



Financial Services

SECTOR



INTRODUCTION

In Ghana, the financial services industry is dominated by the banking sector, though insurance, pension and capital market have emerged in recent times as a result of past financial sector reforms. The implementation of the Financial Sector Strategic Plan (FINSSP) in 2003 promoted the evolution of various financial sector institutions which emerged to meet the varied financial needs of the population. Consistent with the Government's vision, the project has an underlying theme of establishing an enabling environment supported by effective regulations, with an objective that all savers and investors will have the benefit of regulatory oversight. The operating financial intermediaries include both foreign and local major banks, Rural and Community Banks (RCBs), Savings and Loans Companies (SLCs) and other finance and leasing companies.

The number of institutions existing in the various categories as at the end of December 2017 is as follows:

Organization	Number
Banks (Including 4 Rep. offices)	31
Rural and Community Banks	141
Non-Bank Financial Institutions	62
Forex Bureaux	431
Insurance Companies	49
Re-insurance Companies	3
Insurance Brokers	81
GSE Listed Companies including GAX	40
GSE Licensed Stockbrokers	21
Remittance Companies	2

THE BANKING INDUSTRY

The banking industry as at December 2017 comprised of 34 Deposit Money Banks (DMBs), 62 Non-Bank Financial Institutions (NBFIs), 141 Rural and Community Banks (RCBs) and 431 Forex Bureaux. The number of DMBs' branches increased from 1,341 in 2016 to at the end of December 2017.

In fulfilment of the Bank's directive on recapitalisation, all the existing 34 banks have met the minimum paid-up capital requirement of GH¢60 million and GH¢120 million for existing and new banks respectively as at end of December 2017. To enhance the robustness and efficiency of the banking industry, the minimum capital requirement for DMBs has been revised upward to GH¢400 million for all institutions in 2017. All banks are expected to meet the new minimum paid – up by end of December 2018. The minimum paid up capital for NBFIs was also revised to GH¢15 million in December 2013 for new entrants. The minimum paid up capital requirements for rural and community banks was also reviewed upward in December 2013 to GH¢300,000

and further to GH¢1,000,000.00 in December 2015 for new entrants. Existing rural and community banks are expected to raise their paid – up capital to conform to the new capital requirement by December 2017.

DEVELOPMENTS IN BANKS' BALANCE SHEET

Total assets of the banking sector grew by 15.28 percent to GH¢93.63 billion as at end December 2017 compared with 28.14 percent recorded in December 2016, reflecting a 15.94 percent increase in domestic assets to GH¢85.72 billion and a 8.52 percent surge in foreign assets to GH¢7.90 billion (see Table 1). Net loans and advances grew by 1.63 percent to GH¢31.46 billion as at end December 2017, compared with a growth of 14.50 percent in December 2016. Banks' investment portfolio (bills and securities) also increased, in year-on-year terms, by 30.25 percent to reach GH¢28.57 billion by the end of December 2017 compared with a 53 percent growth at the end of December 2016 (see Table 1).

The banking sector total deposits liabilities as at end December 2017 was GH¢58.21 billion and showed an annual growth of some 12.67 percent compared with 25.24 percent growth in December 2016. Banks' borrowings recorded a decline in growth from 43.40 percent in December 2016 to 24.14 percent in December 2017. The increase in banks' borrowings was driven mainly by the sharp growth in banks' domestic borrowings (see Table 1). Banks shareholders' funds also showed an annual growth of 14.50 percent to GH¢12.30 billion by the end of December 2017, compared with 15.22 percent growth in December 2016 (see Table 1).

