2024 PwC Ghana Banking Survey Report

Customer experience (CX) in banking: speed, predictability and expertise still trump pleasantness and familiarity; how are banks responding for the future?

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CSP's message

The interactions that a customer has with any service-based institution is key and increasingly forms a focus area for how institutions design their strategy and build their operations. This is why the perception and experience of a customer when accessing and utilising banking services is important and could influence the customers decision on which institution to bank with. This year the main focus of our survey is on Customer Experience ("CX"). We obtained direct feedback from bank customers on their preferences and observations of their experiences with the services they access or seek to access from their banks.

The survey provides interesting insights on changing trends, demographic preferences, and the nuances that customers seek to make their banking experience memorable.

Highlights of our key findings from the CX Survey:

The key message that comes out of our CX survey is that speed, predictability, and expertise still trump pleasantness and familiarity for customers. So, the question is how are banks responding to this to future-proof their businesses?

Customers value quick in-branch service, with 64% emphasising short wait times as being key to having a delightful banking experience. Bank branches can be intimidating due to security measures and restrictions on mobile device use. 60% of surveyed customers aim to spend ten minutes or less in a branch for transactions.

Additionally, predictability is important for customers. About 38% consider it a prized factor. Predictability affects various aspects of a customer's experience, including savings from timely loan approvals and the impact of ATM failures. Glitchy mobile apps can frustrate users, despite a bank's advertising efforts.

Knowledgeable employees are key to good customer experience. Despite technological advancements, banking often involves face-to-face interactions, particularly at branches and contact centres. With most services digitalised, when most customers walk into a branch to seek assistance from bank staff, it is usually for issues or queries that they have not been able to resolve using other means. Well-informed staff provide better guidance, faster issue resolution, and provide clarity in the brand promise for better expectations management.

Bank customers also consider availability, ease of access, responsiveness and promptitude desirable for excellent CX. Customers expect that, despite the strict regulation in the industry, they should have the freedom to access their banks anytime without having to jump through multiple hoops. Among common social media channels, WhatsApp stands out as customers' preferred interaction platform. Approximately 42% of bank customers chose WhatsApp for everyday communication and social media. WhatsApp's prominence over the past 15 years has made it one of the top three social network platforms, offering innovative functionalities that could allow banks to engage with customers seamlessly and execute transactions effectively.

Conclusion

As means to growth, banks should focus on the attributes that the survey has identified to set themselves apart in a competitive market. It is our expectation that banks use this information to tailor their strategy across the various touch points in a customer's journey.

As PwC we continue to provide insights drawn not only from our experiences in the Ghanaian market, but globally. Our Financial Services professionals are available to assist you in your journey of developing solutions that address your customers' needs.

As always, we would not have been able to do this without the assistance of the participating banks and other stakeholders who not only shared their financial information, but also assisted in getting their customers respond to our survey and granted us interviews to discuss our initial survey findings.

To the Ghana Association of Banks, we are grateful for your assistance and participation in this year's survey. I hope the report enriches the future of the experience of Ghanaian Banking customers and that the feedback received by banks is also used to enhance their services to their customers. For now, read on and digest this year's survey.

Vish Ashiagbor
Country Senior Partner

Message from Ghana Association of Banks

Recovery Post DDEP

The Ghanaian banking sector has recently undergone significant changes driven by regulatory reforms, technological advancements, and evolving customer expectations. In 2023, BoG implemented additional policy measures to address the impact of the Domestic Debt Exchange Program ("DDEP") and to strengthen the financial resilience and soundness of banks. These measures included allowing new bonds to be fully deductible in determining banks' financial exposure limits to counterparties under section 62(8) of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

Additionally, the BoG assigned a zero-risk weight to the new bonds for calculating the Capital Adequacy Ratio ("CAR"). This decision allowed domestic banks to assign a zero-risk weight to their exposures to the newly issued bonds, leading to improved capital adequacy ratios.

Following the completion of the DDEP's second phase, banks shifted from bond impairment to recognising the fair value of new bonds. They also began assessing any modification loss or gain resulting from these exchanges. The use of discounted cash flow techniques to determine fair value contributed to increased profitability in the banking sector in 2023 as some of the impairment losses occasioned by the derecognition of the old bonds in 2022 began to unwind in 2023.

In 2023, the Ghanaian banking industry achieved an overall Profit Before Tax ("PBT") margin of 37.5%, marking a strong recovery from the previous year's Loss Before Tax ("LBT") margin of 32.9% due to the DDEP. While this improvement is significant, it is important to note that there is still potential for further enhancement, as the PBT margin was 45.2% in 2021, just before the DDEP was initiated.

The industry showed strong performance in key indicators such as asset quality, capital adequacy ratio (CAR), return on equity (ROE), liquidity, non-performing loans (NPLs) and sensitivity to market risk. In 2023, the banking industry witnessed a remarkable improvement in ROE, rebounding from a negative 29.3% in 2022 to a positive ROE of 25.0%.

It is refreshing to note that banks in the industry have taken proactive steps to strengthen their risk management practices and internal control mechanisms. The banks are not oblivious of their critical role in preserving stability of the country's financial system; and therefore, are consistently dialoguing and collaborating with the BoG and other key stakeholders to ensure sustained stability of the banking industry.

Customer Experience

With a strong focus on enhancing customer experience, the banking industry has made significant progress in key areas such as Digital Adoption and Mobile Money Penetration. The sector has witnessed a rapid increase in digital adoption, particularly among the unbanked population who are now being integrated into the financial sector through mobile money services.

Banks are also implementing customer-centric frameworks and processes to improve their interactions with clients. The industry has conducted training sessions to promote ethical practices among bank staff building on the Ghana Banking Code of Ethics and Business Conduct introduced in 2020.

Collaborating with the Chartered Institute of Banking, a revamped Chartered Banking curriculum and certification program has been launched to address fraud risks within the sector and uphold high ethical and professional standards.

Looking ahead, the Association plans to further explore the integration of new technologies like Artificial Intelligence ("AI") in the banking sector. Leveraging AI has the potential to empower banks to enhance customer value by augmenting their workforce with AI capabilities.

Conclusion

Ghanaian banks are embracing the economic recovery and are prepared to engage with responsible individuals, households, and businesses. They are strategically positioned to withstand any potential economic shocks and financial crises by enhancing their operational performance, maintaining sufficient capitalisation, benefiting from improved government policies and programs aimed at stimulating economic growth.

The sustained increase in deposits and strengthened capital levels indicate the potential for deeper financial markets and expanded credit availability. The banking industry foresees a positive trajectory in the short, medium, and long term.

John Awuah
CEO, Ghana Association of Banks

Tax Leader's message

Without a doubt, taxation plays a pivotal role in Ghana's economy by supporting sustainable development and contributing to financial sector stability.

Over the past few years, the banking sector has experienced significant developments such as: banking sector consolidation, financial sector cleanup, intense competition, technological advancements and reforms on poor practices and banking supervision. Despite these gains, uncertainty looms on the horizon with the introduction of brand-new taxes.

The year 2023 from a tax perspective

In 2023, the Government implemented a number of tax policy measures to achieve revenue growth given economic needs and the restrictions for fiscal discipline imposed by the IMF.

In addition to the tax policy measures, in 2023, we saw a plethora of revenue administration measures introduced such as the Introduction of electronic Tax Clearance Certificate ("TCC") and a freeze on new tax waivers for foreign companies. These tax changes have had a significant impact on the banking sector in various ways. The quantifiable and specific impact of these tax policies on banks in the country varies with factors such as size and nature of the banks, customer base, policies implemented among others.

New tax proposals for 2024

The Government of Ghana ("GoG") introduced new tax proposals as part of its plans for the fiscal year 2024. Although the 2024 Budget statement did not introduce any new taxes, it included policy proposals aimed to make changes to the tax system whiles complementing existing measures with implications for various sectors, including banks.

With the specific details of the new tax proposals not included in this piece, please feel free to refer to the PwC 2024 Budget Digest publication for more information on the tax measures and their impact on banks.

GoG has gone ahead to pass the necessary laws to enable implementation of these plans. We expect that the government will remain committed to their 2024 plans even with the Mid-year Budget Review given that 2024 is an election year coupled with the need to restore macroeconomic stability, expenditure rationalisation and debt sustainability.

We understand the importance of taxation in the economy and how it directly and indirectly affects bankers like you. Tax policies can impact economic growth and the development of the financial sector. At PwC, we continuously monitor and provide advice to our clients, including both private companies and the government, to help them find the best balance when it comes to taxation and tax policies.

In closing, I would like to share PwC's perspective on the role of tax in the Customer Experience within the banking sector, particularly with a focus on financial technology.

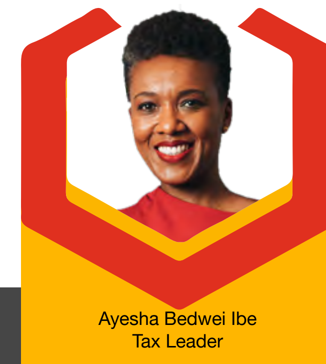
Taxation and Customer Experience - Focusing on banking and financial technology.

Ghana's banking industry is going through major changes due to advancements in financial technology. This integration of technology is reshaping the industry and has the potential to transform the customer experience.

With the rise of fintech, customer expectations are evolving. Banks are expected to increasingly focus on delivering customer-centric services through user-friendly interfaces, personalised offerings, and seamless digital experiences.

New tax procedures like electronic invoicing (e-VAT), certified invoice requirement and electronic Tax Clearance Certificates (TCC), require banks to upgrade their systems. With the government's quest for digitisation in tax management, there is the potential for closer integration between the Ghana Revenue Authority (GRA) and banks, which could involve automatic tax deductions and real-time data sharing. This requires constant technological adaptation.

In summary, while recent tax policies may initially pose challenges for banks, they also present opportunities for innovation and adaptation. By leveraging technology, banks can provide convenient and accessible banking services that cater to the needs and preferences of their customers.



Ayesha Bedwei Ibe
Tax Leader

Global economic trends

Global economic trends

The global economy is expected to remain resilient and continue to grow moderately at 3.2% in 2024 and 2025. IMF predicts that there would be a slight acceleration in advanced economies while emerging markets and developing economies will have a modest slowdown in growth rate. The risks to projected growth include the current slowdown in disinflation since early 2024, geopolitical tensions and elevated fiscal debt burdens.

Analysts project a steady decline in global inflation (albeit slower than in 2023) from 6.8% in 2023 to 4.5% in 2025, with advanced economies reaching their inflation targets sooner than emerging markets. However, core inflation is expected to decline more gradually, indicating potential challenges ahead.[1]

Many Governments continue to face challenges with their debt burdens and the impact of climate change and mitigation. Against this backdrop, it is predicted that economic expansion will be much slower, compared to historical trends due to various factors. The forecast for global growth in five years is at its lowest in decades, indicating a prolonged period of economic disparities between middle- and lower-income countries. Factors impacting economic growth include ongoing high borrowing costs, reduced fiscal support, long-term effects of geopolitical uncertainties, sluggish productivity growth, and elevated debt burdens.

The IMF's October 2023 Regional Economic Outlook for Sub-Saharan Africa indicated that the spillover effects of regional developments have contributed to a projected slowdown in the region's growth for the second consecutive year, dropping to 3.3% in 2023 from 4.7% in 2021 and 4.0% in 2022. However, the region is anticipated to recover in 2024, with growth rebounding to 4.0%, driven by an upswing in four-fifths of the countries in the region, especially those with relatively robust performances in non-resource-intensive sectors.

The chart below shows historical and forecast real growth rates in selected economies around the world.

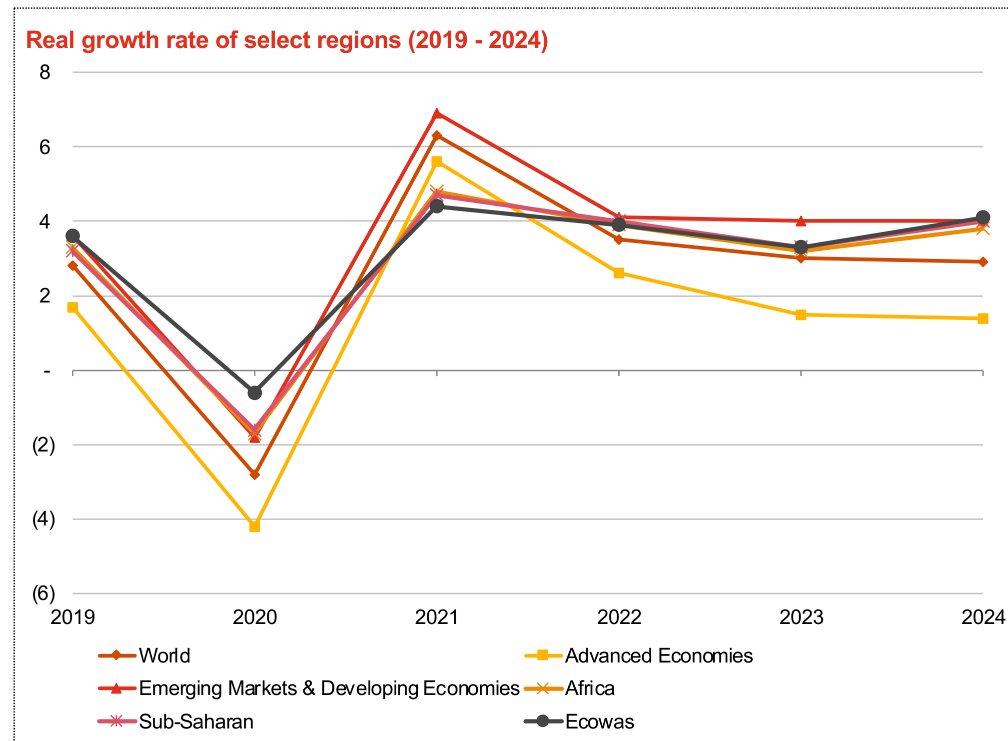


*Chart: Global Economic Growth Rate for selected countries: IMF, AFDB, GSS, & MoF

[1] International Monetary Fund |World Economic Outlook | April 2024 | https://www.imf.org/en/Publications/WEO/Issues/2024/04/16/world-economic-outlook-april-2024

The Ghanaian Economy

Ghana's economic growth surpassed expectations in 2023. The latest GDP data from the Ghana Statistical Service indicates that real GDP growth rate decelerated to 2.9%, exceeding the revised target of 2.3%. This pace of economic growth was primarily driven by the services and agriculture sectors.

