



# **BANK OF GHANA**

## **40<sup>TH</sup> ANNIVERSARY CELEBRATION OF AKUAPEM RURAL BANK LIMITED**

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**SPEECH**

**BY**

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**SATURDAY, 28<sup>TH</sup> AUGUST 2021**

**MAMFE AKUAPEM, EASTERN REGION**

**Mr. Chairman, Nana Osabarima Ansah Sasraku III, Mamfehene,  
The Special Guest of Honour, Hon. Yaw Osafo Maafo, Senior  
Presidential Advisor,  
Otobou Gyan Kwasi, Aburihene and Adontenhene of Akuapem  
Traditional Area,  
Former Deputy Governor of Bank of Ghana, Mr. Emmanuel Asiedu-  
Mante,  
The Board of Directors of Akuapem Rural Bank Limited,  
The Acting Managing Director of ARB Apex Bank Limited,  
The President and the Executives of the Association of Rural Banks,  
Traditional Rulers,  
The Clergy,  
Distinguished Guests,  
Ladies and Gentlemen.**

- 1.** I bring warm greetings from the Bank of Ghana. It is an honour to join you today at the 40<sup>th</sup> Anniversary celebration of the Akuapem Rural Bank, which marks a significant milestone in the life of the bank. Forty years of rural banking is remarkable and I applaud the promoters, past management teams, and the current directors of the bank for this achievement. On occasions such as this, it is appropriate for stakeholders to take stock of the journey so far, examine present circumstances, especially amidst the present global health pandemic, and, most importantly, plan for the future.

- 2.** Mr. Chairman, rural and community banks continue to be drivers for financial inclusion and socio-economic development in Ghana. Going down memory lane, rural and community banking was conceptualised at a time when access to bank credit for farmers and traders, especially in rural areas, was inadequate. It was envisaged as a unique business model where rural banks thrived based on community empowerment, community ownership and community participation in governance. With this background, the first rural bank was established in Agona-Nyakrom, a farming community in the Central Region in 1976, and a year later, a second rural bank was established in Biriwa, a fishing community also in the Central Region.
- 3.** After these two rural banks, several others were licensed, including the Akuapem Rural Bank in 1981, which was the third for the Eastern Region. With the increasing number of rural and community banks, an Association of Rural Banks (ARB) was formed by the then 30 existing rural banks to support RCBs in building capacity in areas such as risk management, credit analysis, and delivering financial literacy programs to the rural communities. Subsequently, the Bank of Ghana issued comprehensive guidelines for the establishment of rural banks and introduced the Akafofo Cheque operations in cocoa growing areas in 1982. In 2000, the ARB Apex Bank was established as an umbrella body of RCBs, with 9 branch offices across the country. Thus, the Bank of Ghana regulates RCBs through the ARB Apex Bank.

- 4.** Mr. Chairman, in 2017, the Bank of Ghana embarked on a clean-up exercise of the financial sector, having identified the prevalence of system risks across several institutions, including some RCBs. These included severely impaired capital, low asset quality, liquidity crises, and poor governance structures, which threatened depositors' funds and undermined efforts aimed at promoting financial inclusion. After the initial clean-up of the banking sector, the Bank collaborated with the ARB Apex Bank to reposition RCBs to better realign with the founding objectives of fostering rural economic development. Given the unique nature and expected role of RCBs in the financial sector, the Bank has rolled out some initiatives, including an ongoing review of the Apex Bank model as well as the regulatory and supervisory frameworks to restructure the rural banking concept in Ghana.
- 5.** To address lingering corporate governance and risk management weaknesses in the rural banking sector, the Bank published the Corporate Governance Directive and Risk Management Guideline for rural and community banks. The Corporate Governance Directive establishes sound corporate governance principles and best practices within the rural banking sector. Among others, it is expected to promote governance systems that will create the environment for individual institutions to undertake their licensed business sustainably, serve the best interest of depositors and other stakeholders and enhance overall corporate performance, accountability, and public trust. There is also the Risk Management Guidelines that seek to provide a comprehensive risk management framework that will enable rural and community banks to

fashion an appropriate culture of risk management in their respective institutions.

