



**THE 7<sup>TH</sup> NATIONAL RURAL BANKING WEEK CELEBRATION**

**THEME:**

**“THE ROLE OF RURAL & COMMUNITY BANKS (RCBS) IN FINANCIAL INCLUSION”**

**ADDRESS BY**

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**Hon. Ken Ofori-Atta, Minister for Finance,  
Mr. Chairman,  
Nananom,  
Hon. Western Regional Minister,  
Hon. Ministers of State,  
National President, Association of Rural Banks,  
The Chairman, ARB Apex Bank Ltd,  
Directors and Chief Executive Officers of Rural/Community Banks,  
Distinguished Guests, Ladies and Gentlemen,**

**1.** Thank you for the invitation as the Special Guest on the occasion of the 7<sup>th</sup> National Rural Banking Week Celebrations. This occasion presents the Bank of Ghana a unique opportunity to interact with industry players and share our vision for the financial sector. This year's chosen theme, that is, **"The Role of Rural and Community Banks (RCBs) in Financial Inclusion"** captures the very core of the rural banking concept, that is, providing financial services to the deprived, under-served and the un-served segments in the various communities. This is what financial inclusion is all about and this important occasion provides a great platform for the Bank of Ghana to share its policy perspectives on how rural banks can reposition themselves to effectively deliver this mandate.



- 2.** Mr. Chairman, RCBs have been part of Ghana’s financial system for more than four decades, and were licensed by the Bank of Ghana to undertake financial intermediation, facilitate payment system transactions, and promote savings and investment culture in the rural areas. The primary objective was to make institutional credit and other financial services easily available to the local communities and under relatively less intimidating conditions than the traditional banks.
- 3.** In essence, individuals – particularly low-income households, the vulnerable and less privileged – can have access to affordable financial services and products to ease transactions, payments, savings and credit needs to ensure financial inclusion. Today, financial inclusion has progressed from a simple strategy for poverty alleviation to a key policy tool for achieving sustainable growth. Increasing access to financial services, such as savings accounts, loans, payment services, insurance, and pensions for households and firms is now critical to national development and contribute significantly to economic growth, poverty alleviation, and job creation.



4. Mr. Chairman, despite the importance of financial inclusion for national development, about 40% of Ghanaians lack access to formal financial services. According to the Global Financial Index Report 2017 published by the World Bank, access to formal financial services in Ghana grew from 40.5% in 2014 to 57.7% in 2017. Regrettably, Ghana lags behind many of its peers, such as South Africa (85%), Kenya (75%), Rwanda (68%), and Lesotho (61%). These trends suggest that despite the strides that Ghana has attained especially in mobile money account ownership which has more than quadrupled in less than a decade, there is more scope for improvement.

5. In this regard, RCBs have a crucial role to play in supporting the Government to achieve the objectives of the National Financial Inclusion Strategy with a target of an increase from current 57.7% access to formal financial services to 75% by 2023. **As the national strategy focuses on increasing formal financial inclusion, implementing partners such as the RCBs must leverage technology to reach the under-banked and the un-banked in the local communities.** Technology and financial innovation provide opportunities for widening access to financial services by



creating opportunities for branchless banking and real time access to bank accounts and financial services.

**6.** Mr. Chairman, many rural dwellers have mobile phones which opens up a whole new possibility for the under-served and un-banked to access mobile money accounts and other digital financial services. To deepen financial inclusion further, RCBs must use their unique positions in the rural communities to introduce digital financial services to reach the un-banked via mobile technology. Access to affordable finance will also enable the rural poor and vulnerable to undertake economic activities and take advantage of growth opportunities for economic empowerment. RCBs should therefore invest in the appropriate IT infrastructure (or where possible partner with FINTECHS) to enable them reach out to the un-banked within their catchment areas to deepen financial inclusion.

**7.** Ladies and gentlemen, this celebration is taking place at a time when the Bank of Ghana has announced the completion of reforms in the banking and SDI sector; and a time when a lot of gains have been made in price and financial stability; and confidence is being restored. The banking and SDI sector is



currently strong and better positioned to withstand external shocks compared to the situation at the beginning of 2017. The remaining institutions are better capitalized, liquid, profitable, and more efficient and have adequate capital buffers to enable it manage any adverse external developments.