The services sector contributed significantly, with a growth rate of 2.3%, fueled by strong activity in information & communications, as well as transport and storage. The agricultural sector also made a notable contribution of 0.9%, supported by growth in crops and livestock production, despite a decline in cocoa production.

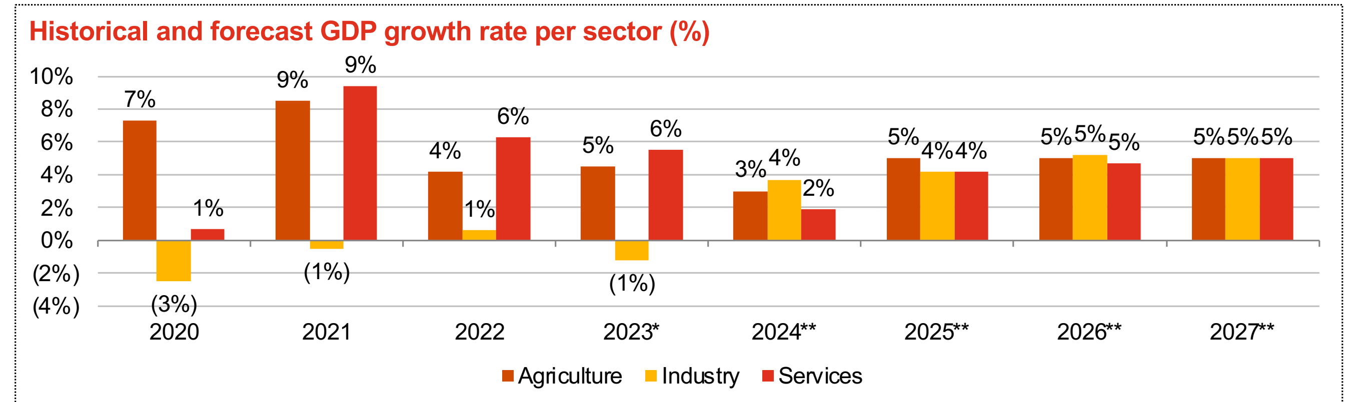
However, the industrial sector contracted, dragging down overall growth with a negative growth rate of 0.4% in 2023. Declines in electricity consumption and oil production contributed to this slowdown. Nonetheless, non-oil GDP grew by 3.3%, indicating resilience in other sectors of the economy.[2] The economic performance for 2024 is projected to remain weak, with continued macroeconomic uncertainties expected to reduce private consumption and investments. In the longer term, growth is projected to gradually recover due to ongoing fiscal consolidation and external debt restructuring. [3]

Real GDP Growth (percent) per sector

The agriculture sector is projected to slow down in 2023-2024, mainly due to decreased growth in crops, livestock, and fishing. However, it is expected to rebound to 5% growth from 2025 onwards, averaging 4.5% over the medium term.

The industry sector is forecasted to recover in 2024 with 3.7% growth, increasing to 4.2% in 2025 and 5.2% in 2026, averaging 4.5% from 2024-2027.

This growth is driven by all subsectors, including a sharp rebound in Mining and Quarrying, expected to grow by 6.2% due to increased production resulting from addition of new oil wells. Services sector growth is anticipated at 4.6% in 2023, 1.9% in 2024, and an average of 4.0% over the medium term, with gradual improvement from 2024-2027.[4]



Source: 2024 Budget Statement, MoF, & GSS *Provisional GDP Growth Rate **GDP Growth Rate Projections from Ghana Statistical Service as at April 2024

[2] BoG Monetary Policy Committee Press Release |March 2024 | https://www.bog.gov.gh/wp-content/uploads/2024/01/MPC-Press-Release-March-2024.pdf
[3] https://www.worldbank.org/en/country/ghana/overview#:~:text=At%2015.7%20%25%20of%20GDP%20in,policy%20tightening%20in%202022%2D23.
[4] MoF Budget Statement | 2024| https://mofep.gov.gh/sites/default/files/budget-statements/2024%20Budget%20Statement_v2.pdf | Page 55 | No. 239 - 241

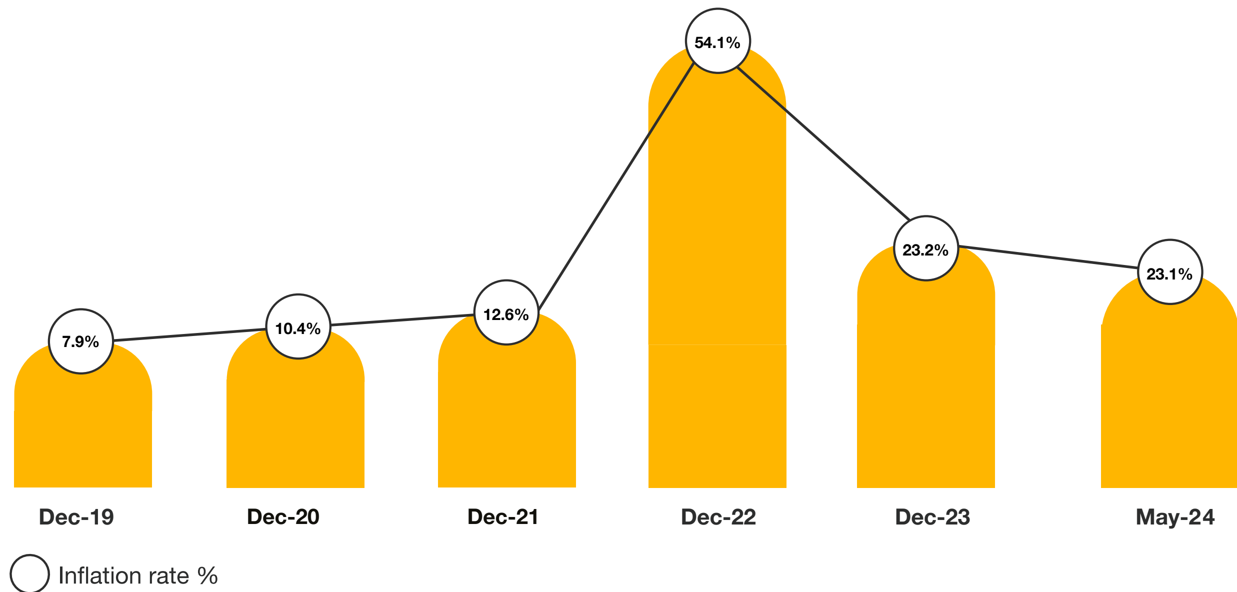
Inflation

In April 2024, Ghana's headline inflation increased to 25.0% from 23.1% in December 2023, driven by the pass through of the cedi depreciation, and non-food inflation.

Non-food inflation was driven by increases in the prices of fuel, energy and transportation. Despite the slowdown in the disinflation process, underlying inflationary pressures remain well contained.

Petrol prices increased by 7.8% between March and April 2024. This has resulted in higher transport costs for both businesses and individuals.

The chart below shows historical inflation levels from December 2019 to May 2024.



*Inflation Yearly change rate (%) of Ghana from December 2019 – March 2024 | Source: GSS

Interest Rates

In January 2024, the Monetary Policy Committee (MPC) of the Bank of Ghana reduced the Monetary Policy Rate (MPR) by 100 bps to 29.0%. The rate has remained unchanged given the slower than projected disinflation process.

Treasury bill rates have largely shown an upward trend between April 2023 and April 2024. The 91-day, 182-day and 364-day treasury bill rates increased from 19.67%, 22.29% and 27.04% to 25.55%, 27.04% and 28.25% respectively from April 2023 to April 2024. This reflects an increased demand for short term money market instruments in view of the limited investment options in the market.

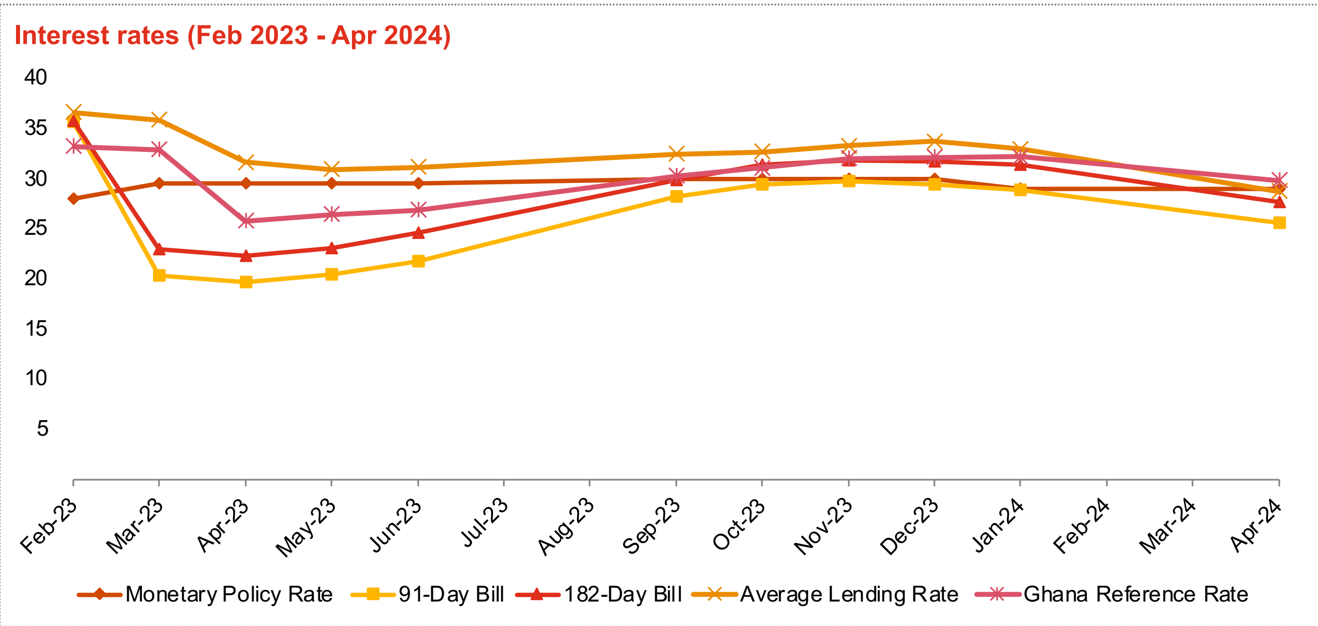
*Source: 2024 Budget Statement, MoF

Exchange Rates

In the first five months of 2024, the exchange rate has maintained a relatively stable position as compared to the same period in 2023. From January 2024 to May 2024, the Ghana Cedi depreciated by 14.6%, against the US dollar, compared to c.21.8% depreciation for the same period in 2023 respectively.[5]

The pressure on the exchange rate reflects the increased demand for higher import, lower export revenue, energy sector payments and uncertainty of the debt negotiations with external creditors.

The chart below shows historical monthly interest rates from February 2023 to April 2024.



Year-on-year depreciation of GH₵ (%)	Dec-20	Dec-21	Dec-22	Dec-23	May-24 (year to date)
$ United States Dollar (USD)	3.9%	4.1%	42.8%	21.7%	14.6%
£ Great Britain Pound (GBP)	7.1%	3.1%	26.8%	25.1%	14.5%
€ Euro (EUR)	12.1%	-3.5%	34.8%	24.3%	12.9%

* Year-on-year depreciation of GH₵ (%) of Ghana from December 2020 – April 2024 | Source: BoG

[5] Bank of Ghana Monetary Policy Committee Press Release 27 May 2024

Banking customer experience (CX)

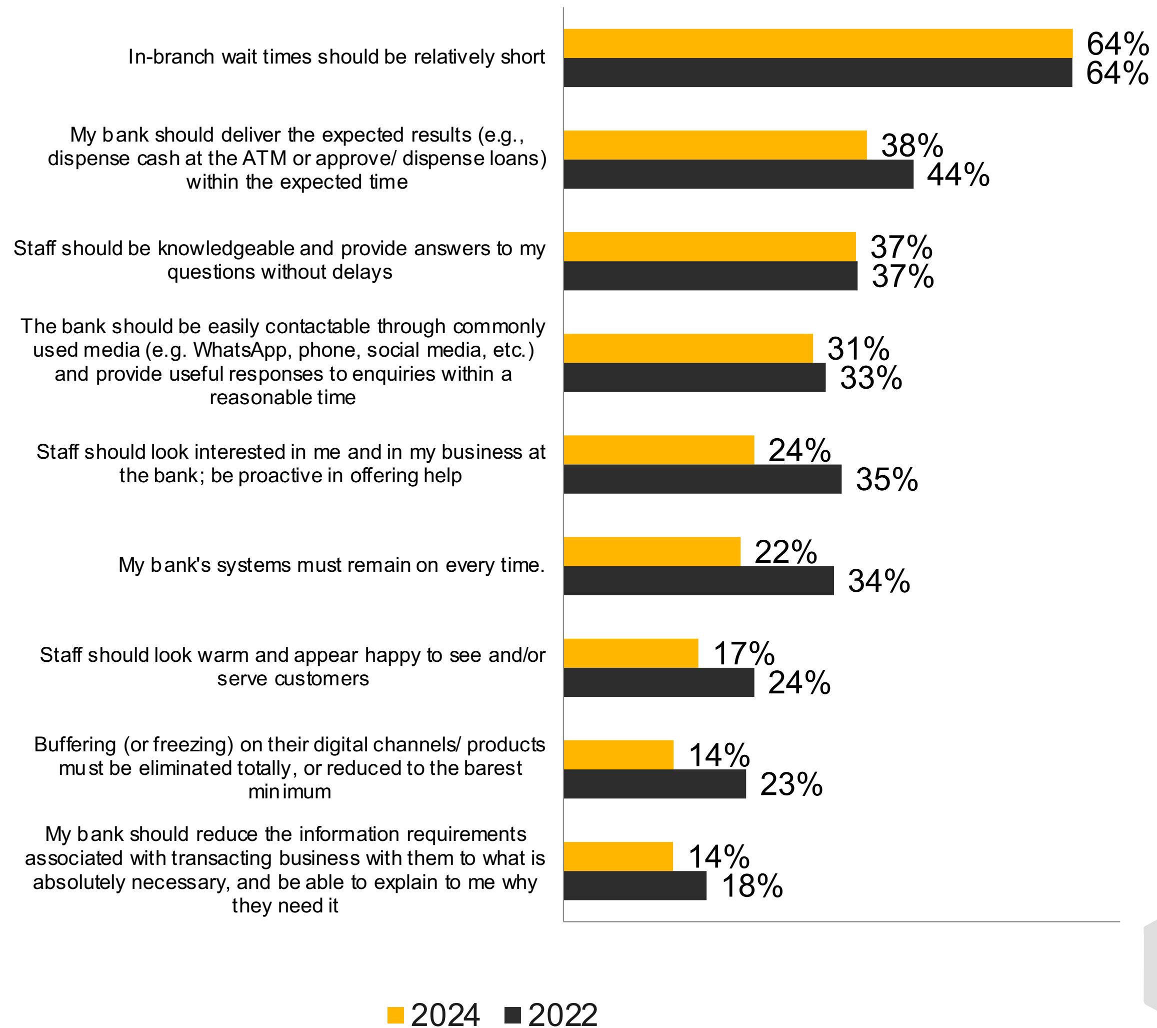
Banking customer experience (CX)

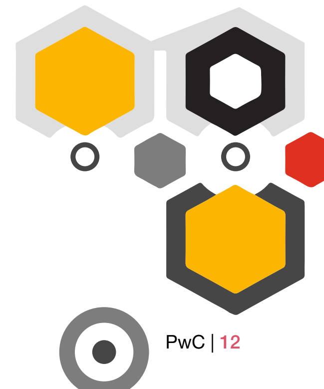
The key takeaways from the CX survey

Speed, predictability of results, employee knowledge/ expertise, easy access, and engaged employees emerged as the top five influential factors that differentiate CX for banking customers. In an earlier field survey PwC undertook in 2022, engaged employees and always-on systems were mentioned as the fourth and fifth most influential factors, respectively.

