghana will continue for years to come, driven by government and innovation by service providers, increasing financial literacy, and an improving economy. It is therefore poised to take advantage of both the opportunities and challenges this evolution will certainly present, by continuously investing in its people and infrastructure, innovating its products and services, exploring strategic partnerships, and putting the customer at the heart of everything it does.

Zenith Bank Ghana is a subsidiary of Zenith Bank Plc with its Head Quarters in Lagos, Nigeria. It has presence in Sierra Leone, The Gambia, United Kingdom, Dubai as well as a representative office in China.

Think Government Payments; Think Zenith Bank!

Receivership process of banking sector clean-up exercise

GHANA'S banking sector came under severe stress during the 2014-2016 period with rising NPLs, inadequate capital and liquidity shortfalls, as well as loss in confidence.

The prevailing weaknesses in the banking sector presented a major challenge to growth prospects of the economy which required decisive policy interventions to prevent further deterioration with its consequent risk to financial stability and economic growth.

The challenge was systemic in nature, with banks, savings and loans companies, finance house companies, microfinance companies and rural and community banks all at risk. Initial technical assessments were conducted by way of Asset Quality Reviews (AQR) on banks in 2015.

A follow up AQR was undertaken in 2016 to establish the solvency position of the banking sector. The findings revealed that some banks were insolvent, while others were significantly undercapitalised.

Confronted with these facts, the immediate policy focus for the Bank of Ghana (BoG) was to design plans for the resolution of the insolvent banks to prevent the spill over of systemic risks from these institutions to the other banks and the broader economy.

Banks that were identified as undercapitalised were immediately tasked to submit recapitalisation plans and take appropriate steps to ensure soundness in banking operations.

One major policy initiative that emerged out of the process was the need to quickly recapitalise the entire banking system. This led to the increase in the minimum capital requirement for banks from GH¢120 million to GH¢400 million, while additional steps were taken to closely monitor the financially distressed institutions.

Several of these banks relied on liquidity support from the central bank in order to sustain operations. The BoG had extended liquidity support to these institutions in excess of GH¢4.5 billion but the beneficiary banks were still unable to recover.

It became obvious that providing additional liquidity assistance was not the solution to banks that were already insolvent, and their continued operations posed risks to the entire financial system. Indeed, Act 930 prescribes prompt resolution of banks that are determined to be insolvent.

In accordance with the Banks and Specialised Deposit-Taking Institutions Act of 2016 (Act 930), therefore, BoG revoked the licences of the first two banks, UT Bank and Capital Bank. The Bank of Ghana then appointed receivers, and approved Purchase and Assumption transactions to strong and indigenous bank, Ghana Commercial Bank (GCB).

NUMBER CRUNCH

GH¢4.5bn

The BoG had extended liquidity support to these institutions in excess of GH¢4.5 billion but the beneficiary banks were still unable to recover.

Thereafter, the government issued a bond to support GCB to pay for the deposits of the failed banks they had assumed. After a period of another year, five more banks had their licences revoked.

This time, instead of a P&A transaction with a commercial bank, the BoG licensed a new bank, the Consolidated Bank, Ghana. This approach helped to protect billions of Ghana cedis in deposits as well as 6,489 jobs that had been at risk.

By the end of the deadline for recapitalisation, two more banks had their licences revoked for failure to meet the new capital requirement.

To ensure a better understanding of the underlying issues, Bank of Ghana commissioned investigations into the factors that drove the banking sector to the precipice of a near collapse.

The investigation report revealed several malpractices, such as poor licensing practices, insufficient/non-existence capital, weak governance and accountability, lending to related parties, poor risk management and creative accounting practices leading to misreporting, among other things. These findings provided clarity to BoG on the needed regulatory and supervisory reforms to strengthen the banking system.

Over the last four years, BoG has judiciously exercised its regulatory and supervisory authority mandated by the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) and Non-Bank Financial Institutions Act, 2008 (Act 774) in revoking the licenses of four-hundred and twenty (420) financial institutions across all the different tiers of the financial sector.