- 8.** Recent data suggests that broadly, the RCB sector is stable and significant progress has been made to improve financial performance. As at end of July 2019, one hundred and fourteen (114) RCBs had met the paid-up capital of GH¢1,000,000.00 million, thirteen (13) RCBs recorded varied paid-up capital ranging from GH¢500,000.00 to GH¢1,000,000.00; while seventeen (17) RCBs showed paid-up capital below GH¢500,000.00. In addition, the average Capital Adequacy Ratio of RCBs as at end July, 2019 was 13.9%, above the 10% threshold. Also, one hundred and thirty RCBs (or 90.3% of the total number of RCBs) had complied with the minimum primary reserve requirement of 8.0% with average primary reserves of 18.2%. Non-performing Loans (NPLs) of RCBs improved marginally over the review period to 11.87% from 12.5% at end July 2018.



**9.** Mr. Chairman, despite the good performance of RCBs, the Bank of Ghana is aware of the challenges facing the sector and their unique role in the rural communities. It is for this reason that the Bank of Ghana decided not to include the rural and community bank segment of the financial sector in the reform process that began in 2017 because of its criticality to the financial inclusion agenda of the government. However, you will also agree with me that the rural banks that wish to deploy resources towards the financial inclusion drive must be strong, liquid and well-capitalised. It is unfortunate that our assessment over the years is almost reflective of what happened in the banking and SDIs sectors. A number of RCBs are faced with serious regulatory and supervisory concerns such as, low capital adequacy ratios, regulatory violations, weak lending and risk management practices and weak corporate governance systems which have rendered them distressed.

**10.** In this regard and as noted earlier of their critical role in financial inclusion agenda, the Bank of Ghana is working together with the Ministry of Finance and the Apex Bank to implement a reform plan to that is seeking to address the



current challenges facing the rural and community banks. The Bank of Ghana is also working closely with the Association of Rural Banks to tighten supervision and regulatory compliance including meeting the minimum capital requirement to address the non-performing loans. In this regard, the Bank of Ghana has extended the deadline for meeting the minimum paid-up capital to February 28, 2020. I entreat all RCBs to put measures in place to comply with this directive to build stronger and more resilient RCBs.

**11.** The receivership is currently ongoing for the MFIs and Savings and Loans and finance houses whose licenses were withdrawn. After the initial slow start due to poor records and documentation, we can confirm that validation has increased significantly and quite a large number of depositors have started receiving their money. More recently the government took a decision to increase the cap on pay-outs from GHC10,000 to GHC20,000, which will cater for about 98 percent of depositors being made whole. That said, we are aware that a number of large institutional depositors (including financial institutions, especially rural banks) have their funds beyond GHC20,000 locked up. I would want to announce that





an understanding has been reached among the MOF, BoG and the receiver to find a way to unlock these funds. Discussions on modalities are ongoing, and once concluded, will be announced very soon.

**12.** Mr. Chairman, the Bank of Ghana will continue to tighten regulation, ensure stricter supervision and enforcement of prudential and statutory requirements to safeguard financial stability and protect depositors. The implementation of these would ensure that RCBs remain strong, and are able to deliver effective financial intermediation leading to financial inclusiveness, social transformation and poverty alleviation in the rural communities.

**13.** To conclude, Mr. Chairman, Distinguished Guests, Ladies and Gentlemen, developing an inclusive financial system to provide equal opportunities to all in accessing financial services at affordable costs should provide the needed boost for accelerated growth along with a reduction in income inequality and poverty. RCBs, as implementing partners in deepening financial inclusion, need to be innovative and develop products and services that meet the needs of the un-banked and under-



served within their catchment areas. RCBs must also work to improve overall corporate governance performance and operational efficiency. These, I believe, will allow more people to access the formal financial services sector which can unlock the economic potential of the rural areas.

Thank you for your attention.

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