As shown in **Fig 2.1**, in this year's banking CX survey, always-on systems has moved out of the top five and joins employee pleasantness, frictionless digital channels, and minimal information requests in the bottom half of what influences CX. Our interpretation of this observation is not to suggest that these other factors count as less value in the CX equation… no! After more than a decade of digital revolution in the Ghanaian banking sector, customers expect always-on systems and frictionless digital channels to be table stakes at their banks. Hence, any bank still struggling with these is most likely to significantly lag the CX maturity curve.

Fig 2.1: The topmost influential factors of differentiated CX for banking customers





When customers visit their bank branches, they want to be in and out of there fast! Almost two-thirds (64%) of bank customers say short in-branch wait times contribute the most in making their banking experiences delightful. This has held the top spot in the two successive CX surveys we have conducted of the banking industry in Ghana. Bank branches are not necessarily fun places to be. Indeed, for some people, they are quite intimidating—the stern-looking security at the door, the hushed tones inside, the restrictions on mobile device use inside the hall, whirr of electronic devices, etc. Considering that bank customers prefer to use digital channels rather than brick and mortar (B&M) outlets for their banking, this is not surprising. 60% of customers that took the survey want to spend ten minutes or less in a branch to complete their banking transaction.

Customers thrive on predictability, whether it has to do with process, equipment, or results. Over a third (38%) of bank customers selected predictability (also referred to as consistency) as their second most prized factor in the excellent experience equation. This factor also came second in our 2022 CX survey, with an even relatively higher percentage of survey respondents selecting it among their top three most CX-influential factors. Predictability in a person's banking life—which predominantly entails funds movement—affects many other parts of their overall life via the payment experience it affords. For instance, the timeliness of loan approval and funds disbursement could result in considerable savings for a customer who has been eyeing a discount promotion in an automobile sale. Similarly, failure of an ATM to dispense cash on a Sunday afternoon could cut short a family's day out. Similarly, a frequently glitching bank mobile app could spell frustration for a customer who can hardly complete any transaction on the app, even as the bank continues to harp on the memorable experiences its app provides in adverts.

Customers value knowledgeable employees, placing a premium on their interactions with them. Knowledgeable employees came third place - same as in 2022 - and with the same percentage of respondents in both years' surveys. In spite of the banking sector in Ghana being one of the leading industries in technology adoption, banking still involves a considerable number of interactions with real life persons at various touchpoints of banks, especially at branches and contact centres. When such interactions happen with an employee with insufficient knowledge, it leaves customers dissatisfied. Knowledgeable employees mean better guidance in making choices, quicker resolution of challenges, as well as greater clarity in the brand promise for better expectations management. 64% of customers noted that they appreciate employees with good product knowledge while 47% identified process knowledge as contributing positively to CX.

Bank customers consider ease of access, responsiveness and promptitude desirable for excellent CX. No doubt, these attributes are key building blocks of excellent CX in any industry. That it has climbed up two places in one year from outside the top five to within top five underscores this fact. The experiences that developments in the telecommunications, media and entertainment, and retail sectors have afforded consumers have made customers of banks to expect these as table stakes rather than CX differentiators. Customers expect that long after the bank has locked the doors to the branch, their bank (and their accounts) remain available to them when they need them. That their needs/ requests are responded to accurately and with speed despite the need to comply with legislation/ regulations, and navigate complex policies and procedures to protect the interest of customers and other stakeholders. For excellent CX, banks need to do these things at scale, seamlessly, and unobtrusively.

Employee engagement. This year, 24% of all survey respondents say they expect bank staff to show genuine interest in their business and be productive in offering help. In the 2022 CX survey, 35% of respondents held that position, placing that factor fourth on the list of nine CX-influencing factors. Generally, bank customers desire to be served by employees who care about them and their business, and demonstrate a genuine concern for their financial needs and experiences. However, certain situations can hinder the delivery of this ideal customer experience. For instance, overwhelming workloads, unsuitable work tools, or the pressure to reduce average handling time (AHT) can prevent employees from dedicating sufficient time and attention to each customer, reducing interactions to curt courtesies and creating the impression that employees do not care about customers. Banks can help to increase employee engagement by creating environments in which employees thrive leading to improved employee experiences that, subsequently, result in delightful CX. By prioritising continuous and well-targeted training and support for front-line employees, banks can deliver exceptional CX that builds long-term trust and loyalty, and transform satisfied customers into brand advocates.

WhatsApp towers over the heads of other common social media channels as customers' preferred interaction platform. ~42% of bank customers selected WhatsApp as their preferred everyday communication and social media channel. A significantly smaller percentage of customers (11.2%) selected Facebook as their second choice for interaction. Youtube (8.1%), LinkedIn (7.7%), and Instagram (6.9%) then follow [1]. Since bursting on the communications channels landscape 15 years ago, WhatsApp has gained prominence in most markets as one of the top three social network platforms[2]. The breadth of innovative functionalities added to the standard and beta versions of the app over time probably offers banks opportunities to establish a two-way street between themselves and their customers affording them various delightful ways to initiate and execute transactions[3].

[1] In the 2022 CX survey, respondents indicated the following as their top five preferences: WhatsApp (43%), Facebook (17%), LinkedIn (15%), Twitter, now X (15%), and Instagram (13%)
[2] Source: https://www.statista.com/statistics/272014/global-social-networks-ranked-by-number-of-users/
[3] Already, United Bank of Africa (UBA) and Fidelity Bank offer WhatsApp banking services.

Customers like to transact frequently; prefer the use of digital channels. Banking is considerably enmeshed in the daily lives of bank customers, most of which involves very simple transactions, e.g. funds deposits, transfers and payments (80%) and cash withdrawals (74%). Almost two-thirds (62%) of responding customers noted that they undertake banking transactions approximately once weekly; more than a third (37%) stated that they conduct banking transactions very frequently, i.e. at least twice a week. The simplicity of the transactions underscores the value of speed and easy access to customers, and further explains the importance of well-functioning digital channels. More than half of survey respondents (53%) say they prefer to conduct their banking on digital channels, using their phones, laptops and tablets. Furthermore, bank customers that took the survey seem to suggest that, in the main, bank mobile apps are the preferred digital channels (64%) well ahead of USSD (16%) and web/ Internet (16%).

[4] Domestic Debt Exchange Programme

[5] The survey covered 15,000 people drawn from the following 12 countries: Argentina, Australia, Brazil, Canada, China, Colombia, Germany, Japan, Mexico, Singapore, the U.K., and the U.S.

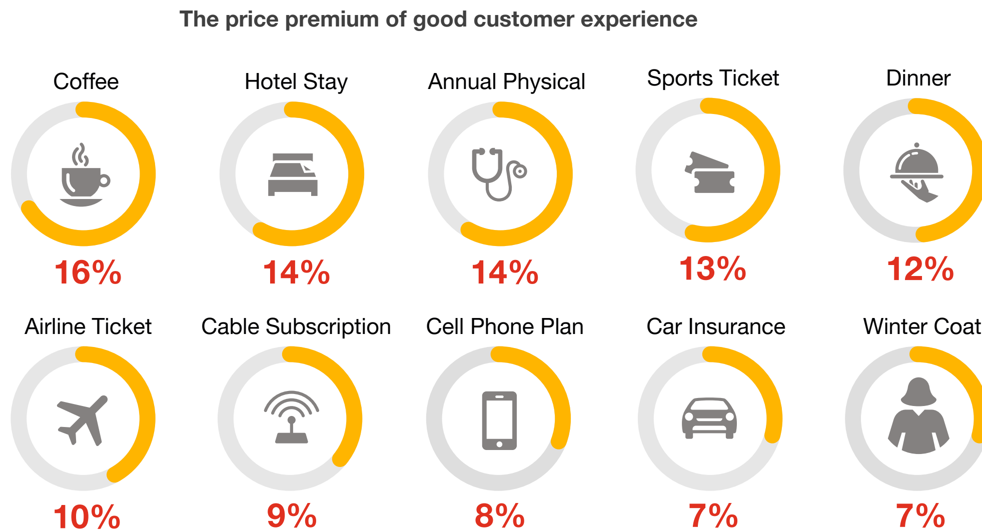
Background/context

In our 2023 Ghana banking survey report, 81% of bank executives who participated in the survey noted that they saw mobilising more customer deposits as the quickest post-DDEP[4] recovery route for their banks. This option came significantly ahead of deploying new investment instruments to address an emerging market gap or increasing customer lending (63% each). It even came ahead of raising capital for a stronger balance sheet (31%), which we expected to have been top of mind for bank executives, considering that it was a regulatory requirement as well. This observation by bank executives was in spite of them identifying lower customer confidence in the banking system as the fourth out of the top five risks blocking their banks' recovery path, only trailing challenging economic outlook, impaired investor confidence, and unfavourable political risk.

Additionally, we discovered during our routine interactions with the industry that banks constantly demonstrate curiosity about how well they are performing in the delivery of delightful and memorable customer experience (CX) at their various touchpoints. In many instances, the interest of banks narrowed to how their performance compares with their peers and the industry. Our decision to focus on banking customer experience ("banking CX") in our 2024 Ghana Banking Survey was, therefore, in part to satisfy this curiosity of the industry.

Beyond that, however, this decision was founded on our long-held belief that - for any industry or business - there is a much closer-than-obvious relationship between CX and financial performance. An earlier CX survey conducted globally by PwC[5] found that customers were willing to pay a premium for services offered by companies that provided them with excellent experiences.

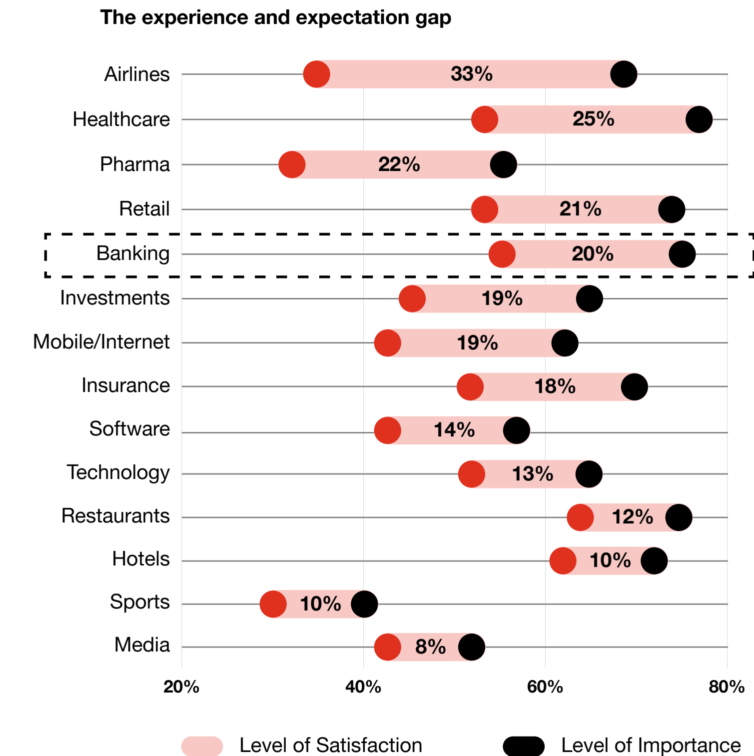
Fig 2.2: Excellent CX commands price premiums



Scale is out of 25%

Q: How much would you pay for the following product or service if the company provides a great customer experience?
Source: PwC Future of Customer Experience Survey 2017/18

Fig 2.3: The expectations-experience gap for selected industries



Q: When it comes to making purchase decisions, how important is customer experience in each of the following industries? Generally speaking, how would you rate the customer experience in each of the following industries today?

Source: PwC Future of Customer Experience Survey 2017/18

What is even more striking is that, in spite of the common knowledge that excellent CX pays for itself, customers in a wide range of industries suggest that the businesses they interact with do not always meet them fully at their point of expectation. Fig 2.3 shows this clearly. And banking, which is an everyday feature of the lives of most people, (or the industry that provides this service) seems to struggle to narrow the expectations-experience gap of its customers.

These results from the earlier global PwC CX study plus the additional finding that suggested customers actually value things that are expected to be table stakes in every industry and considered fundamental to the success of every business convinced us that it is worth determining the current state of CX in Ghana's banking industry.

