



PRESS RELEASE

Strengthening the Non-Banking Sector: A Shared Responsibility

On May 31, 2019, the Bank of Ghana (BoG) revoked the licenses of 347 insolvent microfinance companies. This action forms the second phase of the on-going reforms in sanitising the financial sector towards improving operational resilience and confidence in the system. It is expected that government's release of GHS900 million will enable the Receiver pay depositors after validation of claims.

As the representative voice of the business community, the Ghana National Chamber of Commerce & Industry (GNCCI) commends BoG for the steps taken in revoking the licenses of these insolvent companies and government's release of funds, given the imminent threat they pose to the stability of the financial system, depositor's funds, and small businesses. Nonetheless, the GNCCI is worried over the increasing number of failed and the collapsing of financial institutions by BoG. The disappearance of these businesses raises critical questions about operational resilience and our collective effort at building and supporting Ghanaian businesses to participate in the inclusive growth agenda with improved collective efficiency.

Microfinance companies provide unique financial services to small businesses who play significant role in the economic stability and development of our national economy. Extant literature supports the connection between microfinance institutions products and small businesses in emerging economies; underscoring the positive effects of microfinance products to small business growth, with micro loans being the dominant influence.

Per the BoG's assessment, majority of these companies veered off their mandate by acquiring funds from retail and institutional sources and lending them at exorbitant costs in addition to diverting much of the funds into private ventures. These companies were also faced with weak capitalisation and poor governance system making them vulnerable and unsustainable.

Following from these causes, the GNCCI urges BoG to strengthen its supervisory and regulatory mechanism in ensuring strict compliance by these companies to industry standards to avert future collapses. These companies are crucial in providing financial support and assistance to small businesses and individuals, who may have limited access to the traditional banks' products given the requirements.

The issuance of licenses must be supported with proper and robust enforcement mechanism as well as avenues to continuously build the capacity of these Specialised Deposit-taking Institutions (SDIs) to mitigate risks and improve operational resilience and compliance. There is need for a conscious and collective effort to support and

develop Ghanaian businesses to succeed. The GNCCI calls for better regulation in the financial sector that reflects the needs of the sector with more positive impacts and addresses critical issues such as regulatory lapses, weak enforcement and compliance.

It is our expectation that the remaining 137 microfinance companies and 31 microcredit companies will demonstrate good faith and constantly monitor and manage their risk exposures in building a healthy financial services system. The BoG's anticipation of little or no job losses is untenable and shrouds the concomitant issues surrounding the collapse of these companies. BoG must come clear on the data and needs to engage stakeholders in addressing any potential job losses associated with the on-going reforms.

While commending the process initiated for payment of verified claims at designated financial institutions, the GNCCI urges the Receiver and the BoG to take into account the proximity between these institutions and depositors, particularly those living in the rural and peri-urban areas to minimize additional cost in accessing depositor's funds. Government must continue to provide the right incentives on time to enable these institutions to deliver on their mandates.

The Chamber wishes to assure the private sector that it will continue engaging government, the Bank of Ghana and other relevant stakeholders to ensure a safe, sound, supportive, and stable banking sector and the larger financial sector. This will essentially help provide affordable credit to enable small businesses grow and create more sustainable jobs.

Let us all support the private sector by encouraging a healthy banking and financial transaction to protect the integrity of the financial sector.

Thank you.

Signed

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President, Ghana National Chamber of Commerce & Industry

Accra, 17th June, 2019.