



The Role of Financial Inclusion in a COVID-19 Pandemic

**A Speech by the First Deputy Governor, Dr.
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Conference**

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His Excellency, the Vice President,
The Honourable Minister of Communication,
Distinguished Guests,
Ladies and Gentlemen.

1. Introduction

It is a pleasure to address the 2021 Mobile Technology for Development conference under the theme “**The Role of Financial Inclusion in a COVID-19 Pandemic**”. I would like to thank the Telecommunications Chamber and the Financial Inclusion Forum for their commitment to sustaining this event, and also the invitation to the Bank of Ghana to be part of this important event. This year's event is taking place at an unprecedented time in recent global history, and provides an opportunity for stocking of our digitization efforts as well as retooling strategies for effectiveness.

In March 2020, the maiden MT4D was held and the Governor's speech on “**The Role of Regulators in Advancing Financial Inclusion and Innovation**” was read at a physical

event. Barely a month after the programme, COVID-19 evolved from an epidemic to a pandemic, scourging every country in the world, Ghana inclusive.

2. COVID 19 Policies

To prevent the spread of the virus, Ghana went into lockdown in March 2020 with restrictions on movement of persons, shut down of businesses not considered essential, and schools. These measures necessitated financial sector policy responses to sustain economic activity and livelihood by enabling remote payments and banking transactions as well as supporting vulnerable sectors of the society.

The raft of policies implemented by the Bank were as follows:

- The primary reserve requirement for banks was reduced from 10 percent to 8 percent to provide more liquidity to banks to support critical sectors of the economy. Effectively, targeted reserves for small and medium enterprises under the Enterprise Credit Scheme was extended to all critical sectors;

- Capital Conservation Buffer (CCB) for banks of 3 percent was reduced to 1.5 percent. This was to enable banks provide the needed financial support for the economy; and
- Provisioning for Loans in the “Other Loans Especially Mentioned” (OLEM) category was reduced from 10 percent to 5 percent for all banks and Specialised Deposit-Taking Institutions (SDIs) as a policy response to loans that may experience difficulty in repayments due to slowdown in economic activity.

Besides the above measures aimed at enhancing liquidity of banks, the following measures were also implemented to facilitate efficient and digital forms of payments.

- Mobile money funds transfers of up to GH¢100, excluding cash-out, was made fee free;
- All mobile phone subscribers were permitted to use their pre-existing mobile phone registration details to be onboarded for Minimum KYC Account;
- Daily mobile money transactions limits and maximum account balances were revised to enable users carry out more remote transactions; and

- Aggregate monthly transaction limits saw the most dramatic revision as transaction limits were abolished for Medium KYC and Enhanced KYC accounts. The only account type with limit imposed is the Minimum KYC.

3. Impact of COVID-19 Policies

A review of mobile money transactional data following implementation of the Bank's COVID-19 financial sector policies indicated significant uptake of digital financial services. It was noted that inactive customers activated their wallets while existing users increased usage of wallets. For instance, activation of dormant wallets increased from an average of 71,984 per week before the measures to 84,025 per week significantly, the simplified onboarding requirements which leveraged GSM registration data contributed to new KYC accounts of 208,120. Also, average wallet balances increased by about 27% during the intervening period. Furthermore, the number of active merchants recorded a growth of 14 percent, and reflected the growing digital payment acceptance by merchants. It was however noted that although interoperability transactions increased during the lockdown, it was not

remarkable compared with on-network peer to peer transactions. This development was attributed to price sensitivity in mobile money transactions.

4. New Interventions

Ladies and Gentlemen, COVID-19 pandemic has tested the effectiveness and resilience of Ghana's financial inclusion efforts. In general, the strategies and the specific COVID-19 interventions have proven to be effective. Notwithstanding, the crisis has exposed some gaps in policies and underscored the need to revise strategies to improve their usefulness. In response, the Bank has implemented a number of policies to accelerate digital financial inclusion in order to reduce the impact of COVID-19 on individuals, businesses and governments. Among the measures implemented by the Bank are:

- **Tiered Licence Categories**

The Bank in July 2020 published a Licence Application Pack under Notice Number BG/GOV/SEC/07 which provides for various licence categories for payment service providers.

With this licensing framework, the Bank aims to promote an inclusive environment for competitive offering of innovative digital financial services targeting diverse customer groups in the Ghanaian society. This is expected to boost competition and promote financial inclusion through wide offering of digital financial services.

- **Merchant Account Categorisation**

An important policy intervention that has been made by the Bank to accelerate financial inclusion is the publication of Merchant Account Categories. In spite of the 14% increase in active merchants, it was observed that the requirements for onboarding merchants was steep, onerous and unfriendly to small and medium enterprises, which constitute about 90% of businesses in the country. This situation limits the feasible use cases of digital payment instruments for paying for goods and services. Also, businesses of merchants in the SME category suffered on account of their inability to meet the requirements for establishing merchant accounts. As a consequence, a three tiered merchant account framework was published by the Bank for a more inclusive digital payment acceptance.

- **GhQR**

Further to that, you may recall that the Ghana Interbank Payments and Settlement Systems (GhIPSS) introduced the first national QR Code payment solution on the continent amidst the pandemic, and shortly after the maiden MT4D conference. With a goal of simplifying merchant payment and reducing the use of cash, this unified solution has been made available to banks and payment service providers in Ghana. With the introduction of the new merchant account categories, we look forward to seeing merchants of all sizes, even small food vendors, accepting payments through GhQR.

- **Crowdfund Policy**

Ladies and Gentlemen, while new business models are being explored to promote financial inclusion, the Bank is also facilitating modernization of indigenous financial services such as “susu” with digital tools. It is for this reason that the Bank issued the Crowdfunding Policy. The policy is expected to encourage clubs, associations, market women and farmers to work with entities approved and licensed by the Bank of Ghana to provide refined susu services for our people

without the need for much physical contact and with strong controls to guarantee safety of resources of participant.

Ladies and Gentlemen, though Covid-19 presented its challenges to us as a country and to our economy, it also became a potent catalyst for digitization.

Let us continue to work together as stakeholders to advance financial inclusion by exploring innovative digital financial services solutions that keep us safe and create economic growth opportunities to improve livelihoods.

Thank you.