

Mobile Financial Services in Ghana

Presented by: Clarence Blay(Bank of Ghana)

Sub-regional Workshop on Mobile Money in West Africa, 14th to 16th March 2016, Freetown Sierra Leone



Table of Content

- Overview of the Banking Industry
- Status of Mobile Money Operations
- Guidelines for E-Money Issuers
- Trends in Mobile Money Industry
- Mobile Money Financial Inclusion
- Country Experiences
- Agent Guidelines
- Conclusion and Way Forward
- Questions



1.1 Overview of the Banking Industry

Some indicators of the banking industry are provided below:

Table 1: Basic Data on Banks 2013 – 2015

| Item | 2013 | 2014 | 2015 | % Change |
|---------------------------|------------|------------|------------|----------|
| Number of Banks | 26 | 27 | 28 | 3.7 |
| Number of Account Holders | 7,925,035 | 9,874,958 | 12,888,701 | 30.5 |
| Number of Bank Branches | 892 | 988 | 1,173 | 18.7 |
| Total Population | 26,427,760 | 27,043,093 | 27,673,197 | 2.3 |
| Branch per capita | 29,628 | 27,372 | 23,592 | (13.8) |

Banks branch network increased by 18.72% from 988 in 2014 to 1,173 in 2015. However, these branches are concentrated in urban and peri-urban centres.

○ **2.1 Status of Mobile Money Operations**

Branchless Banking Guidelines(BBG) 2008.

BBG repealed in 2015 and replaced with Guidelines for E-Money Issuers on account of the following :

- Bank-led Model
- Many-to-Many Model
- Mandatory interoperability
- RFI Acquisition and Management of Agents
- Stakeholder Consultations
- Performance in the sub-sector was not impressive compared with peer countries such as Kenya and Tanzania.

- **Diagnostic study of the ecosystem indicated the following challenges:**
- Bulk versus Granular Transactions
- Risk of Free Riding
- MNOs Lack of Incentives to Invest.
- Investment and Returns from Agent Network

3.1 Guidelines for E-Money Issuers

- Guidelines for E-Money Issuers in Ghana (EMI Guidelines) and Agents Guidelines were published in July 2015
- To remedy challenges with BBG.
- Stakeholder consultations

The key highlights of the EMI Guidelines are as follows:

- Non-bank entity can apply for a licence to be a dedicated e-money issuers (DEMI)
- No mandatory many to many model or bank-led model
- DEMI are subjected to Bank of Ghana regulation and supervision
- No mandatory interoperability
- Expansion in permissible transactions
- Opportunity for DEMIs to retain a portion of interest on e-money float
- A complementary Agent Guidelines to provide guidance for recruiting and managing both bank and DEMI agents