Table 1: Key Developments in Banks' Balance Sheet

<i>Key Devts in DMBs' Balance Sheet</i>	<i>Amounts In Million Ghana Cedis</i>			<i>Y-on-Y Growth</i>		<i>% shares</i>
	<i>Dec-15</i>	<i>Dec-16</i>	<i>Dec-17</i>	<i>Dec-16</i>	<i>Dec-17</i>	<i>Dec-17</i>
TOTAL ASSETS	63,381.97	81,220.12	93,627.41	28.14	15.28	100.00
A. Foreign Assets	5,311.19	7,283.38	7,904.16	37.13	8.52	8.44
B. Domestic Assets	58,070.79	73,936.74	85,723.25	27.32	15.94	91.56
Investments	14,337.10	21,936.03	28,571.92	53.00	30.25	30.52
i. Bills	11,356.99	17,141.98	16,380.52	50.94	(4.44)	17.50
ii. Securities	2,569.85	4,377.39	11,768.18	70.34	168.84	12.57
Advances (Net)	27,039.26	30,960.35	31,463.91	14.50	1.63	33.61
of which Foreign Currency	8,796.64	8,817.97	8,634.79	0.24	(2.08)	9.22
Gross Advances	30,102.39	35,409.01	37,829.52	17.63	6.84	40.40
Other Assets	3,067.97	3,136.95	4,976.78	2.25	58.65	5.32
Fixed Assets	2,152.05	2,955.03	4,165.39	37.31	40.96	4.45
Total Liabilities and Capital	63,381.97	81,220.12	93,627.41	28.14	15.28	100.00
Total Deposits	41,252.30	51,664.36	58,209.34	25.24	12.67	62.17
of which Foreign Currency	12,016.14	13,584.06	14,718.14	13.05	8.35	15.72
Total Borrowing	9,509.32	13,636.79	16,929.32	43.40	24.14	18.08
Foreign Liabilities	4,220.67	4,320.87	4,590.42	2.37	6.24	4.90
i. Short-term borrowings	2,237.65	2,152.57	2,408.95	(3.80)	11.91	2.57
ii. Long-term borrowings	1,715.21	1,752.77	1,791.29	2.19	2.20	1.91
iii. Deposits of non-residents	267.81	415.54	390.18	55.16	(6.10)	0.42
Domestic Liabilities	49,844.95	66,164.78	76,739.09	32.74	15.98	81.96
i. Short-term borrowing	4,884.61	8,355.82	11,401.07	71.06	36.44	12.18
ii. Long-term Borrowings	671.85	1,375.62	1,328.01	104.75	(3.46)	1.42
iii. Domestic Deposits	40,984.48	51,248.82	57,819.16	25.04	12.82	61.75
iv. Other Liabilities	3,411.46	5,112.53	6,212.71	49.86	21.52	6.64
Shareholders' Funds	9,316.35	10,734.47	12,297.90	15.22	14.56	13.13
O/W Paid-up capital	3,201.21	3,734.08	4,579.10	16.65	22.63	4.89
Other amounts allowed as capital	107.48	34.56	26.50	(67.84)	(23.34)	0.03

DEVELOPMENTS IN THE BALANCE SHEET OF NBFIS AND MFIS

Total assets of NBFIs in December 2017 was GH¢ 12.16 billion, compared with GH¢ 9.10 billion in December 2016, and represented a growth of 33.68 percent. Net loans and advances grew by 25.46 percent, from GH¢4.25 billion in December 2016 to GH¢5.33 billion in December 2017. The total borrowing of NBFIs also increased by 34.32 percent in December 2017 and this was on account of a 33.18 percent increase in domestic borrowing from GH¢1.83 billion to GH¢2.43 billion and a 41.62 percent increase in foreign borrowing from GH¢286.70 million in December 2016 to GH¢406.04 million in December 2017. Refer to Table 2 below.