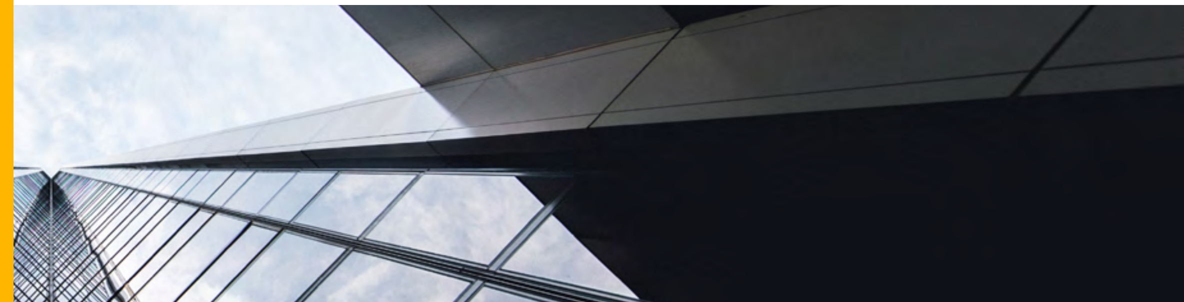
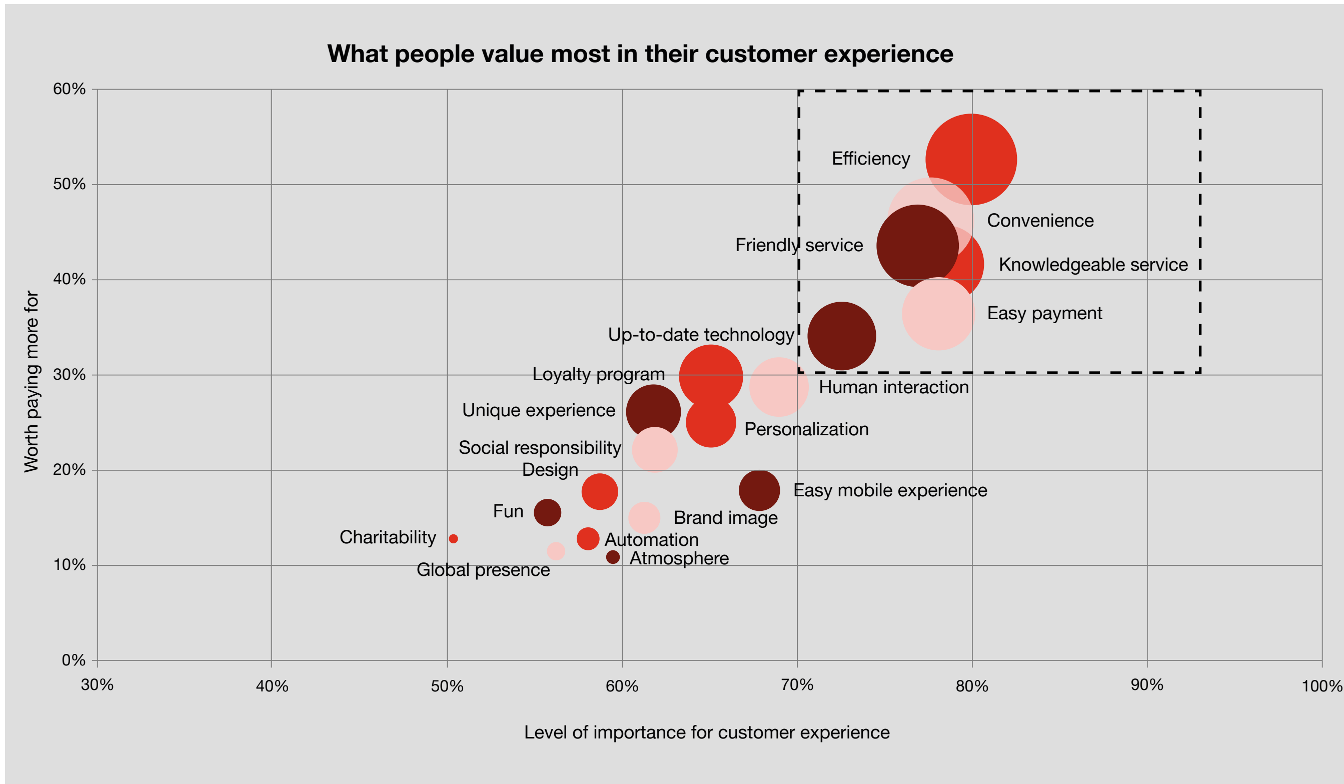


Fig 2.4: What customers say contribute the most to CX for them



On the local front, our decision to focus on banking CX for our 2024 Ghana Banking Survey was also influenced by the Bank of Ghana's Report on Complaints Management Function (Annual Report, 2022)[6] , which noted the concerns of customers and their dissatisfaction with services provided by banks. The complaints data suggested that customers that purchased investment products and services from their banks witnessed delays with discounting and statement issuance related to matured investments or interest, as well as with rollovers on investment maturity. Customers also had concerns about loan products/ services; these related to loan tenures, loan processing delays, collateral release, loan statement issuance, recovery approach, and termination of loans.

The BOG report also highlighted complaints by current account holders. These included disputes over charges/ debits to their accounts for fund transfers, SMS alerts, electronic levy (E-levy), dud or dishonoured cheques, account maintenance, and online transactions. Customer complaints about digital channels also included instances of ATM failures, where cash was not dispensed but accounts were debited. Customers also protested high downtime of digital channels and truncation in transactions. Furthermore, mobile wallet holders also complained of incomplete wallet-to-account transfers, mobile money fraud, delays in funds reversal, and general poor customer service related to blocked wallet or SIM by Electronic Money Issuers (EMIs).

We hope that by focusing on this subject, we and the Ghana Association of Banks (GAB) can unearth, validate or further clarify the big things and the little things that banks must pay attention to to ensure that they are delighting their customers and converting them into unpaid, yet willing, brand ambassadors.

[6] https://www.bog.gov.gh/wp-content/uploads/2023/05/2022-COMPLAINT-MANAGEMENT-REPORT.pdf

Survey methodology and limitations

PwC surveyed bank customers from all the 23 banks in Ghana. See **Table 1 in appendix 1**. Working with the GAB, an online questionnaire, developed using Google Forms, was emailed to all 23 banks with a request to forward it to all their customers. This tool was carefully designed to elicit views from bank customers on the quality of customer experience (CX) offered by their primary banks.[7] Further insights were gathered from bank executives' views of CX currently availed by the industry, as well as their respective banks' plans for sustaining – or even enhancing – CX for their customers in the future.

The survey responses from bank customers were highly insightful, revealing how their banks deliver experiences at various interaction points. Additionally, they offered suggestions on how banks could enhance the consistency/ predictability and quality of their services, making interactions more seamless, convenient, and enjoyable for the banking public.

A key limitation to this approach is that banks could have been selective in which customers to invite to take the survey. Additionally, customers that are not technology savvy or have very limited education might not have been able to take the survey. Despite these two key limitations, we are confident that the survey results provide some good insights into the CX expectations of bank customers and can be generalised to apply to the population of the banking public.

[7] Primary banks were defined and explained to respondents in the survey tool as the one bank that a person does most of their banking transactions with.

Survey demographics

Fig 2.5: Breakdown of survey respondents into industry tiers

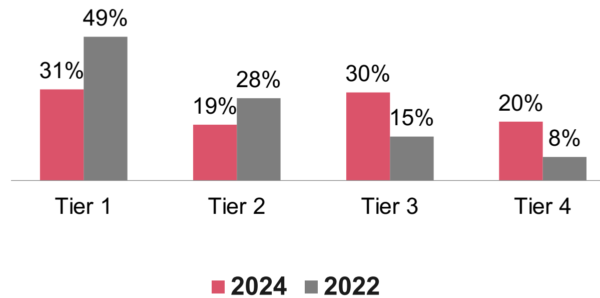


Fig 2.6: Breakdown of survey respondents by banking relationship type/ customer type

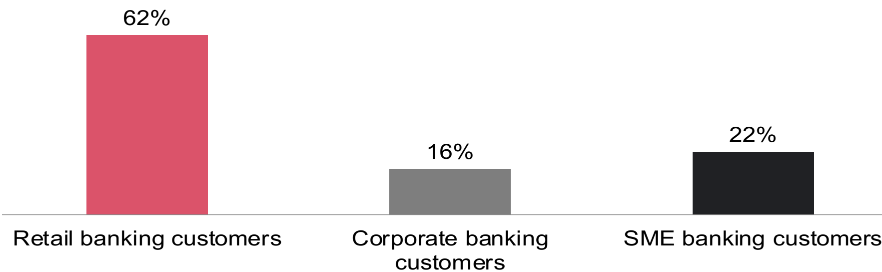


Fig 2.7: Breakdown of survey respondents (retail banking customers) into age groupings/ generations

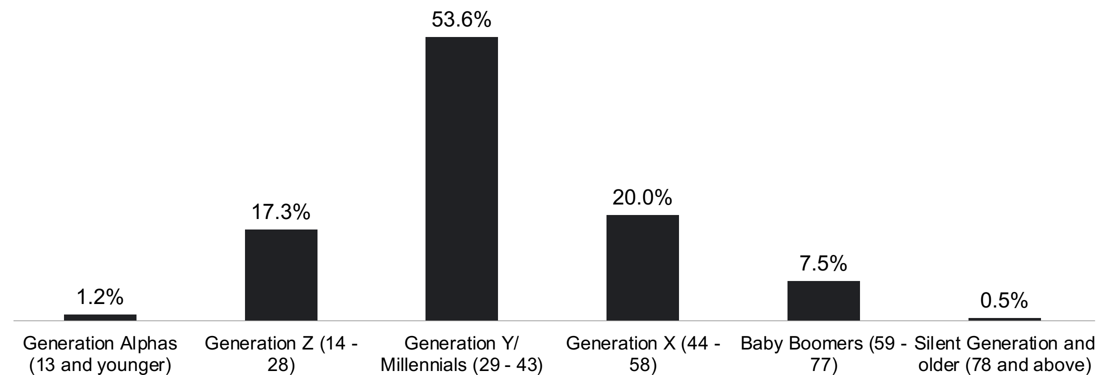
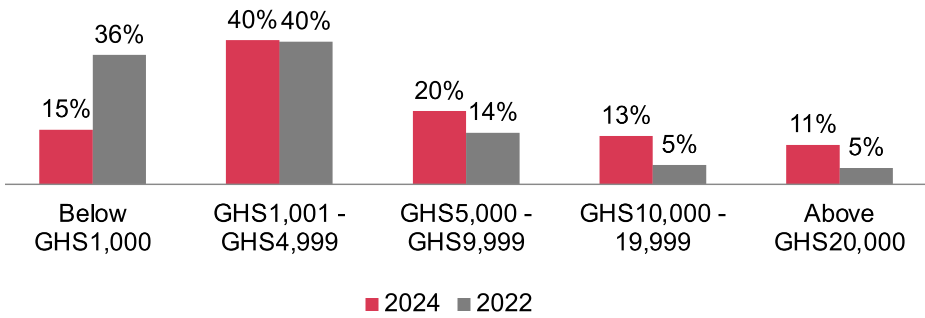


Fig 2.8: Breakdown of survey respondents (retail banking customers) by approximate monthly income



Segmenting and profiling survey respondents for purposes of CX analysis

Customer experience (CX) is personal. The same interaction between one bank and two customers might leave one customer feeling more pleased and the other not as well pleased. Typically, how an individual responds to an event or incident has a relation to that individual's patience or tolerance levels. Less patient or less tolerant persons are likely to be more demanding - sometimes even unreasonable in their demands -, more critical of the service they receive, and generally more difficult to please. This is the type of customer that banks generally target to please and provide memorable experiences to. This is because banks know that if they are successful with this category of customers, they would be successful overall in the area of CX.

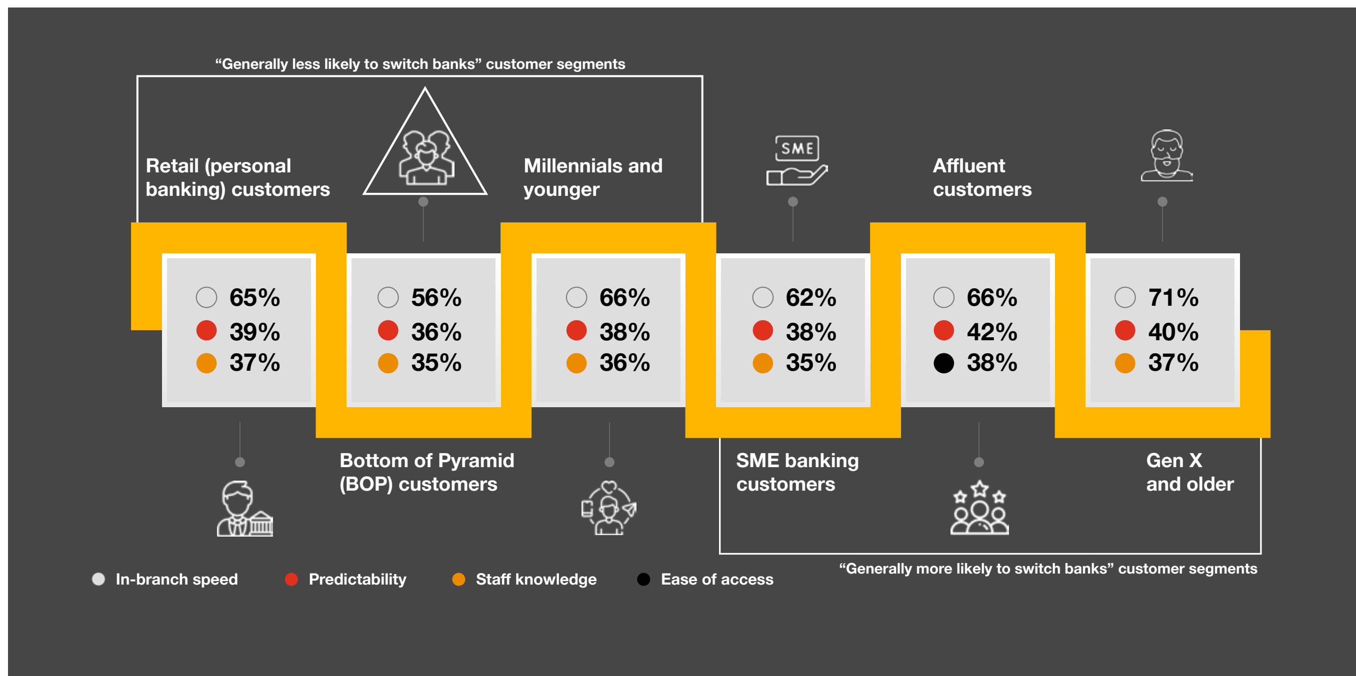
In carrying out this study, we have attempted to put banks' customers into two broad categories: (1) "more likely to switch banks" customer types and (2) "less likely to switch banks" customer types. We have used customers' aggregated responses to a question about tolerance levels for in-branch wait times as a proxy indicator of customers' patience.[8] In the table below (Fig 2.9 & 2.10), we have shown the different customer types or segments that fall into these two broad categories. We have also tried to profile the various customer segmentations using data collected on various forms of banking behaviours.

