



21ST ANNUAL NATIONAL RCB CEOs CONFERENCE

'POSITIONING RURAL BANKING AT THE CENTRE OF FINANCIAL SERVICES DELIVERY IN GHANA - THE ROLE OF STAKEHOLDERS'

REMARKS BY

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VOLTA SERENE HOTEL, HO

**Mrs. Comfort Owusu, Executive Director, National Association of Rural Banks, Ghana, and
Chairperson for this occasion**

**Board Chairman, Board Members, and other Officials of the Board of ARB Apex Bank
Executives of the Association of Rural Banks, Ghana**

Chief Executive Officers and Managing Directors of Rural and Community Banks (RCBs)

Officials of the Ministry of Trade and Industry

Officials of RDF Ghana, sponsors of this Conference

Officials of the Ghana Deposit Protection Corporation

**Mr. Yaw Spong, Head of the Other Financial Institutions Supervision Department of the Bank of
Ghana and his team**

Mr. Victor Akakpo, Bank of Ghana Regional Manager for Hohoe, and his team

Invited Guests, Distinguished Guests, Ladies, and Gentlemen

1. Good morning to you all. I am honoured to address you today as Guest of Honour for this 21st Annual National CEOs' Conference.
2. I bring you warm greetings from Governor Ernest Addison and the Management team of the Bank of Ghana. Engagements with the rural banking community over the decades have been of significant importance to the Bank of Ghana, given the critical role the industry plays as a driver for rural and community economic empowerment, financial inclusion, and inclusive economic growth and development.
3. Over the years, the RCB CEOs' Conference has provided a unique forum for collaboration, knowledge sharing, and brainstorming to promote the interests of the rural and community banking industry as well as to strengthen standards of practice in the RCB community.
4. This year, this conference is taking place at a crucial era in the global economy as well as in our domestic economy, with the fallout from the COVID-19 pandemic and the recent Russia-Ukraine war. Against the backdrop of a slowdown in global economic growth and accommodative fiscal and monetary policies, we have seen high rates of inflation, high interest rates, and tighter financing conditions all around the world. For our domestic economy, RCB customers have been some of the hardest hit by the pandemic and its aftermath. This has implications for credit risk and overall financial performance of the industry.
5. The role of the RCB industry in our economy has been significant, providing critical financial services to the MSME sector, the informal sector, and low-income households. Indeed, the RCB sector currently comprising 147 RCBs, remain one of the key pillars of financial inclusion in Ghana with some 8 million depositors and over 6 million loan customers. The sector encompasses a network of about 900 branches across the country including in some of the remotest parts of Ghana where no other financial service providers can be found.
6. RCB business models continue to evolve from the initial business models pioneered in 1976 when the first RCB licences were issued by the Bank of Ghana, and are increasingly gradually embracing automation, and strong governance and risk management.
7. There is however more room for improvement for the RCB sector to be strategically positioned to play a more significant role in their catchment areas and in Ghana's sustainable economic transformation. The theme for this Conference "*Positioning Rural Banking at the Centre of Financial Services Delivery in Ghana – The Role of Stakeholders*" could therefore not have been more apt.

8. To reposition the RCB sector, it is important to take stock of its performance over the last almost five decades of its existence, to assess what has worked and what has not worked well. The sector has several strengths such as the strong participation of communities and local stakeholders in the ownership and governance of RCBs which provides strong local support and goodwill for their businesses. Some of these RCBs have operated in their communities for decades and have become key players in shaping the destinies of these communities, providing a source of financing for generations of families of businesses.
9. It is also important to situate the strengths of the RCB sector within the rapid changes taking place in the financial services industry all around the world and here in Ghana. For a start, technology is fast disrupting traditional business models for delivering finance all around the world and is redefining financial services as we knew them. Digital financial services are now the future, and are creating opportunities to reach existing customers and the previously unbanked in cost-effective ways. This also means that universal banks are now able to reach communities and people with their services much easier and cheaper than they previously could, and thereby competing with the RCB sector on your own turf.
10. At this rate, any financial institution that has not already adopted and implemented a digital transformation strategy is already behind the curve. The RCB sector therefore cannot afford to wait much longer before it begins to leverage emerging technologies to modernise their business models to meet the fast-changing needs of their customers and to remain relevant to the segment of the economy that was traditionally served by the sector.
11. It is noteworthy that under the ongoing Financial Sector Development Project, the Ministry of Finance and Bank of Ghana have agreed among other things to support the upgrade of the ARB Apex Bank's e-banking platform and the modernisation of the Management Information Systems of RCBs to help make their operations more efficient and to reach more customers with their services. I appeal to all RCBs to cooperate with the ARB Apex Bank in its roll-out of this new infrastructure for the benefit of your customers.
12. Digitalisation comes along with its own complexities and risks, including cyber security risks, third and fourth party/outsourcing risk, data privacy breaches, technology failure risk, increased AML/CFT risks, and consumer protection risk among others. Needless to say, a lot is required by way of strong governance and risk management systems to help mitigate these risks, as financial institutions seek to exploit the benefits of digitalisation.
13. RCBs will therefore need to augment their capital base as needed in order to deploy more sophisticated systems and structures in line with the Bank of Ghana's 2018 Cyber and Information Security Directive. The Directive provides for the adoption of minimum technical, governance, data protection protocols, and transaction monitoring and fraud detection and mitigation tools, to help mitigate key risks from digitisation.
14. A second key area the RCB sector needs to look closely at in its quest to reposition itself, is governance. Several RCBs are yet to fully comply with the Bank of Ghana's 2021 Corporate Governance Directive for Rural and Community Banks. The Directive seeks to promote higher standards of corporate governance and risk management to help strengthen the safety, soundness, and resilience of RCBs and ultimately the safety of their depositors' funds and our financial system.
15. Good corporate governance is a shared responsibility for all key stakeholders. Shareholders of RCBs are required to contribute adequate capital to fund their banks' operations, and must appoint directors who meet the Bank of Ghana's Fit and Proper test and can effectively steer the affairs of their banks.