Table 2: Key Developments in NBFIs' Balance Sheet

<i>Key Devts in NBFIs' Balance Sheet</i>	Amounts In Million Ghana		Y-on-Y Growth	% shares
	Dec-16	Dec-17	Dec-17	Dec-17
ASSETS				
Cash and Short term funds (Total)	1,014.26	1,400.25	38.06	11.52
Loans and Credits (net)	4,245.76	5,326.68	25.46	43.80
Short-term investments -Bills	2,383.76	3,338.82	40.07	27.46
Long-term investments -Securities other than shares	15.52	13.72	(11.58)	0.11
Shares and other Equity (Net)	2.98	13.85	364.93	0.11
Other Assets	887.16	1,223.14	37.87	10.06
Property, Plant & Equipment (Net)	546.81	843.65	54.29	6.94
Total Assets	9,096.25	12,160.10	33.68	100.00
Total Shareholders' Funds and Liabilities	9,560.54	12,160.10	27.19	100.00
Total Borrowings	2,114.34	2,839.99	34.32	23.36
FOREIGN LIABILITIES	286.70	406.04	41.62	3.34
Foreign Borrowings	286.70	406.04	41.62	3.34
(a) Short-term borrowings	-	28.43	-	0.23
(b) Long-term borrowings	283.36	377.61	33.26	3.11
DOMESTIC LIABILITIES	7,812.21	10,124.29	29.60	83.26
Domestic Borrowing	1,827.63	2,433.95	33.18	20.02
a. Short-term borrowing	1,429.95	2,023.95	41.54	16.64
b. Long-term Borrowings	397.68	410.00	3.10	3.37
Total Deposits	5,460.22	6,972.94	27.70	57.34
Deferred Income (in lease finance etc)	29.81	23.65	(20.66)	0.19
Other Liabilities	413.90	596.11	44.02	4.90
Subordinated liabilities due after five years	27.11	40.89	50.84	0.34
Loan Capital from Shareholders	53.53	56.75	6.00	0.47
Total Liabilities	8,098.92	10,530.33	30.02	86.60
SHAREHOLDER'S FUNDS	966.01	1,439.78	49.04	11.84
a. Paid-up capital	856.21	1,233.49	44.06	10.14
b. Reserves	109.80	206.30	87.87	1.70
Other amounts allowed as capital	31.32	189.99	506.57	1.56

DEVELOPMENTS IN THE INSURANCE SECTOR

Competition in the insurance sector deepened with the entry of new institutions, increase in the minimum capital requirement from GH¢1million to GH¢15million, and the introduction of innovative insurance products such as bancassurance, microinsurance and the enforcement of the compulsory insurance of commercial buildings. Despite these recent developments, insurance penetration is still below its 2 percent targeted benchmark. However, insurance penetration increased from 1.17 percent in December 2015 to 1.29 percent in June 2017. The non-life insurance sector continues to dominate the insurance sector in terms of gross premium income. However, the life insurance sector continues to register relatively higher growth largely due to growth in life savings products, bancassurance and the separation of life and non-life companies. The asset base and the capital position of the insurance industry have improved. The industry's asset base which stood at GH¢3.67 billion in 2016 grew by 10.08 percent to reach GH¢4.04 billion in June 2017. Out of the GH¢4.04 billion, long-term insurers' asset accounted for 61% (GH¢2.48 billion) while short-term insurers' asset constituted 39 percent

(GH¢ 1.56 billion). Fixed deposits continue to account for the greater share of the investments portfolio mix of both life and non-life insurers. The growth in the insurance sector is expected to provide economic agents with much needed financial security against adverse events.

COLLATERAL REGISTRY

Following the enactment of the Borrowers and Lenders Act 773 (2008) the Bank of Ghana has established a Collateral Registry to register charges and collaterals created by borrowers to secure credit facilities provided by lenders. Besides registrations, the Registry also provides information on the existence of relationships between lenders and borrowers.

The number of institutions which registered charges and collaterals increased from 177 in 2014 to 365 institutions in December 2017. Further, the volume of registered charges (collateralized loans) also increased from 25,216 in 2015 to 43,504 in 2016 and further to 57,503 in 2017.

SECURITIES MARKET

The number of listed Companies on the Ghana Stock Exchange (GSE) increased marginally from 39 in December 2015 to 41 in December 2016 and marginally declined to 40 in December 2017. Similarly, the number of stockbrokers also rose from 18 to 21 over the same period. Companies also improved their performances in end December 2017 as both composite and financial stock indices of companies increased compared to December 2016. Composite index saw a positive return of 52.73% in end December 2017 compared to a negative return of 15.33% in end December 2016. This growth can be attributed to the recovery of credit extended to energy sector by banks as banks are the main anchor of growth of GSE composite index. There was also a lower year-to-date change in the financial stock index from a negative rate of 13.98% in December 2015 to a further negative rate of 19.93% in December 2016. It then improved to 49.51% in end December 2017.

