



## **LAUNCH OF ABSA SME LOAN AT 10%**

### **REMARKS**

**BY**

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The Board of Directors, Managing Director, and Staff of Absa Bank Ghana Limited

Country Director and staff of Mastercard Foundation

The Presidents, Council Executives, and members of the Association of Ghana Industries, Ghana Union of Traders' Associations, and other trade associations

Representatives of banks and other financial institutions

Cherished Customers of the Absa Ghana Limited

Invited Guests

Distinguished Ladies and Gentlemen

Good Morning

- 1.** I am extremely delighted to be here to witness the launch of the "ABSA SME loan at 10%" proposition by Absa Ghana Limited and Mastercard Foundation. I bring you warm greetings from Governor Ernest Addison and the entire management team of the Bank of Ghana.
- 2.** As I understand it, this is an initiative under which Absa Bank Ghana and its strategic partners will build the capacity of 5,000 Ghanaian small and medium-sized enterprises (SMEs) to help make them investor-ready by the year 2025. In addition, these SMEs will be supported over the next few years with loans – up to Gh¢ 1 million with no collateral and between Gh¢1 million and 11 million with collateral – all at a fixed interest rate of 10 percent.
- 3.** The launch of the "ABSA SME loan at 10%" proposition at this juncture is very timely, and for many reasons. First of all, all around the world, recent macroeconomic challenges post pandemic and with the onset of the war in Ukraine have impacted SMEs the most given the fact that they tend to be the most vulnerable when crises hit. In our domestic economy, this is no different. Secondly, with high interest rates around the world including in Ghana as inflation soared over the last year, SMEs have found it even more challenging to access loans at all or at interest rates they can afford. Thirdly, this initiative's focus on women-led SMEs and youth-led (18-35 year of age) SMEs, and businesses in the agribusiness, Fintech, and microfinance sectors, at a time when these businesses are in dire need of financing to lead our macroeconomic recovery efforts, is commendable.



- 4.** There is no gainsaying that SMEs are the bedrock of our economy, accounting for over 92 percent of all businesses many of which are owned by women and young entrepreneurs, and contributing about 70 percent of Ghana’s GDP. Despite the important role played by SMEs in the country, access to finance for our SMEs remains a perennial challenge. The finance gap impedes a critical segment of our private segment from surviving, growing, and playing a more meaningful role in our socio-economic development.
- 5.** The “ABSA SME loan at 10%” initiative is therefore revolutionary, as it is designed to address the SME finance gap in many ways including by (i) by scaling up the volume of loans to SMEs; (ii) pricing these loans at an unbelievable 10 percent; (iii) requiring no collateral for loans of up to Gh¢ 1 million; and (iv) supporting such borrowers with much-needed capacity building and business supporting services.
- 6.** Indeed, this is a ground-breaking, bold, and laudable initiative and I congratulate Absa Bank Ghana and its Board and management team for throwing this lifeline to Ghanaian SMEs. I also commend and congratulate Mastercard Foundation for making this initiative possible through financial support. Indeed, given the current lending rates on the market starting from the base rate or Ghana Reference Rate of 26.45 percent as of May 2023 even without adding the risk premia and fees that banks typically add on to arrive at their Annual Percentage Rates for borrowers, offering SMEs loans at 10 percent comes at a deep subsidy which I understand is made possible thanks to the benevolence of Mastercard Foundation.
- 7.** While thanking Mastercard Foundation for this feat, let me challenge them to do even more by deepening their partnership with Absa Bank to ensure that even more SMEs benefit from this initiative beyond the 5,000 expected at this juncture. I also expect that even lower interest rates will be offered to SMEs with time especially as inflation continues on a downward path as we have seen consistently over the last four months including with the just-released inflation reading for April 2023 at 41.2 percent down from 45 percent in March 2023. We expect to see interest rates on the market trend downwards, and therefore it is conceivable that with the help of Mastercard Foundation this initiative could offer loans below 10 percent in the not so distant future.
- 8.** I encourage SMEs to take advantage of this opportunity provided by this partnership between Absa Bank Ghana Limited and the MasterCard Foundation and to make the most of this to scale up and build more sustainable and resilient businesses. With this lifeline, SMEs should aim to venture more into manufacturing to produce enough to help make our economy more self-sustaining and able to withstand external shocks that we contend with every now and again. Furthermore, SMEs should aim to produce for the African market and take advantage of the African Continental Free Trade



Agreement to serve the whole continent, aided by the Pan–African Payments and Settlement platform that ensures safe, efficient, and timely cross-border trade settlement.

- 9.** On its part, the Bank of Ghana remains committed to achieving its statutory objectives of ensuring price stability, promoting economic growth and the effective and efficient operation of the banking and credit systems in the country, and promoting financial stability. Indeed, our banking sector remains solvent and liquid even after the pandemic, in the face of recent macroeconomic challenges, and in particular the Government debt restructuring efforts. It is worth mentioning that the banking sector clean-up and recapitalisation efforts before the onset of the pandemic, provided the industry with the necessary capital and liquidity buffers to withstand the pandemic and the recent macroeconomic challenges. We expect banks over the next few years to take steps to rebuild strong buffers so that they remain resilient for the long-term.
- 10.** While regulating and supervising banks to promote their safety and soundness, the Bank of Ghana expects banks to be more inclusive in their product and service offerings to ensure that all economic actors in Ghana are able to access much-needed finance to grow their businesses and contribute to the growth of our economy. We expect banks to deploy the funding available to them into more lending to the private sector especially to SMEs, within the framework of robust credit underwriting and risk management. I do hope that this great initiative by Absa Bank Ghana is a catalyst that births more strategic partnerships between Mastercard Foundation and Ghana’s banking industry to support more SME lending to help build a more inclusive, sustainable, and resilient economy.
- 11.** In concluding, permit me to once again congratulate Absa Bank Ghana Limited and Mastercard Foundation on this monumental initiative, and I wish you and your clients great success on this new exciting journey.
- 12.** On that note I hereby declare the “ABSA SME LOAN at 10%” initiative duly launched.

Thank you for your attention.