4.1 Trends in Mobile Money Industry

Table 2: Mobile Money Service 2012-2015

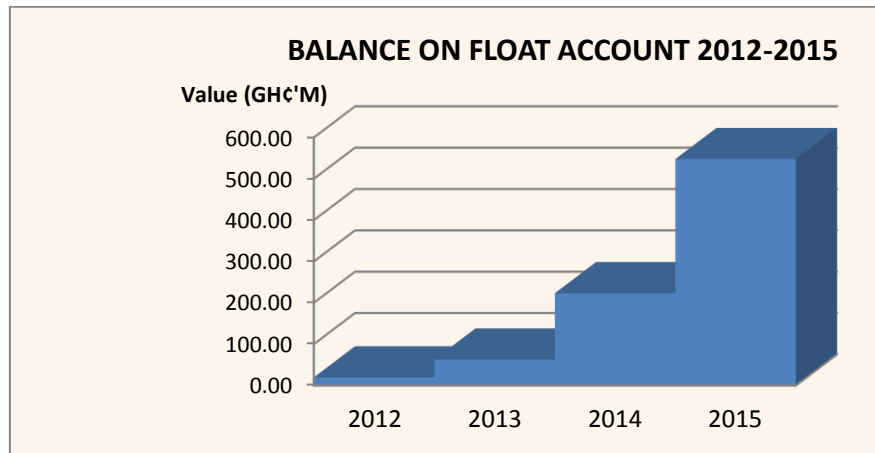
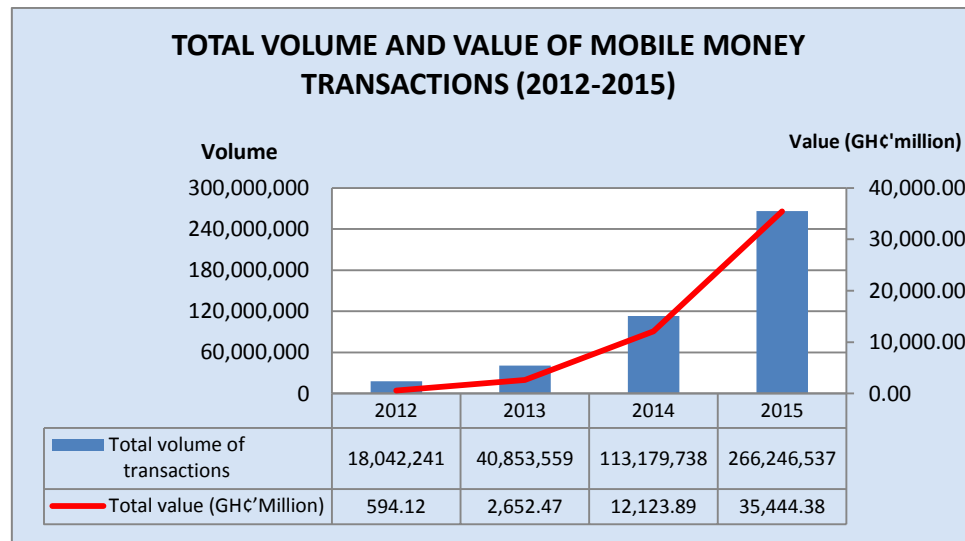
| Indicators | 2012 | 2013 | 2014 | 2015 | Annual Growth 2015 (%) | Annual Growth 2014 (%) |
|--|------------|------------|-------------|-------------|------------------------|------------------------|
| Total number of mobile phone subscribers (Cumulative) ¹ | 25,618,427 | 28,026,482 | 30,360,771 | 32,826,405* | 8.12 | 8.33 |
| Registered mobile money customers (Cumulative) | 3,778,374 | 4,393,721 | 7,167,542 | 13,120,367 | 83.05 | 63.13 |
| Active mobile money customers ² | 345,434 | 991,780 | 2,526,588 | 4,868,569 | 92.69 | 154.75 |
| Registered Agents (Cumulative) | 8,660 | 17,492 | 26,889 | 79,747 | 196.58 | 53.72 |
| Active Agents ³ | 5,900 | 10,404 | 20,722 | 56,270 | 171.55 | 99.17 |
| Total volume of mobile money transactions | 18,042,241 | 40,853,559 | 113,179,738 | 266,246,537 | 135.24 | 177.04 |
| Total value of mobile money transactions (GH¢'Million) | 594.12 | 2,652.47 | 12,123.89 | 35,444.38 | 192.35 | 357.08 |
| Balance on Float (GH¢'Million) | 19.59 | 62.82 | 223.33 | 547.96 | 145.36 | 255.51 |

¹ Source: National Communications Authority (NCA), *Figure was as at August 2015

² The number of customers who transacted at least once in the 90 days prior to reporting

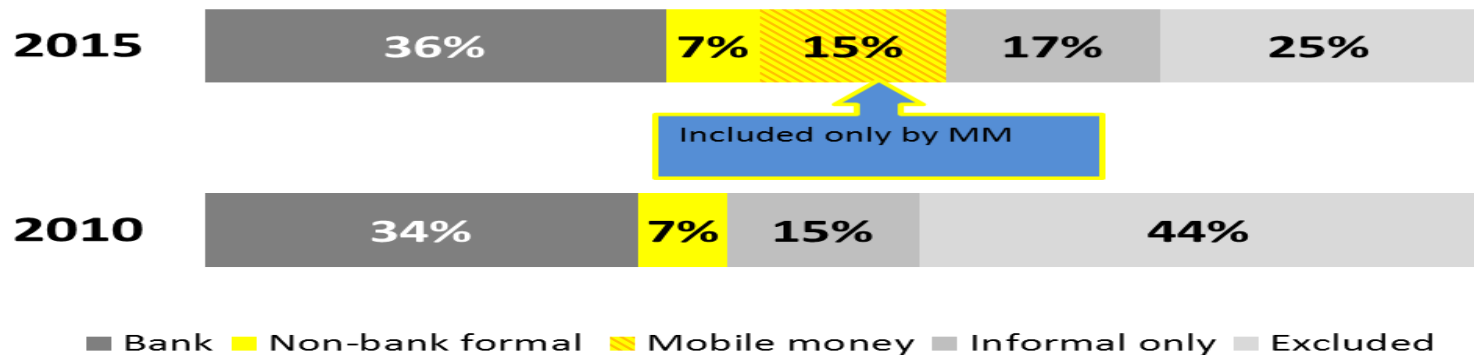
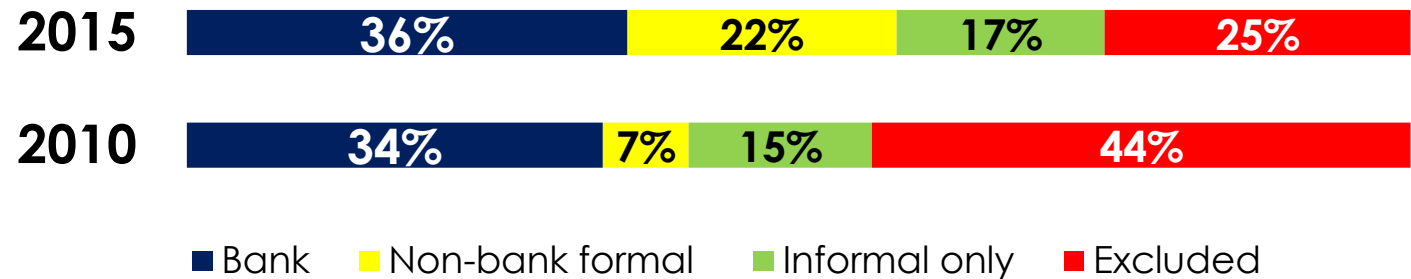
³ The number of agents who transacted at least once in the 30 days prior to reporting