16. RCB Boards of Directors must take their oversight responsibilities under the law very seriously. Let me remind you that membership of a Board of an RCB, or other entity for that matter, is not for personal prestige. It carries a significant burden of personal and collective responsibilities and liabilities. Among other things, Board members must put in place strategic plans that are well executed by management with appropriate risk management, transparency, and accountability. The Bank of Ghana finds it worrying that it continues to receive many petitions from whistle-blowers alleging serious acts of impropriety involving directors and senior management of RCBs. We expect that these would be a thing of the past as RCB fully comply with the Corporate Governance Directive.
17. Staff members are expected to ensure high levels of utmost good faith in the discharge of their duties. The Bank of Ghana's 2021 Fraud Report for the banking sector revealed that the RCB sector recorded the highest level of employee involvement (46.04%) in fraud cases, due to poor internal controls among other things. Staff found culpable are blacklisted by the Bank of Ghana from working in the banking industry. We expect that RCBs will continue to strengthen their internal controls and promote high standards of legal and ethical behaviour by staff.
18. A third key area that I believe the RCB sector must take seriously as it works towards repositioning, is the adoption of sustainable banking practices. In November 2019, the Bank of Ghana launched Ghana's Sustainable Banking Principles, in collaboration with the Ghana Association of Bankers and the Environmental Protection Agency after years of research, study tours, and technical work with the support of the International Finance Cooperation. Universal banks are already implementing these principles that require them to manage Environmental, Social, and Governance (ESG) risks in their operations.
19. Among other things, RCBs must use their lending power to promote cleaner and more environmentally sustainable ways of doing business in their various communities, and promote social inclusion through lending to women, youth, and other marginalised groups, so that no one is left behind. They must also reflect ESG principles in their internal policies to reduce their own carbon footprint, and to promote more gender diversity in their leadership. Permit me here to say that I am quite dissatisfied to hear from Madam Chairperson for this occasion that there are currently only 10 female CEOs among the 147 CEOs representing the sector. Where are all the women? Gender equity in leadership will have immense benefits for the sector and for your customers. It is not only a good thing to do; it is also good for business, and so this is clearly one area in which we need to see some change.
20. Madam Chair, distinguished ladies and gentlemen, recent global developments have heightened economic and business uncertainties for businesses and individuals. Our domestic economy is not spared from these developments. The Bank of Ghana is working closely with the Ministry of Finance and other key stakeholders to negotiate a sound economic reform programme supported by the IMF, to stabilise and transform our economy.
21. We at the Bank of Ghana are confident about the outlook for our economy. The current high inflation and cedi depreciation are temporary, and we must avoid speculative behaviour that only works against attaining stability sooner.
22. The potential of the RCB sector to scale up its operations and impact is significant. Among other things, digitisation, stronger governance and risk management, and sustainable banking practices will be key to help reposition the sector as a major player in Ghana's economic transformation going forward.

23. Developing a vibrant rural banking sub-sector capable of harnessing available resources for development requires the commitment of all stakeholders. The Bank of Ghana will continue to pursue policies and regulatory approaches to help improve the operational environment of the rural banking ecosystem which should in turn help to promote the resilience of the sector.

24. Let me once again thank RCBs, the ARB Apex Bank, and all stakeholders for your enormous sacrifices and contributions to Ghana's economic development over the decades. I challenge you all to do more to reposition rural banking at the centre of financial services delivery for inclusive and sustainable growth and development.

25. I wish you successful deliberations at this conference and thank you for your attention.

Thank you.

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