Table 1: Summary of Institutions whose Licences were Revoked

No.	Category of Institution	Number of Licences Revoked
1	Banks	9
2	Savings and Loans Companies (S&Ls)	15
3	Finance Houses (FHs)	8
4	Microfinance Institutions (MFIs)	347
5	Microcredit Institutions	39
6	Leasing Company	1
7	Remittance Company	1
	Total	420

Table 2: Total Government Intervention on Behalf of Depositor Liabilities (GH¢ billion)

Financial Institutions	2017	2018	2019	2020	Total
Banks	2.20	8.05	1.40		11.65
S&Ls, FHs, and MFIs			0.925	6.85	7.76
Total	2.20	8.05	2.33	6.85	19.43

Table 3: List of Receivers and their assigned Institutions

No.	Name of Receiver	Institutions under Receivership
1	Mr. Vish Ashiagbor and Mr. Eric Nana Nipah	UT Bank Limited and Capital Bank Limited
2.	Mr. Eric Nana Nipah	Fifteen (15) savings and loans companies, eight (8) finance houses and three-hundred and forty-seven (347) microfinance institutions
3.	Mr. Vish Ashiagbor	Premium Bank Limited and Heritage Bank Limited
4.	Mr. Nii Amanor Dodoo	uniBank Ghana Limited, The Royal Bank Limited, Beige Bank Limited, Sovereign Bank Limited, and Construction Bank Limited

Table 4: Liquidation of Non-Bank Financial Institutions

Name of Liquidator	Institutions under Liquidation
Registrar of Companies (Registrar-General's Department)	Thirty-nine (39) microcredit institutions Ghana Leasing Company Express Fund International Ltd.

These painful but necessary decisions were aimed at ensuring an orderly exit of insolvent institutions to protect depositors' funds as well as the safety and soundness of the financial sector.

Following these decisions, the banking sector became better capitalised and more efficient with adequate capital buffers to strengthen financial intermediation in support of economic growth and to contain adverse external developments.

Other reforms embarked on to further strengthen the financial system included the issuance of the Corporate Governance as well as the Fit and Proper Person Directives to guarantee that shareholders, directors and key management personnel of banks and SDIs were of the right calibre and had integrity to exercise control over these institutions, primarily in the interest of depositors and stability of the entire financial system.

A new Capital Requirement Directive under the Basel II/III framework for regulating banks was introduced in June 2018, to ensure that banks set aside adequate capital to cover unexpected losses and become more resilient to shocks.

Also, a Cyber and Information Security Directive was issued, which among other things, required all financial institutions to maintain minimum standards in managing cyber risks. To support the industry, the bank commissioned a cyber-security operation centre to deal with this evolving risk.

The current financial condition of the banking industry has justified the actions taken by the Bank of Ghana.

The financial stability indicators show that the industry is well capitalised and solvency has improved remarkably, liquidity has been enhanced, profitability has improved significantly, corporate governance and risk management practices are more effective, and depositor confidence has rebounded. The continued stability of the banking sector in 2020 and 2021, even within the COVID-19 pandemic environment, attests to the timeliness and importance of the clean-up process.

Unfinished business – Challenges of the Receivership Process

As part of the clean-up process, section 123(2) of Act 930 required BoG to appoint a Receiver after the revocation of the license of a bank or SDI.

The Act further clarifies the characteristics of the Receiver under section 124(1) to be either a person who holds office in the private sector or an official of the BoG and shall be the sole legal representative of the defunct bank or SDI and shall succeed the rights and powers of the shareholders, directors and key management personnel.

The Receivers appointed by the Bank of Ghana for the defunct institutions are empowered by Act 930 to maximise the proceeds from the sale of assets and take any action necessary for the efficient liquidation of the failed institutions.

Among others, the Receivers have the power to:

- hire specialists, experts, or professional consultants,
- administer the account of the bank or specialised deposit-taking institutions,
- collect debts due to the bank or specialised deposit-taking institution and the recovery of goods owed,
- initiate or defend the bank or specialised deposit-taking institution in any legal proceedings,
- execute any relevant instrument in the name of the bank,
- maximise the proceeds from the sale of assets,
- take any action necessary for the efficient liquidation of the bank or specialised deposit-taking institution.

Since 2017, the Receivership processes has proceeded steadily, with responsibilities to validate the financial position of the defunct banks, preserve assets, realise assets/ recoveries, settle creditors and engage stakeholders. Broadly, the Receivership process had three phases, namely:

Phase 1 – Preservation of assets and validation of the financial positions.

Phase 2 – Realisation of the assets (including loan recoveries), administration of creditor claims and payment of interim dividends as appropriate.

Phase 3 – Resolution of matters in litigation, payment of dividends as appropriate, complete administrative and statutory duties.

Phases 1 has been completed for all the institutions, Phase 2 of the process is ongoing, and the Receivers

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Consolidating gains, laying foundation for digital financial services

• Continued from page ss02

reason, a three-tier merchant account framework with corresponding risk-based on-boarding requirements has been introduced by the bank to accommodate businesses of different sizes. This policy promotes inclusive participation of diverse business and aligns with the government's digital transformation agenda.