[8] We aggregated customers' responses for up to a 15-minute in-branch wait time as a proxy of customer patience.

Fig 2.9: Top two channel preferences by customer segmentation

below GHS 1,000 - Bottom of pyramid
GHS 1,001 - 9,999 - Mass retail
GHS 10,000 - 19,000 - Mass affluent
GHS above 20,000 - Affluent

Fig 2.10: Top three CX influencers

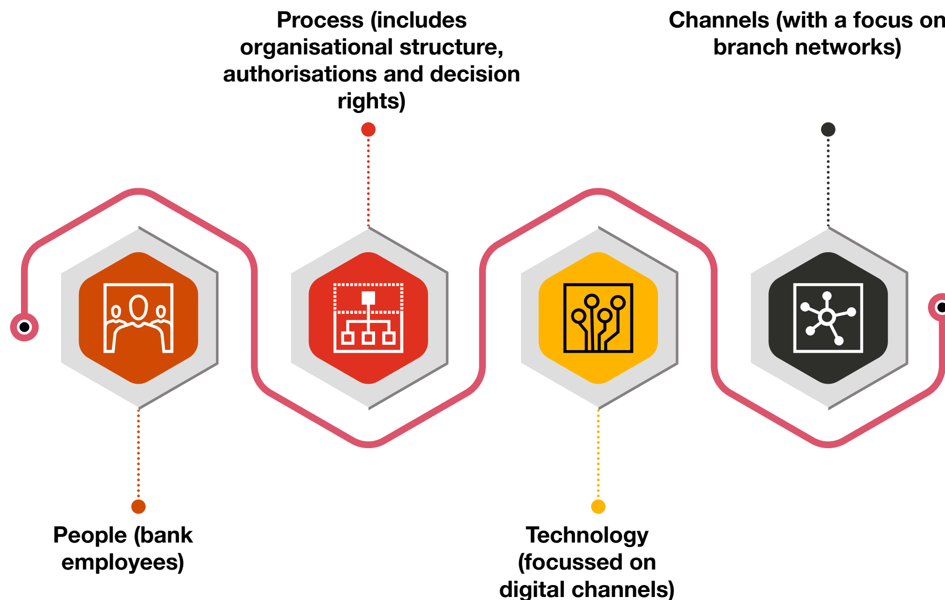


See Fig 1-8 in appendix 1 for further descriptions of the various customer segments used in this report.

Detailed survey findings

We have devoted the rest of the survey report to look, in detail, at how - from the perspectives of survey respondents - banks in the various tiers of the Ghana banking industry are performing in relation to the top five CX-influencing factors as shown in **Fig. 2.1**. Where we discover significant pattern differences based on the various customer segments we have identified above, we have presented and discussed these pattern differences. We also share our general points of view on each of these five CX-influencing factors, focussing on what banks could or should do to enhance their performance.

Where relevant or applicable, we comment on how banks can (and do) use or deploy the four key CX levers to provide differentiating experiences to their customers:



Finally, we have also shared some feedback from interviews that we had with various bank executives to validate some of the key observations emerging from the CX survey. In some instances, bank executives acknowledge that there are areas where expectations-experience gaps remain, but the industry is investing itself into ensuring that these gaps are closed or fully eliminated in the short-to-medium term.

CX influencer No. 1: Short in-branch wait times and/or transaction cycle time

A key measure of speed in banking is turnaround time (TAT) and this is assessed mostly in seconds and minutes. For selected banking transactions, TAT is measured in hours and days. When a banking transaction takes weeks or months to get completed, the experience for the customer is most likely considered dull or poor.

One area of interest for customers when it comes to speed is in-branch wait periods. 64% of customers that took the survey made this their No. 1 influencer of CX (see **Fig 2.1**). When we further asked how long they would tolerate as in-branch wait periods, we got the responses below from survey respondents:[10]

25%	don't wish to spend more than **five minutes**
35%	would accommodate up to **ten minutes**
23%	would tolerate not more than **15 minutes**

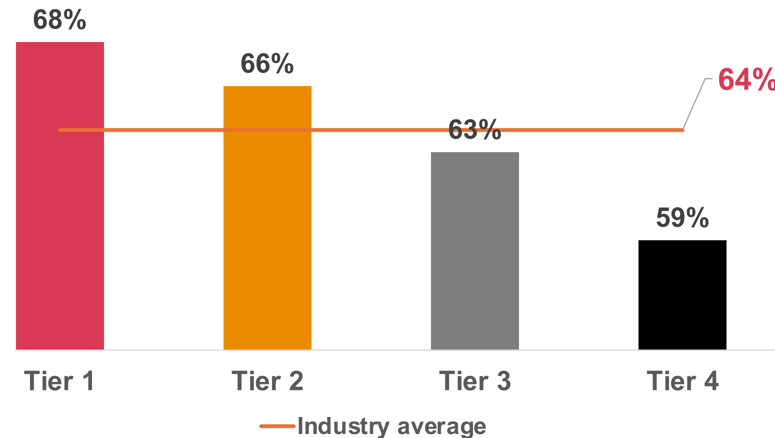
This is instructive for banks as, despite progress by banks to encourage their customers to adopt and patronise digital platforms, footfalls at B&M outlets remain high[11].

[10] We have presented a more disaggregated and detailed response by customer segments in Table 2.3

[11] The transformation to a cash-lite or cashless society should not be left to banks alone. It should be driven by the government and the regulator, and proactively supported by the broader business community, particularly led by the informal sectors of commerce/ retail and transport.

The graph below shows the level of importance of in-branch wait periods to the customers of banks in the various tiers of the industry. From the data, it would seem that customers of Tier 1 banks place a considerably higher premium on short in-branch wait durations contributing to excellent CX, compared especially with customers of Tier 4 banks.

Fig 2.11: Percentage of respondents prioritising in-branch wait time as top three CX influencer



Curiously, when we dug further into the data, it would seem that customers of Tier 4 banks, on average, could be most impatient with branch staff. Tier 2 bank customers, on the hand, might be relatively less impatient:

- 32% of Tier 4 bank customers expect to wait no longer than five minutes at the branch to execute their transactions.
- Customers of banks in other tiers that agree with that position are as follows:
    - **26%** of tier 3 bank customers
    - **21%** of tier 2 bank customers
    - **21%** of tier 1 bank customers

When in-branch wait time expectation is extended to 15 minutes, we find that tolerance changes for the customers of banks in the different tiers:

- 83% for Tier 1 banks
- 79% for Tier 2 banks
- 82% for Tier 3 banks
- 87% for Tier 4 banks

Insights from conversations with senior bank executives

From exclusive interviews that we had with some senior bank executives, it is clear that the industry, as a whole, is keen on migrating customers to self-service digital platforms and channels that various banks have made significant investments to develop and deploy over the past decade. However, some executives also acknowledge that friction on digital platforms and channels, partially attributable to third party-owned infrastructure, sometimes leads to truncated transactions. These instances tend to undermine trust in digital offerings and force customers to visit branches for their transactions, no matter how simple these transactions are and in spite of self-service tools being available to them.

As a result, some banks in the industry are adopting/ have adopted a two-pronged approach: 1) encourage digital channel migration, and 2) continuously enhance in-branch operations to ensure that branch visitors are served within a reasonable time frame. Most banking executives say that their banks, currently, have a branch transaction cycle time of 10-15 minutes, but plan initiatives to bring the TAT for most services below ten minutes.

Specific initiatives that some banks have implemented towards this goal include the implementation of queue management systems and in-branch assistance programmes. Connecting such queue management systems to core banking systems and leveraging the data spawned by these systems for analytics and strategic decisions, however, appear to be what banks have been less successful at. Bank executives note that they continue to explore opportunities to optimise the benefits of data and analytics.

Our general point of view and key takeaways for banks

Looking at the data generated from survey responses, it is clear to us that there is very little complexity about the nature of customers' transactions that requires the intervention or close support of bank employees with specialised expertise or experience. Additionally, it is our view that the high frequency of transactions makes branch visits a costly option for customers and society as a whole.[12]

While employee knowledge or expertise may not be required for most customer transactions, engaged or disengaged employees would make a vast difference to in-branch CX, along with other CX levers, e.g. technology and processes.

Given that customers already lean towards digital channels (i.e., 53% prefer using digital channels), banks should consider investments that would further enhance the quality of customers' experiences on their digital channels. Currently, 69% of survey respondents treasure a frictionless system (i.e. high uptime, smooth operations) and 54% value fast digital channels. However, only a third (33%) of the survey respondents say that the ease of use of their bank's systems/apps contributes to memorable CX and makes them feel encouraged to use them.

Perhaps, if banks improve the ease of use of their apps/ systems, that would help to divert branch traffic to digital channels and help to drive down in-branch transaction cycle times to their customers' delight.

In spite of their respective internal programmes to improve in-branch CX, banks should take note of the sobering fact that except for Baby Boomers, at least a fifth of every customer category/ segment has considerably low tolerance for in-branch wait times, i.e. not exceeding five minutes. Refer to fig 2.9-2.18 for descriptions of the various customer segments used in this report.

[12] Banks can help reduce emission if they can help their customers to avoid the commute to branches to transact business.

CX influencer No. 2: Predictability in banking

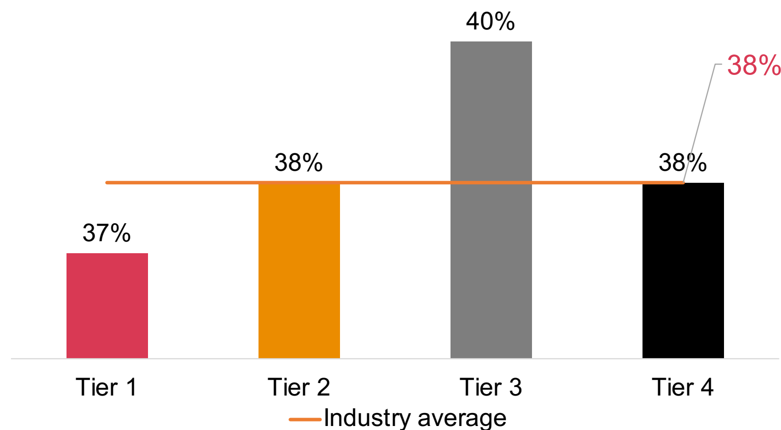
Having the confidence that one absolutely knows the end from the beginning is a powerful incentive for assured patronage. For instance, if a customer is certain that they would have the amount requested dispensed in full by an ATM and their cards returned without a hitch, they are more likely to use the service. However, if there are doubts, customers are likely to shun the service and show up in the banking hall, no matter how much a bank touts the benefits associated with using the ATM. Similarly, if a bank promises their customer to avail them a product or service within a particular timeframe and that time elapses, the incident undermines the customer's confidence in the bank's ability to deliver promised results.

Typically, predictability is also influenced by the existence (or absence) of a coherent process (including an established structure and associated decision rights system), functioning technology, and an engaged, knowledgeable and experienced workforce. High fail/ failure rates of systems/technology, processes, and employees (at assigned tasks) reduce predictability and dent customer confidence and satisfaction.

For the CX survey, as a proxy for predictability, we asked survey respondents to indicate if they considered the following a key shaper of CX: [their] bank should deliver the expected results (e.g. dispense cash at the ATM, or approve/ disburse loans) within the expected time.

Overall, survey respondents made predictability the second most prized influencer of CX as shown in Fig 2.1. The graph below shows how much the customers of banks in the various tiers of the industry perceive predictability in banking to be a CX influencer. That Tier 3 bank customers appear to value predictability slightly higher in relative terms compared to the other industry tier customers is obvious, and partly explained in Fig 2.21 below, which shows 46% of Tier 3's Gen X mass retail customers selected predictability as the No. 2 CX influencer.

Fig 2.12: Percentage of respondents prioritising predictability in banking as a top three CX influencer



Data deep dive: focus on Tier 3's Gen X and Millennial mass retail customer segments

A deep dive into data generated by the survey responses shows that the higher expectation for predictability expressed by Tier 3 customers is led by the sentiments of the tier's Gen X and Millennial mass retail customers. Together, these two subgroups formed ~22% of the potentially 24 subgroups[13] that comprised Tier 3 bank customers that participated in the CX survey.

Consequently, their response patterns dominated the entire segment's response pattern. In responding to the question, 46% of Tier 3 banks' Gen X mass retail customers chose predictability among their top 3 CX influencers, while 39% of the relatively larger Millennial mass retail customer grouping did the same.

Cross-exploring the data for additional insights, we also established that this subgroup also values employee knowledge (product and process knowledge) ahead of employee engagement. As shown in **Fig 2.13** below, 63% and 48% of the subgroup upvoted product knowledge and process knowledge, respectively, as Nos. 1 and 2 employee attributes that positively influence CX for them. In our view, this is consistent with and supports the subgroup's proclivity for predictability as a top CX influencer, as knowledge/ expertise and experience are more likely to influence certainty and accuracy of results compared to employee engagement.