Total market capitalization of the GSE as at December 2014 stood at GH ¢64.35 billion. It declined marginally to GH¢ 57.12 billion in December 2015 and further to GH¢ 52.69 billion in December 2016 but increased to GH¢ 58.8 billion in end December 2017. The total volume of stock traded increased from 10.1 million in December 2014 to 56.03 million in December 2015 and further to 129.05 million in December 2016 but decreased to 7.01 million in end December 2017.

The financial sector's contributed significantly to the overall performance of the stock exchange. In 2016, the financial sector contributed 25.60 percent, 25.87 percent and 65.17 percent of the total volume traded, total value traded and total number of transactions

respectively. The sector's stocks also stood at GH¢9.04 billion, equivalent to 17.16 percent of the total market capitalization in that same year. Comparatively, in December 2017, the sector contributed 55.5 percent, 53.6 percent and 62.9 percent of the total volume traded, total value traded and total number of transactions respectively. The sector's stocks also stood at GH¢13.7billion, equivalent to 40.25 percent of the total market capitalization.

INVESTMENT OPPORTUNITIES

There is a high demand for various financial services in Ghana, as evidenced by the consistent high growth of companies in the sector. The relatively underdeveloped financial services sector in neighbouring countries is an opportunity for financial service firms in Ghana to supply needed services in those countries.

- **Credit Reference Bureaux**

Investment opportunities also exist for financial institutions to acquire licenses for the operation of credit reference bureaux in the country. The Credit Report Act, which became law in June 2007 (Act 726), provides a legal and regulatory framework for credit reporting in Ghana to the banks.

The availability of credit information is generally accepted to be crucial for the development and maintenance of an effective financial sector. Borrowers tend to have a natural incentive not to reveal negative information about themselves. The lack of a credit information system therefore increases the risks of lending, and causes financial institutions to provide less credit. A credit reporting system in Ghana provides timely, accurate, and up-to-date information on the debt profile and repayment history of borrowers.

As at December 2016, the number of licensed credit bureaus numbered three (3), namely; XDS Data Limited, Hudson Price Data Solutions and Dun & Bradstreet Credit Bureau Limited. These credit bureaus use data validation tools and credit reports to assess the credit worthiness and risk profiles of potential borrowers. There has been a growing interest by financial institutions in the credit bureaus and this is reflected in the steady increase in the number of searches by financial institutions from 948, 360 in 2014 to 2,060,049 in 2017 representing an increase of 117.22 percent.

- **DISCOVERY OF OIL**

Ghana's discovery and exploration of oil in commercial quantities estimated at 3 billion barrels has provided enormous opportunities for the banking and financial sector to develop appropriate products to support the industry.

The total volume of crude oil exported in 2017 was 57.02 million barrels compared with 27.3 million barrels in 2014. The year 2017 was also marked by significant increases in world crude oil prices from US\$54.9 per barrel in Dec 2016 per barrel to US\$63.71 per barrel in Dec 2017.

General investment opportunities exist for the following range of companies:

- Universal banks
- Development banks
- Insurance companies
- Reinsurance companies
- Mortgage finance institutions
- Leasing companies
- Venture capital companies
- Hire purchase companies
- Export finance companies
- Investment banks
- Mutual funds
- Investment trusts
- Savings and loans companies
- Specialized finance houses

INVESTMENT INCENTIVES

Incentives to the sector may apply under the following provisions:

- There is custom duty exemption for agricultural and industrial plant, machinery and equipment imported for investment purposes.
- Listed companies enjoy corporate tax of 25% and newly listed companies enjoy 25% corporate tax for the first three years.
- There is location Incentives (tax rebate) for manufacturing industries located in the regional capitals.

The Ghana Investment Promotion Centre Act 865, 2013, also provides for automatic incentives and benefits. Please consult our website, www.gipcghana.com for further information.

INVESTMENT GUARANTEES

Ghana is a safe investment destination. Guarantees against expropriation of private investments provided under law are buttressed by the Ghanaian Constitution. Some investment guarantees are detailed below:

- i. Free transferability of capital, profits and dividends.
- ii. Insurance against non-commercial risks – Ghana is a signatory to the World Bank's Multilateral Investment Guarantee Agency (MIGA) Convention.
- iii. Double Taxation Agreements (DTAs) – to rationalize tax obligations of investors in order to prevent double taxation. DTAs have been signed and ratified with several countries.