- 6.** Mr. Chairman, the Bank of Ghana has made several improvements to the surveillance and supervision regime, with a positive impact on the rural banking sector's performance. These were propelled by deploying several tools available to the Bank of Ghana including regular on-site examinations, improved quarterly performance reviews, management visits, follow-ups and improvement in the approvals and authorisation regime, among others.
- 7.** Another major initiative introduced is the Online Regulatory Analytics Surveillance Systems (ORASS). This was introduced to help streamline data collection, maintain dynamic corporate profiles on regulated financial institutions, and move licensing and related authorisation onto an electronic platform without the need to physically visit the premises, thereby easing the supervisory and regulatory burden on financial institutions. An important requirement for successful integration with ORASS, especially in the submitting of prudential returns, is the requirement to use application programming interface (API) to perform machine-to-machine data transfer.
- 8.** To this end, reporting institutions must reconfigure their banking software and databases to capture new data points and implement API processes for direct data transfer from banking software to the ORASS. The main goal of introducing the API is to reduce, as far as possible, human

interference in data processing and transfer, which is best done by automated computer processes. The ARB Apex Bank is implementing the API submission of returns for rural and community banks operating on the T24 platform and a Technical Team from the Bank of Ghana continues to provide the needed support to facilitate this process.

- 9.** Mr. Chairman, let me use this opportunity to reiterate the Bank's commitment to innovation and technology. In May 2020, the Bank established the Fintech and Innovation Office to drive the cash-lite, e-payments and digitisation agenda with the mandate to develop policies to promote Fintech, Innovation and Interoperability in the country. Subsequently, the Bank, in February 2021, launched a regulatory and innovation sandbox pilot to provide a framework for stakeholders and other innovators to conduct live experiments in a controlled environment under the supervision of Bank of Ghana.
- 10.** Central banks around the globe are exploring the introduction of digital currencies and Ghana is among the leading African countries to enter the pilot phase. The E-Cedi, which is the first general-purpose Central Bank Digital Currency in Africa, will complement and serve as a digital alternative to physical cash, in line with the Government's 'Digital Ghana Agenda'. The E-Cedi will be tested in trial phases with banks, payment providers, merchants, consumers and other stakeholders for a nationwide rollout as it will present an opportunity to build a robust, inclusive, competitive and sustainable financial sector. We expect that all rural and

community banks will collaborate with ARB Apex Bank to leverage the opportunities available with digitisation within the payment ecosystem.

**11.** As we seek to improve the regulatory and operational prospects of rural and community banks, Mr. Chairman, we must admit that a lot of progress has been made within the sector. From 30 rural banks in the 1980's, we now have 145 of such institutions with a branch network of about 851. The increased number of rural banks has been accompanied by increased customer reach, technology deployment, as well as improved delivery of financial services within the local communities. As at the end of June 30, 2021, the overall profitability of the rural banking sector was positive, and the sector recorded an annual growth of 27.4 percent in total assets, which amounted to GH¢6.5 billion. Advances, deposits and investments also increased by 23.6, 31.2 and 50.1 percent, respectively. The sector's non-performing loans ratio declined to 11.5 percent from 12.3 percent a year earlier, signalling an improvement in asset quality. It is our expectation that all rural and community banks will fully comply with the minimum capitalisation requirement of GH¢1million by the end of 2021 and maintain the increased capital unimpaired.

**12.** Finally, Ladies and Gentlemen, developing a vibrant financial sector that is capable of harnessing financial resources available for growth and development requires the commitment of all key stakeholders. The Bank will continue to pursue policies and programmes aimed at improving the operational environment to build customer confidence and ensure the stability and soundness of the financial sector. Let me once again

congratulate the Board and Management of Akuapem Rural Bank on this 40<sup>th</sup> anniversary celebration and encourage you to keep the bank stable and strong to meet the financial needs of the Akuapem community.

Thank you very much.

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