Fig 2.13: Top 3 "People CX levers" contributing to positive CX for selected customer subgroups across different industry tiers

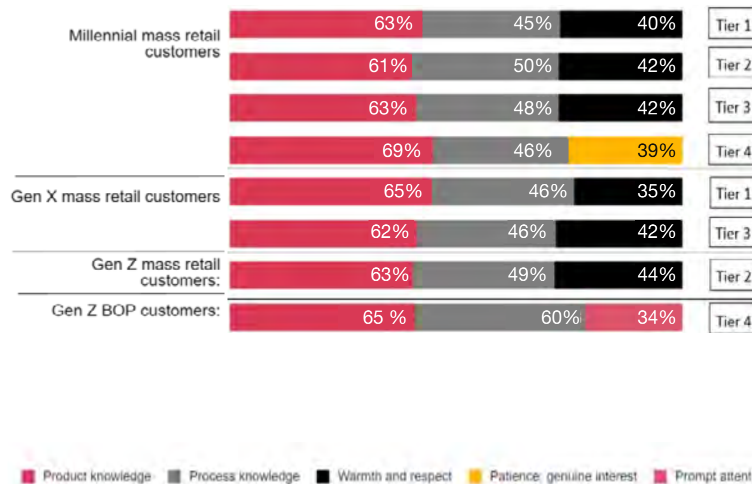
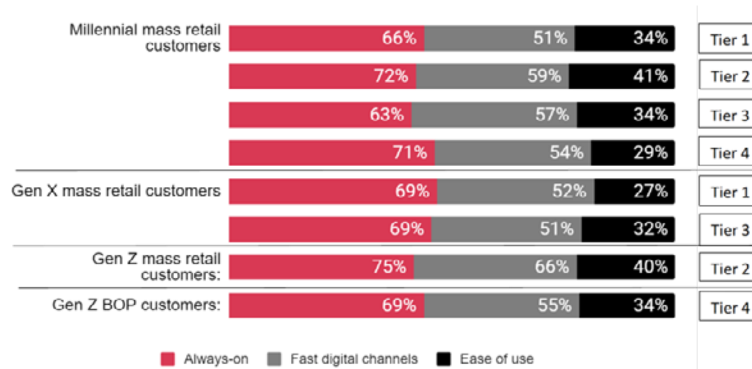


Fig 2.14: Top 3 "Technology CX levers" contributing to positive CX for selected customer subgroups across different industry tier



Alongside employee knowledge, this subgroup also places a premium on the contribution made by technology in fostering positive predictability experience.

As illustrated in **Fig 2.14** below, almost two-thirds (63%[14]) of this subgroup confirmed that their banks are always-on: systems are mostly up and running smoothly allowing [them] to complete transactions smoothly and without error.

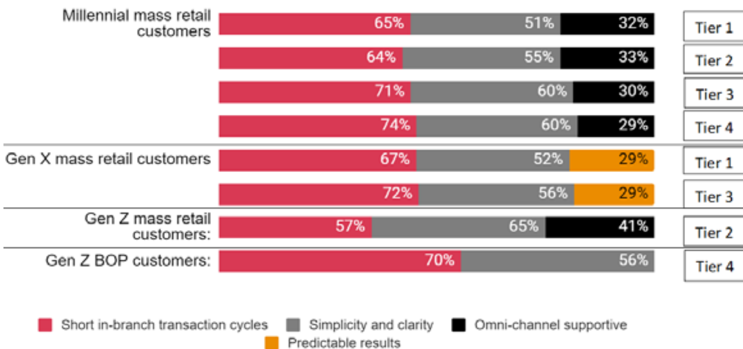
Much smaller percentages of the subgroup (20% and 19%, respectively), however, noted low incidences of friction (i.e., system freeze and/or glitches) - situations that could result in incomplete and unexpected transactions on account impacting predictability for CX purposes.

[13] We derived these subgroups through a permutation of six generation types and four income brackets for retail banking customers. Refer to Table 2 in Appendix 1 for all 24 subgroups.
[14] This lags the percentages of the same subgroup for the other tiers: Tier 1 (66%), Tier 2 (72%), and Tier 4 (74%).

In the case of process as a priority lever for shaping their predictability experience, only 29% of the tier's Gen X mass retail subgroup responded that processes mostly lead to the expected results; errors are infrequent.

This is not to be interpreted as 71% of respondents suggested that processes typically fail and that errors are frequent. Instead, only 29% of respondents prioritised it within their top three CX levers. Refer to **Fig 2.15** below for details.

Fig 2.15: Top 3 "Process CX levers" contributing to positive CX for selected customer subgroups across different industry tiers



Refer to **Table 2.1** below for additional insights about the CX experiences and expectations of Tier 3's dominant customer segments in the survey as well as the dominant customer segments of other tiers of the industry.

Table 2.1: Profiles of different customer segments derived from survey respondents' responses to demographic and survey questions

	Tier 1 bank customers	Tier 2 bank customers	Tier 3 bank customers	Tier 4 bank customers
Top 2 dominant customer subgroups	37% 11%	27% 14%	44% 10%	33% 14%
Choice of predictability as a top 3 CX influencer: percentage of subgroup and no.	40%; No. 2 37%; No. 3	38%; No. 2 36%; No. 3	39%; No. 2 46%; No. 2	36%; No. 2 37%; No. 3

Generation X mass retail customers　Millennial mass retail customers　Gen Z BOP mass retail customers　Gen Z mass retail customers

Insights from conversations with senior bank executives

Most banking executives that granted us interviews agreed with us that banking thrives on trust - trust that banks will deliver on the promises they make in their provision of services. As a result, banks are relentless in their pursuit of ways to eliminate errors in their operations and meet customer expectations. At the heart of these efforts banks are making is the adoption of advanced technologies to enhance reliability even as they increase speed and efficiency in service delivery.

Many bank executives highlight the transformative impact of artificial intelligence (AI), machine learning, and blockchain in streamlining processes, providing rapid responses, and significantly reducing transaction processing times. These cutting-edge technologies are revolutionising the banking sector by ensuring faster, more secure, and more efficient services.

However, the adoption of these technologies also poses challenges for banks as, typically, these technologies are evolving at a pace that often leaves regulation and employee learning/ upskilling behind. Banking executives thus note the need to carefully coordinate the adoption of new technology and workforce upskilling to avoid creating unpleasant situations that mar customer experience.

Recognising that predictability or consistency in banking is the product of not just technology, but by having a skilled workforce that is also supported by streamlined business processes, the senior banking executives that spoke with us noted initiatives underway and planned to deepen employee knowledge and skills. This would enable them to work well with the new tools that the rapid technological disruption being experienced in the industry is putting at the disposal of employees, and help reduce the incidence of poor CX resulting from employees lacking adequate skills.

Another area banking executives admit work remains to be done relates to their processes. Some bankers admit that they need to review and update processes that predate newly implemented technology to remove process bumps to ensure that they align with and better leverage the benefits of the new technologies for predictable and consistent banking.

Lastly, banks are also making substantial investments in technological infrastructure upgrades to better assure themselves of high availability and agility of their systems and service platforms. Such infrastructural investments would also support scalability and rapid deployment of services, and help ensure that banks are able to maintain robust, reliable systems that can quickly adapt to changing demands. Banking executives say that the expected impact on CX includes increased predictability, thus reducing the need for in-branch visits leading to shorter in-branch transaction times and, overall, improving CX.

Our general point of view and key takeaways for banks

More and more, increasingly intelligent technologies are becoming the cornerstone for banks in the production, distribution and delivery of their products, services and experiences to their customers. At the front of these tech developments are innovations such as machine learning (ML), AI, and generative AI (GenAI). These tech-based innovations have been designed and refined over the years to deliver consistent and accurate results. This helps banks to meet the predictability expectations of customers and influences the quality of experiences customers have in their interactions with their banks.

In our view, banks can leverage available and emerging technologies even more to create enjoyable digital banking experiences for their customers, but agree with banking executives that, equally important for banks is the need to pay attention to employee upskilling to ensure that the targeted benefits of consistency and speed are not lost due to insufficient knowledge and skills among the bank's workforce.

An ill-thought through approach to employee capacity building in this environment of rapid tech development could result in CX fails that would create disaffection for both customers and employees. In this light, we encourage banks to be more deliberate in carrying their employees along in their technology transformation journeys. This is because survey respondents seem to suggest that they still appreciate having contact with a human at various points of their customer journeys. This is especially the case at points where they require a fast interactive, iterative process to resolve a challenge they have encountered in their banking.

It is in light of the need to keep employees abreast with the technological tools banks avail for use by their customers that we recommend that banks maintain a balanced approach to employee and technology development for enhanced CX.

CX influencer No. 3: Employee knowledge, expertise and experience

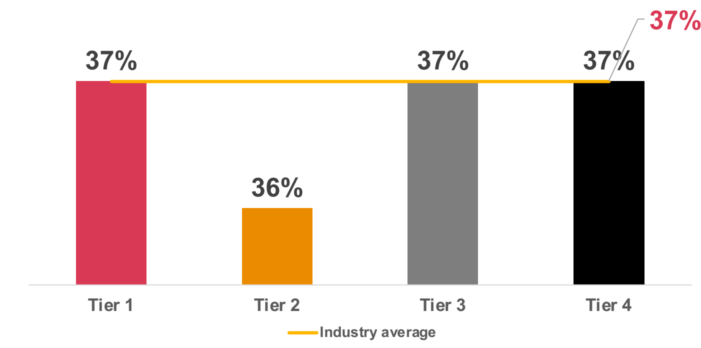
Employee knowledge, expertise, skill, experience - these have always been a major asset for any company in any industry. In banking, as with other industries/sectors - technology has sought to replace aspects of what originally lay in the domain of humans (employees) to do. Task selection, routing and rerouting, execution and completion; decision-making, implementation and review; etc. have been software-programmed for various customer journeys, all with the aim of enhancing the pleasure that customers derive from interacting with their banks on, especially, their digital channels or touchpoints.

For instance, a chatbot appears immediately when a customer opens an app and/or logs into their account, addresses them by their first name and asks how they could be of service. Deep machine learning (ML) and artificial intelligence (AI) tools, over the years, have been used to refine the automation in banking, helping results to become more and more consistent and accurate. Today, in the wake of the rise of generative AI (GenAI), the future role of humans in the place of work is being questioned. And there is an ongoing debate on what aspects of employee knowledge, skill or expertise would be left for employees to retain.

However, in spite of all of these rapid developments on the technology front, it is clear from respondents that the knowledge, skills and experience of a real person are still very much appreciated (perhaps, even yearned for) and contribute distinctly to positive CX.

Fig 2.16 shows how survey respondents associated with the different tiers of the industry value employee knowledge, which places third on the ranked CX influencer list behind short in-branch wait times and predictability. It is obvious from the graph that there's not much of a distinctive difference between the different tiers in the pattern of responses.

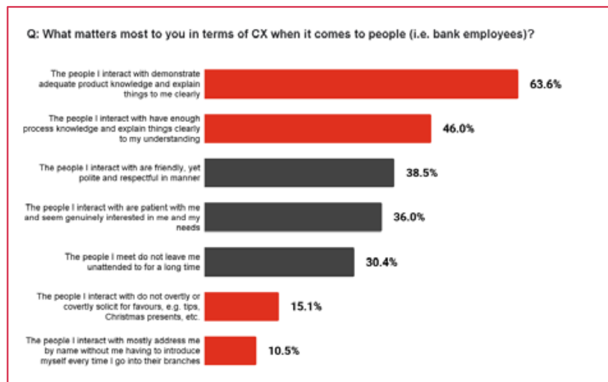
Fig 16: Percentage of respondents prioritising employee knowledge as top three CX influencer



Data deep dive: how bank employees currently contribute to CX in the industry

Survey responses suggest that, already, employee knowledge contributes significantly to positively shape customers' experiences. Product knowledge and process knowledge are, currently, the two biggest shapers of CX from the perspective of employees-as-a-CX-lever for banks. As shown in **Fig 2.17** below, 64% and 46% of survey respondents, respectively, selected product knowledge and process knowledge as the current top two shapers of CX. This response pattern supports bank executives' assertion that the industry invests a lot in training bank employees and employees of third-party businesses to which aspects of banking are contracted.

Fig 2.17: How survey respondents prioritise employee CX levers[15]



After employees' product and process knowledge, survey respondents selected employee warmth and respect (an expression of employee engagement) as the third most frequently used element of employee CX lever in their banks' CX toolbox - about 39% of respondents agreed that, currently, the friendliness, politeness and respect shown by bank employees contributes to the levels of CX they enjoy. [Read the insights below gleaned from conversations we have had with senior banking executives to learn more about how the industry is leveraging employee engagement for enhanced CX.]

Insights from conversations with senior bank executives

Bank executives understand the evolving role of front-line staff in delivering excellent CX amid the shift towards digital banking. As a result, banks are prioritising training programmes to ensure their staff possess the necessary knowledge and skills to provide superior service. The rapid advancements in technology and digitisation have prompted banks to regularly offer comprehensive training programmes, designed to continuously update and equip their front-line executives for improved performance.

Recognising the importance of keeping up with technological changes, banks frequently provide their staff with opportunities to learn about new products, processes, and digital tools, with some banks providing e-learns platforms for their employees. This ongoing education helps employees to stay current and effective in their roles, ensuring they can deliver the high-quality service customers expect in a digital banking environment.

Bank executives have cited the leverage of customer feedback and insights, such as surveys, to identify specific areas where front-line workers need additional training or support. This feedback loop is crucial in fostering a culture of learning and adaptation within the organisation. By continuously listening to and acting on customer feedback, banks are confident their staff will become more knowledgeable and better equipped to anticipate customer needs, effectively addressing any issues that arise.

To further identify gaps in product and process knowledge, some banks have adopted practices like mystery shopping and branch visitations by executives. These will help banks rate factors such as friendliness, professionalism, and the accuracy of information given. Similarly, branch visitations by executives allow for direct observation of interactions between staff and customers, providing valuable insights into the quality of service and areas for improvement.

Our general point of view and key takeaways for banks

At PwC, we agree that front-line staff training is not a one-time event; it is an ongoing process necessitated by the ever-evolving financial digital landscape. Prioritising continuous training sends a powerful message to employees—that their development is crucial to the financial institution's success.