POTENTIAL SOURCES OF FUNDING

Viable companies and projects can easily attract financing both on the local and international financial markets. The main sources of funding are:

- 34 Banks
- 62 non-bank financial institutions
- 141 rural and community banks
- The Ghana Stock Exchange – many issues of shares on the GSE have been oversubscribed in the last five years, hence the availability of funds for investment purposes.
- Ghana Venture Capital Fund
- International development finance institutions based in Ghana, such as the International Finance Corporation (IFC) and the African Development Bank (AfDB).

A number of foreign financial institutions also provide off-shore financing directly to companies in Ghana.

GHANA'S COMPETITIVE ADVANTAGE

The industry's competitive advantages include:

- Availability of skilled professionals in the financial sector.
- Improved academic and training institutions e.g. University of Ghana Business School, Ghana Institute of Management and Public Administration (GIMPA), National Banking College, Chartered Institute of Bankers (Ghana), Institute of Chartered Accountants, Ghana Insurance College, Ashesi University College. The Ghana Stock Exchange also provides training.
- Increasing deployment of ICT infrastructure to enhance competitiveness and efficiency of operations.

- A relatively developed Legal and Regulatory Environment compared to neighboring West African countries.
- New financial instruments have been introduced e.g. asset-backed securities, dollar-denominated bonds and inflation-indexed bonds.
- Improved regulation and supervision of financial institutions, e.g. revamping of the National Insurance Commission, establishment of Securities and Exchange Commission.
- Introduction of off-shore banking has opened new channels in business and options in the sector.

In addition, Ghana offers the following unique blend of advantages to potential investors:

The other factors that make Ghana a favourable place for investors in Africa and among developing countries in general, include the following:

1. Stable Political Environment

Ghana is a politically stable country. This has been recognized by the world's famous leaders including US President Barack Obama and his predecessors and former UK Prime Minister Gordon Brown and his predecessors who have all commended Ghana for the political stability in the country over the years.

2. Macro-economic Policies

The Government of Ghana has initiated a number of sound macroeconomic policies designed to accelerate the process of growth and transformation of the economy under competitive conditions. In the face of high crude oil prices and the ongoing global recovery phase after the credit crunch, Ghana's economy is still relatively stable. Management and access to foreign exchange in Ghana continues to get better.

3. Foreign Ownership

In the on-going privatization program, hundred per cent (100%) foreign ownership is permitted.

4. Access to ECOWAS Market

Ghana is easily accessible to the markets of all the member states of the Economic Community of West Africa (ECOWAS) with its population of approximately 300 million people.

5. Good Physical Infrastructure

Ghana possesses well developed seaports, airports and road networks capable of meeting the needs of businesses in the 21st century. There is an effort to upgrade the rail network to make it easy to get to the ports from inland. Telecommunication facilities in Ghana are excellent with more private service providers offering telephone, internet and other telecommunication services. Basic utilities such as water and electricity are readily available at relatively affordable rates.

6. Excellent Labour Force

There is a large human resource base of both skilled and unskilled labour which can be sourced at relatively low rates. The minimum wage in Ghana is GH¢7.00 Ghana Cedis (approximately US\$1.82) per day as of November, 2015

7. Access to International Markets

Ghana has easy access to the USA and European Union Markets. The flight time to almost all European Union countries is about 6 hours and 9 hours to the USA.

8. Availability of Fund Sources

Ghana has a large number of fast developing financial institutions available to raise long-term capital at competitive rates. These institutions include banks, insurance and venture capital companies and a stock exchange market (Ghana Stock Exchange).

9. High Safety Standard

There are high standards of health and safety measures in the country.

10. Warm and Friendly People

Ghana is internationally acclaimed for her hospitality to her investors and foreigners as a whole.

11. High Quality of Life

The quality of life of Ghanaians is fairly high.

12. Availability of Land

Ghana has a wide expanse of land that can be acquired with little difficulty through appropriate agencies and owners.

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