Similarly, in 2020 the bank introduced the Guidelines for Inward remittances by payment service providers. These Guidelines provide a framework for payment service providers to partner Money Transfer Organisation to deliver inward remittance services to beneficiaries. The introduction of these guidelines has further enhanced the acceptance and recognition of digital payment channels such as mobile money for the termination of inward remittance and other basic financial services.

Establishment of Supportive Institutional Structures

In furtherance of its commitment to drive the cash-lite, electronic payments, and digitisation agenda, the Bank of Ghana established a FinTech and Innovation Office that is responsible for licensing and supervision of dedicated electronic money issuers (mobile money operators), payment service providers, closed loop payment products, payment support solutions and other emerging forms of payment delivered by non-bank entities.

In line with the commitment to promote Fintechs, the bank has established a regulatory and innovation sandbox as an effective tool to complement existing regulatory reforms. The sandbox will permit payment service providers as well as other regulated institutions to test innovations within a controlled environment under the regulation of the bank. In so doing, the sandbox will further deepen the bank's understanding of emerging technologies and support evidence-based approaches to regulation which will advance the goals of financial inclusion, financial stability and consumer protection as well as grant innovators the opportunity to come under the regulatory ambit of the bank.

FinTechs are permitted to provide digital savings, credit and investment product in partnership with banks and SDIs, and digital pension and insurance products with the respective licensed entities. These products are paving the way for persons at the bottom of the pyramid to access diverse and affordable financial services. With regard to credit products, the digital footprints of prospective clients are used to assess credit worthiness, thereby eliminating the requirements for collateral which had been a major constraint to credit access among low income earners.

Within the past five years, digital financial technologies in the form of mobile money and other savings products have mobilised deposits from the unbanked and underserved for banks.

On account of this, mobile money float account balances with banks increased from GH¢648.77 million in May 2016 to GH¢7.82 billion in May 2021.

As at the end of April 2021, the total number of registered mobile money accounts holders stood at 42.1 million as compared to 34.9 million in April 2020. Similarly, total volumes and values of mobile money transactions as at April 2021 stood at 323 million and GH¢83.8 billion as compared to 182 million and GH¢32.8 billion in April 2020 respectively.

On account of this, mobile money float account balances with banks increased from GH¢648.77 million in May 2016 to GH¢7.82 billion in May 2021.

Mobile money interoperability volumes also increased from 2.3 million in April 2020 to 8.5 million in April 2021, while the value grew from GH¢186 million to GH¢1.37 billion.

Deposits backing electronic money have become a growing and important source of loanable funds for the banking industry. On the flip side, the unbanked and underserved are now able to access digital credit for small businesses and also cater for other pressing needs. Also, digital investments, pension and insurance products have made it possible for low income earners to save for future financial needs. The effects of these developments on the economic and social wellbeing of the Ghanaian are enormous.

The mobile money business model relies extensively on a network of agents and the opportunity has created several jobs for people within urban and rural areas of the country. Besides this, the mobile money companies also employ people with diverse skills, including finance and accounting, marketing, engineering and software developers. In addition, most of the Fintechs that are not mobile money operators are wholly owned Ghanaian entities, providing jobs for Ghanaians while delivering home-grown solutions to the financial inclusion challenges of the country.

Hitherto, these services would largely have been procured outside Ghana with foreign currency implications.

The bank has also adopted digital supervisory tools, popularly called Supervisory Technology (SupTech), to enhance its supervisory efforts and provide valuable information for evidence-based financial inclusion policy. SupTech, deployed by the bank, feeds on granular data and has afforded the bank information on gender and MSME gaps in financial inclusion; issues which are currently being addressed with the appropriate policy interventions.

With the pace of digitalisation accelerating, the bank deems it opportune to expand its role in the digital ecosystem beyond issuance of policies and regulations.

The commitment to explore the issuance of a Central Bank Digital Currency on a pilot basis reiterates the bank's quest to provide the public with options to hold digital currency as an alternative to cash, mobile money wallets, and equally make payments and transfers in real time.

This will, inadvertently, strengthen financial inclusion efforts of the bank, enhance market contestability and efficiency, and ensure fast settlement of retail transactions.

Conclusion

The Bank of Ghana still upholds its commitment to support digitisation and innovation. However, the pace of innovation is a clarion call to all relevant stakeholders and other state actors to be agile and responsive to new ideas, while remaining resolute in safeguarding the interest of consumers and the payment and financial services sector.