Front-line employees are the face of the bank. As the first point of contact for customers seeking financial assistance or information, their role is integral to the bank's delivery of a superior CX and overall success. To ensure high service quality, we encourage banks to invest in comprehensive training programmes to enhance their employees' product and process knowledge.

This investment yields multiple benefits. Well-trained employees will be better equipped to cross-sell or up-sell products to customers, comply with regulations, and provide swift solutions to customer queries. This not only delivers an exceptional CX but also helps build trust and credibility. When employees can provide accurate and helpful information, customers are more likely to trust the bank and its products.

Additionally, **Fig 2.1** highlights that customers want their in-branch time to be relatively short so they can attend to other duties. Employees with robust product and process knowledge can quickly resolve issues and offer effective solutions, meeting customers' satisfaction levels, reducing in-branch wait times, and enhancing the overall customer experience.

[15] The dark grey bars in the graph represent behaviours that are reflective or indicative of the level of employee engagement.

CX influencer No. 4: Ease of access, responsiveness & promptitude on (remote) channels

Channels or touchpoints - whether digital or B&M - serve as the primary points of contact and interactions between banks and their customers. As a result, channels can give customers a glimpse of their bank's culture. If a bank is progressive in its outlook on the customer economy, it is most likely to show in its touchpoints. Such a bank would seek to avail always-on, easily accessible, and frictionless channels for use, and ensure that these channels are well integrated such that customers can transition seamlessly across channels (digital and physical) in their journeys without cross-channel hand-offs being even noticeable. If, on the other hand, a bank is laid-back, it is unlikely customers' experiences on its channels would be enjoyable.

Broadly, a bank's channels include their branches, websites (for online or internet banking), mobile apps and USSD shortcodes (for mobile banking), ATMs, and POSs. They also include call/ contact centres, agency outlets, and kiosks.

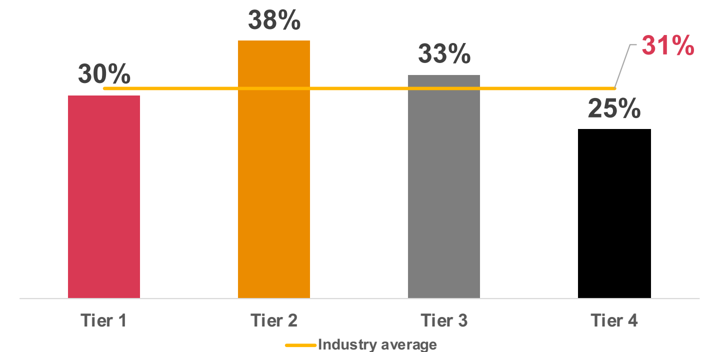
Channels can make a considerable difference to the experience that customers have in their interactions with their banks. Channels can leave customers very pleased with themselves, converting them into unpaid brand ambassadors for their banks. On the other hand, channels can also take customers to a point of frustration that would make them consider switching banks or cause them to actually switch banks.

Channels can be described or assessed variously along the lines of their accessibility, availability (i.e. always-on), ease of use (i.e. user friendliness), integration with other channels - digital and/or physical, responsiveness, security, speed, etc.

In responding to the survey, almost a third (31%) of bank customers selected "ease of contact with their bank, and promptitude of response" among their top three CX influencers, placing it fourth on the prioritised list of nine CX influencers. Refer to **Fig 2.1** for the full list of customers-prioritised CX influencers.

Fig **2.18** below also shows how the customers of banks in the different tiers of the industry value ease of remote (i.e., outside-of-branch) contact/ access and the associated speed of response by their banks. Most customers expect their banks to avail them tools that will enable them to integrate their banking business seamlessly into their daily life routines. However, from the survey responses data, it would seem that relatively more of Tier 2 bank customers would prefer to be able to contact their banks remotely, and expect their banks to be both responsive and prompt. For Tier 4 bank customers, only 25% share this expectation/ desire.

Fig 2.18: Percentage of respondents prioritising ease of [remote] contact with bank and speed of response as top three CX influencer



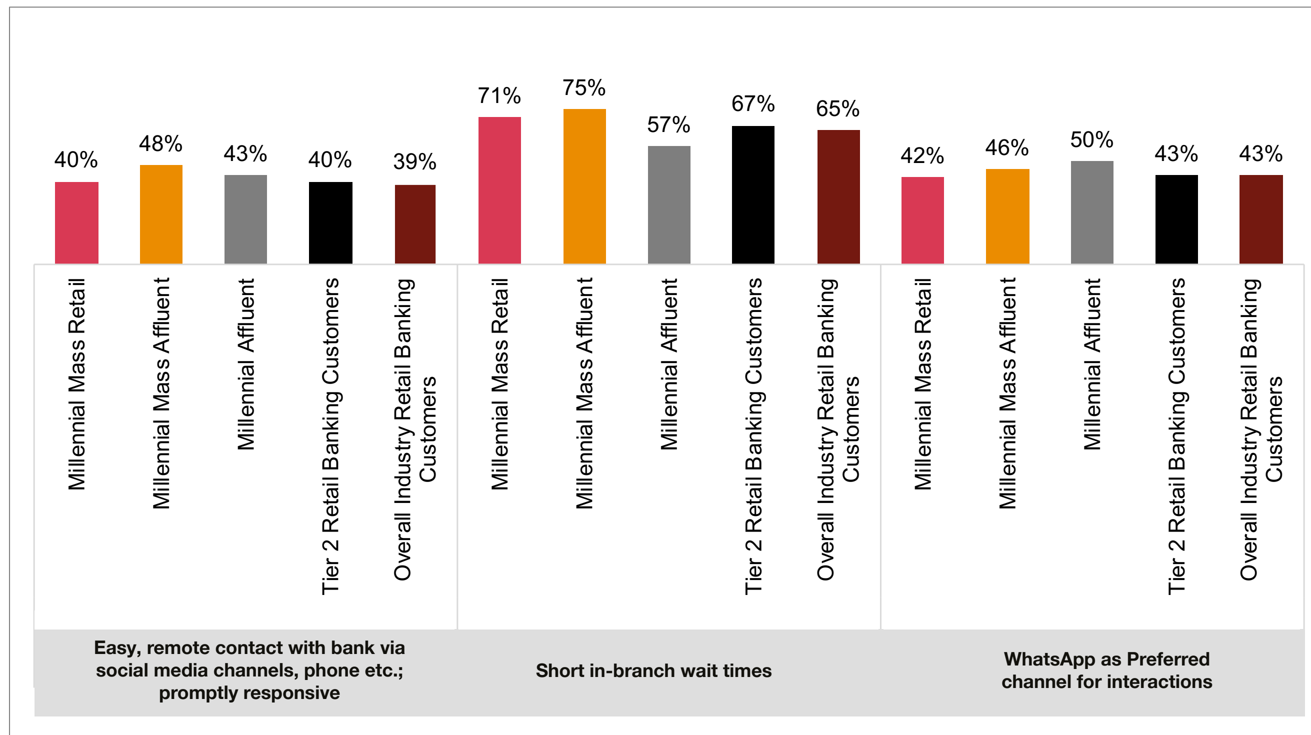
Data deep dive: focus on Tier 2's Millennial mass retail, mass affluent, and affluent customer segments

A closer look at the response data for Tier 2 banks' customers showed that the overall response relating to the preference for remote contact with their banks (as shown in **Fig 2.19**) is influenced by the response patterns of three sub-groups of the tier's retail banking customer segment: i.e. Millennial Mass Retail (MMR) customers, Millennial Mass Affluent (MMA) customers, and Millennial Affluent (MA) customers.

Altogether, these three customer sub-segments formed 40% of Tier 2 banks' retail banking customers that participated in the CX survey: Millennial Mass Retail customers (24%), Millennial Mass Affluent customers (9%), and Millennial Affluent customers (7%).

Indeed, the Millennial Mass Affluent customer subgroup demonstrated a considerably high proclivity towards easy, remote access to their bank and a speedy, effective response from them. A cross-check with data related to other responses appears to corroborate this observation. The graph below presents data that supports this finding about Tier 2's Millennial Mass Affluent customer.

Fig 2.19: Data insights into Tier 2 banks' millennial customer segments' preferences for easy, remote contact with their banks, and expectations of speedy responses



While the proportionate or percentage values might lag behind the Millennial Mass Affluent response data, it is clear that Tier 2's Millennial Mass Retail customers also prefer to have access to easy-to-use tools that put their banking lives in their own hands. When asked, Millennial Mass Retail customers are, perhaps, even more impatient about their in-branch wait times than the Millennial Mass Affluent segment: ~48% would tolerate 15 minutes or more for their in-branch service, while 54% of the mass affluent segment would do the same.

Spotlight: WhatsApp is, by far, bank customers' platform of choice for interactions

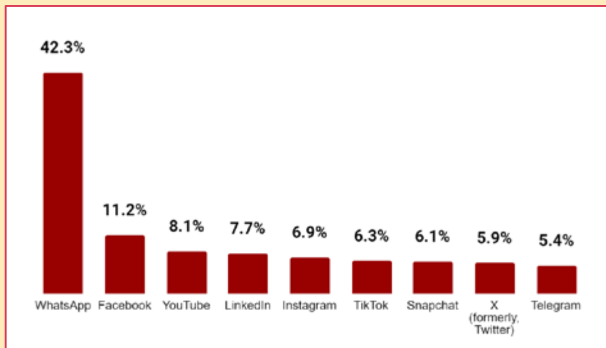
Arguably, on any given day, WhatsApp is the most viewed/ used app by a large section of the adult population in the country with access to smartphones and/or some feature phones.

The survey response data suggests that WhatsApp offers the banking industry an opportunity that seems to have gone begging. A couple of banks in the industry have leveraged the popular mobile messaging app as an interface to offer a seamless banking experience to their customers that is neatly integrated into the normal routines of their daily lives.[16]

While this might be limited in the scope or range of banking activities a customer is able to make, the fact that a person is able to simply switch between chats in WhatsApp to do their banking while connecting with their family, friends, and workmates without having to exit one app and launch another could make a considerable impact on CX.

[16] United Bank of Africa (UBA) has Leo (https://www.ubaghana.com/leo/) and Fidelity Bank has Kukua (https://www.fidelitybank.com.gh/personal/whatsapp)

Fig 2.20: Survey respondents' preferences for messaging and social media apps



Note: Percentages shown may not total 100 due to rounding

When we peer underneath the data represented in **Fig 2.20,** we see the following patterns:

- Relatively older bank customers that participated in the survey show a preference for WhatsApp compared to the younger age groups.
- Younger bank customers (Gen Z and younger) seem to have a relatively higher preference for Snapchat (15%) and Instagram (10%).
- In comparison, 5.2% and 7.5% of Millennial survey respondents selected Snapchat and Instagram, respectively, as their preferred interaction platforms
- Gen X respondents have a lower inclination towards the use of Snapchat (3.9%) and Instagram (4.3%)
- Only 1.2% of Baby Boomers and older survey respondents consider both Snapchat and Instagram as preferred communications and interactions platforms.

Insights from conversations with senior bank executives

In our conversations with senior banking executives, it would seem that - beyond communication - some players in the industry are hesitant to mainstream WhatsApp into regular banking channels/ touchpoints. This is in spite of the mobile messaging app's potential for enhancing CX. Still, while some bankers are of the view that regulations are not clear on the use of WhatsApp in offering banking services, others say that the existing regulations support leveraging WhatsApp for banking as long as the regulator's express approval is obtained. Indeed, two banks - Fidelity Bank and UBA - already have WhatsApp banking listed on their respective websites as part of their value propositions to various sections of their customers.

What many bankers agree on, however, are the security concerns associated with WhatsApp. These security concerns include privacy and data protection challenges, which bankers argue would expose their customers to fraud and, potentially, create liabilities for banks.

In spite of the security limitations noted, some banks still acknowledge that WhatsApp presents a significant opportunity for banks to spice up the experiences they create for their customers on their various journeys, and are willing to explore innovative ways to leverage when there is greater clarity by the regulator. They argue that there are various ways in which banks could integrate WhatsApp with core banking systems as well as other banking services apps to give their customers the memorable experiences they seek.
They acknowledge that the demographic shift in the customer base means banks would have to consider more and more non-traditional platforms for banking to keep the competition from fintech and Big Tech at bay. Indeed, some bankers reminisced over an earlier period when internet banking was viewed with scepticism, but has now become mainstream. They noted that, if the industry remains overly cautious and avoids timely engagement with the regulator, they are likely to miss a big opportunity to further enhance their channels' ease of access, responsiveness, and promptitude.

Our general point of view and key takeaways for banks

We agree that the industry must exercise caution to avoid getting burnt from high-profile cases of fraud related to WhatsApp banking. Still, the territory is not entirely uncharted; Fidelity launched Kukua, its WhatsApp banking assistant in October 2020, while UBA's Leo was introduced to the Ghana market in May 2020.[17]

Considering that regulation typically lags innovation, we propose that the senior executives of the banking industry should lead the conversation with the regulator, involving - where it would be of benefit - app developers. We would not like to see cases where the regulator sanctions banks for being innovative.

However, arguably, WhatsApp has gone through some enhancements that are also targeted to improve the security of the app/ platform, since its acquisition by Meta in 2014. Additionally, beyond the examples cited in Ghana, i.e. Fidelity Bank and UBA, WhatsApp banking is not a completely novel idea. Some countries have already licensed WhatsApp pay for use in their jurisdictions for business and peer-to-peer (P2P) payment transactions.

These countries include India, Brazil, and Singapore. Some of these countries, perhaps, might have even more restrictive compliance rules compared to Ghana. Yet, players in these markets have made the requisite investments to be able to bring a desired service to their customers while staying compliant with regulations.

Our suggestion is that banks in Ghana should, as part of their digital banking strategies, seriously consider transactional forms of banking on social media platforms as a key product/service or channel.

This must not necessarily be limited to WhatsApp. Early adopters of digital innovations among banks' customer bases would be willing to test banks' innovations and provide feedback for improvements. As suggested by this survey, banking customers love to transact on digital channels, and a good percentage of them are active on social media. In our view, delaying further only creates opportunities for the industry's competition to latch onto a significant opportunity.