Chart 1: Float Accounts Balance**Chart 2: Total Mobile Money Transactions**

5.1 Mobile Money Financial Inclusion

Mobile money financial service improved financial inclusion in Ghana and is evidenced by a survey conducted by the Consultative Group to Assist the Poor (CGAP). The main CGAP 2015 findings are as follows.



- **6.0 Country Experiences/Plans**

- **6.1 Lending and Credit**

- The EMI Guidelines does not allow DEMIs to provide credit products to their customers on their own account. Credit products can only be provided by DEMIs in partnership with duly licensed RFI.

- **6.2 Interest on Mobile Money Trust Account**

- Banks are required to pay interest on balances on e-money float accounts into a separate account held in the name of the float account. A DEMI cannot withdraw money from the interest account except for distribution of interest to eligible e-money holders. Interest accrued on e-money pooled account is distributed as follows:
 - 80% of the interests accrued on the pooled e-money float accounts net of any fees or charges related to the administration of the pooled float accounts is paid to e-money holders.
 - Any amount in excess of the minimum of 80% interest (i.e. 20% or lower) may be retained by the EMI.
 - Prior to distribution of interest, an EMI is required to submit a proposal for distribution of interest to the Bank of Ghana for approval.



6.3 Relationship with Telecommunications Regulator

- Bank of Ghana has cordial working relationship with the telecommunications regulator, National Communications Authority (NCA).
- The NCA worked closely with Bank of Ghana in drafting the Electronic Transactions Act 2008, Act 772, which paved the way for mobile network operators to provide mobile money services.
- The two regulators are working to formalize their interactions in the form of a memorandum of understanding to ensure effective supervision of the mobile money space. A workshop to consider a draft memorandum of understanding was held by the Bank of Ghana and the NCA on Thursday 18th February 2016.

6.4 Cooperation between Banks and Mobile Money Operators

- The EMI Guidelines has provided further opportunity for cooperation between banks and mobile money operators (MMOs). Besides banks holding float balances of MMOs, they have also partnered with MMOs to offer savings, investment, credit and inward remittance products to MMO clients.

6.5 Customer Protection and Empowerment

- The EMI Guidelines and the Agent Guidelines have provisions on consumer protection. MMOs have implemented programmes to educate the public on mobile money and how to identify fraudulent transactions.
- Bank of Ghana also designed a five (5) year financial literacy programme for implementation, commencing in 2016



- **7.0 Agent Guidelines**

- Agent Guidelines was published in July 2015 to provide guidance to EMIs and banks to recruit and manage agent networks. The Guidelines cover the following issues among others:
 - Agent eligibility and due diligence
 - Appointment of agents and master agents
 - Permissible activities
 - Customer due diligence and protection
 - Agent exclusivity
 - Termination of agency contract
 - Oversight, reporting and sanctions

- **7.1 Capital Requirements**

- An entity seeking Bank of Ghana's approval to issue e-money is required to have a minimum capital of GH¢5.0 million.

- **7.2 International Remittances**

- DEMIs were granted approval under the EMI Guidelines and other relevant laws, to partner with banks to offer inward remittance services. Customers of MMOs receive inward.
- Remittances on their mobile money wallets. Currently MTN and Fidelity Bank, and Airtel and Bank of Africa have been given approval to provide inward remittance services.



7.3 Savings and Investments

- DEEMs in partnership with banks offer savings, insurance and investments products to mobile money customers. An innovative mobile money investment product, namely;
- T- Bill 4 All; which enables mobile money customers to purchase treasury bills using their mobile phones was approved on 24th August 2015. The product is a collaboration between MTN Ghana, Ecobank Capital Ghana and Ecobank Ghana.

7.4 Opportunities and Challenges

- The following provide opportunities for mobile money growth in Ghana
- High and growing mobile phone penetration rate
- Enabling regulatory environment
- Increasing use of smart phones in Ghana
- Public acceptance of mobile money as a convenient means of payment

However, the following challenges remain:

- System downtime
- Complex user interface
- Insufficient liquidity at agent points
- Validation of customer registration ID
- Fraud



- **8.0 Conclusion and Way Forward**

- The mobile money sub-sector is set to experience high growth in the years ahead on account of favourable regulatory environment and pro-financial inclusion policies. Interoperability of mobile payments is one of the key priorities of Ghana. The overall objective is to reduce transaction costs, engender competition and promote all inclusive financial growth.



- **QUESTIONS?????**

- **THANK YOU**