[17] Sources: https://www.fidelitybank.com.gh/news/274-fidelity-bank-unveils-kukua-its-whatsapp-banking-assistant; https://www.ubaghana.com/wp-content/uploads/sites/14/2021/04/AGM-2021-.pdf

CX influencer No. 5: Engaged employees showing genuine interest in customers' business; proactive in offering help

Data from the CX survey suggests that the fifth and seventh prioritised CX influencers are both signs of an engaged workforce, i.e.:

- Show interest in the customer and the customer's business; be proactive in offering help

Exhibit warmth and joy at the opportunity to provide service to the customer

A disengaged workforce is a turn-off for customers and could be one of the reasons that a customer might decide to cut ties with a brand. The causes of employee disengagement are wide-ranging and include poor leadership, lack of recognition and career growth, work-related stress and burnout, excessive workload and insufficient pay, and a lack of empowerment and autonomy.

Whatever the cause, employee disengagement could be expressed in forms such as:

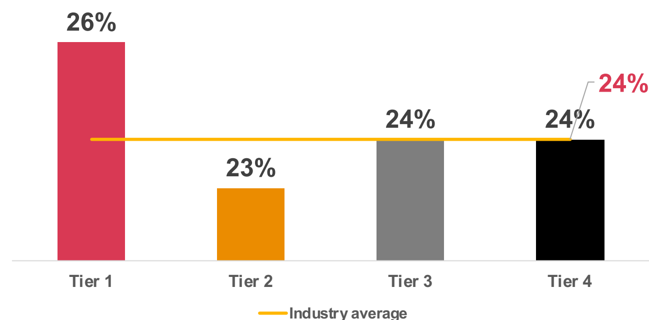
- Apathy to work, including an unwillingness to attend to client or customer needs
- A generally negative attitude towards everybody related to work, internally or externally
- Increased errors/ mistakes
- Lack initiative and disparaging of initiative in others
- Disinterested in self-development and growth

Employee knowledge (of products and processes) is a necessary, and indeed an important, factor for getting tasks completed accurately. However, an employee who is highly engaged is that additional factor that helps to ensure that tasks are done speedily and with the kind of attitude that endears a brand to a customer.

The survey showed that customers like to be treated as individuals and not simply considered as part of a broad segment, even if the bank uses segmentation as a tool for determining their approach to providing a differentiated experience to its customers. When asked to indicate what they consider key CX influencers, they noted that [bank] employees must show a genuine interest in them as customers and show eagerness to address their needs.

The graph below shows the level of importance that customers of banks in the various tiers of the industry attach to employees' interest in their custom and their willingness to offer help. From the data, it would seem that proportionately more Tier 1 bank customers consider this employee attribute a good differentiator of CX. Proportionately, fewer Tier 2 bank customers have a similar view

Fig 2.21: Percentage of respondents prioritising employee interest and preparedness to serve (i.e. employee attitude/ employee engagement) as a top three CX influencer



Data deep dive: Tier 1 bank customers, generally, appear more expectant of individualised attention

We dug deeper into the survey data to explore how different customer segments of the different tiers responded to the specific question of employee interest and proactive support. We also cross-compared the findings with other data points generated from the survey.

Generally, it would seem that Tier 1 bank customers - across most of the customer segments - place a relatively higher value on individualised attention and speed in their consumption of banking services. The data also seems to support the earlier finding that more Tier 1 bank customers are more likely to expect their in-branch visits to undertake banking transactions to not exceed ten minutes.

Fig 2.22: Percentage of respondents prioritising employee interest and preparedness to serve (i.e. employee attitude/ employee engagement) as a top three CX influencer (Analysis by age groupings/ generations of retail banking customers)

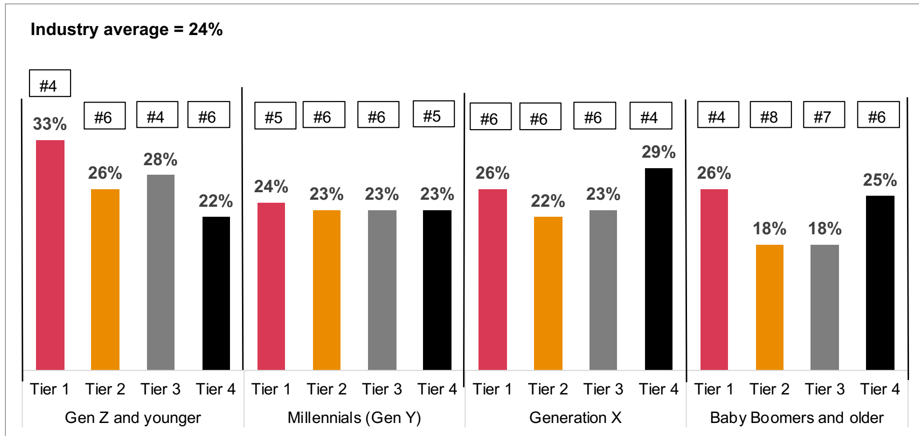


Fig 2.23: Percentage of respondents prioritising employee interest and preparedness to serve (i.e. employee attitude/ employee engagement) as a top three CX influencer (Analysis by monthly incomes of retail banking customers)

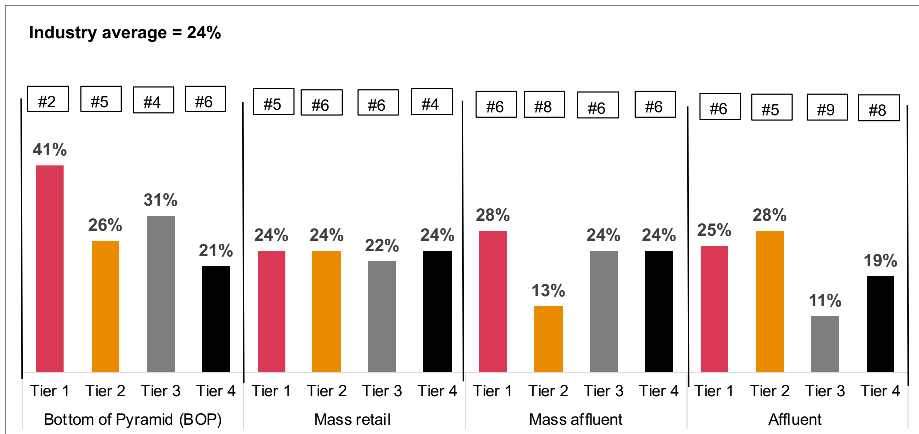
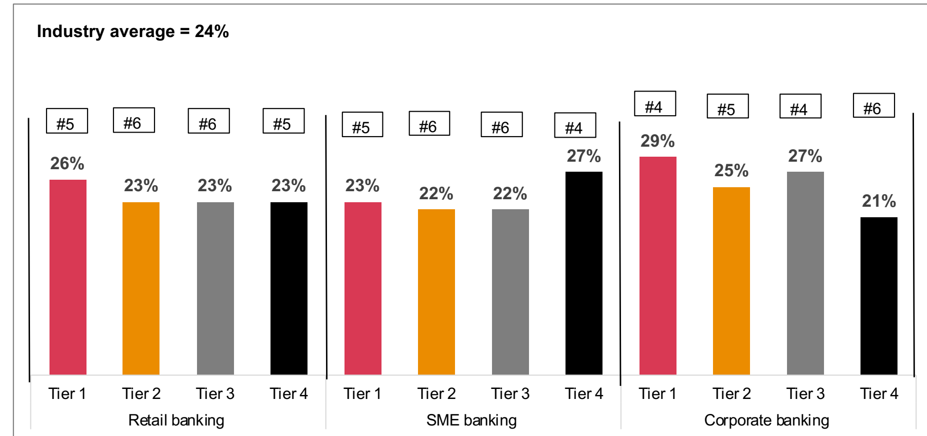


Fig 2.24: Percentage of respondents prioritising employee interest and preparedness to serve (i.e. employee attitude/ employee engagement) as a top three CX influencer (Analysis by banking relationship type/ customer type)

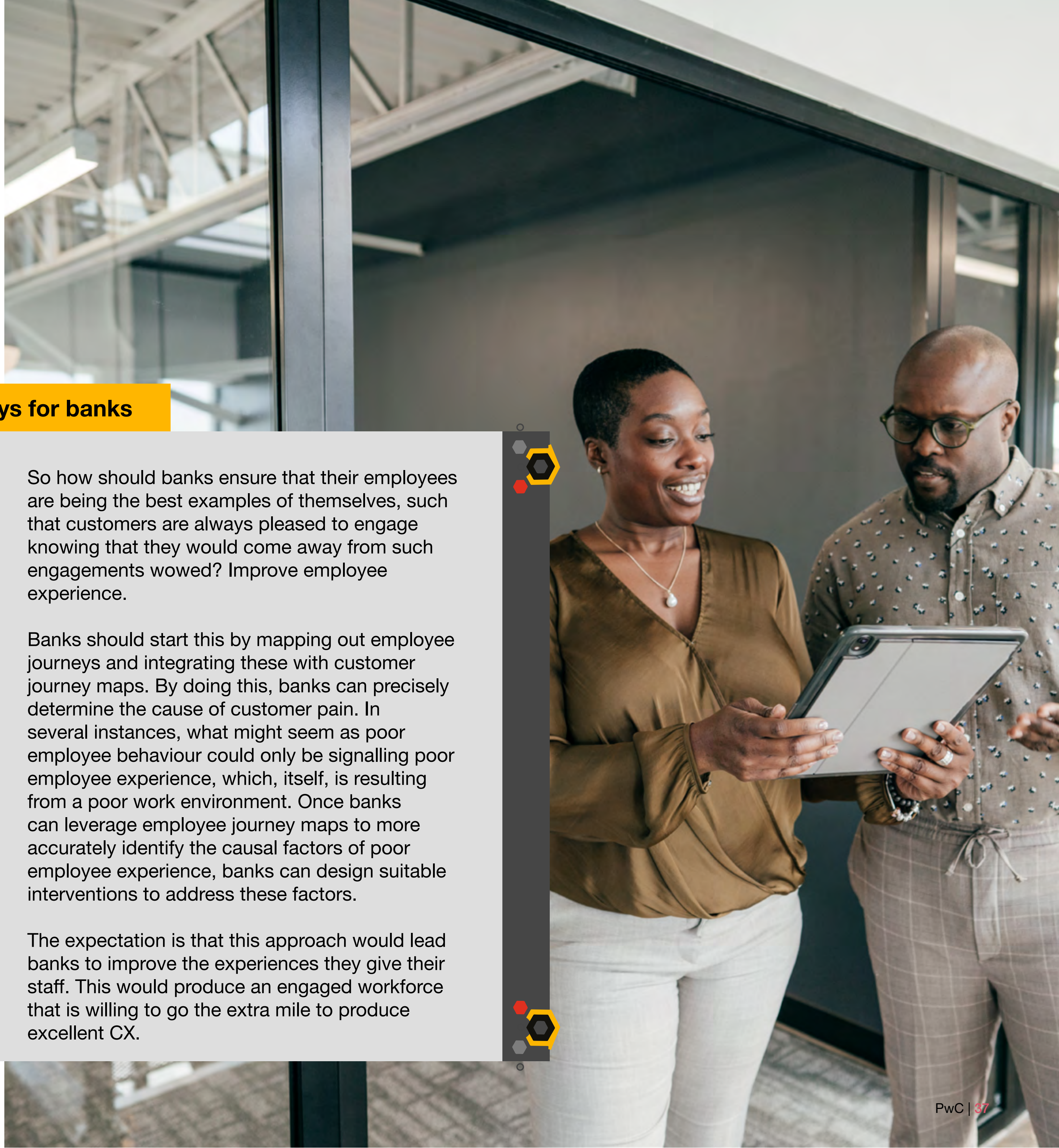


Insights from conversations with senior bank executives

With banking having become predominantly tech-powered or digital in form, senior banking executives noted that employee capacity building goes beyond providing front-line staff or customer-facing officers simply with training that equips them with product and service knowledge. Banks have expanded their training programmes to include content that is relevant to the digital applications or technology they use as part of their banking operations. The objective is to provide customer-facing staff with sufficient skills that would enable them to effectively support customers through their digital journeys and to help resolve any challenges they might encounter on channels or platforms.

Additionally, continuing demographic shifts mean that more and more digital natives are entering the banking public or customer base. These types of customers are generally more technologically savvy, but seem more impatient too. One bad experience could lead these types of customers to take to social media and create a nightmarish thread of bad reviews about faulting brands. Banks, therefore, incorporate comprehensive training on customer service in their employee capacity development programmes. Content taught includes how to handle difficult customers, which provides bank employees with skills that boost their confidence and enhance their employee experience at the workplace.

Banking executives explain that training is not the only tool banks use to sustain/ increase employee engagement or employee experience. Banks also consider employee rewards for good performance at work and for exhibiting expected/ desired behaviours, flexi-work models following the COVID-19 pandemic, job enrichment, gender equity, and equal access to career growth opportunities. Banking executives confirm their awareness of the link between employee engagement/ employee experience and CX, hence make a conscious effort to try and achieve/ sustain high levels of employee engagement.



Our general point of view and key takeaways for banks

At PwC, we know the intricate and inextricable connection between employee engagement/ employee experience and CX. In our 2017/18 Future of Customer Experience (CX) Survey, we had reported that the most cited causes of consumers switching brands are bad employee attitudes (~65%) and unfriendly service (60%). These are also very common signs of a disengaged employee or workforce. Their systemic presence in an organisation could jettison any CX transformation initiatives that an organisation embarks on or invests its resources into.

As we have portrayed in **Fig 2.1,** bank customers expect bank employees to show genuine interest in them and in their business, and demonstrate an eagerness to address their needs. A customer that feels - through the observed behaviour of an employee or employees - that an organisation is indifferent to their custom is likely to decide to switch brands. And worse still, they might make a public show of it on social media.

In the above-referenced survey, we established that the price premium for getting CX right is 10% - 16%.

So how should banks ensure that their employees are being the best examples of themselves, such that customers are always pleased to engage knowing that they would come away from such engagements wowed? Improve employee experience.

Banks should start this by mapping out employee journeys and integrating these with customer journey maps. By doing this, banks can precisely determine the cause of customer pain. In several instances, what might seem as poor employee behaviour could only be signalling poor employee experience, which, itself, is resulting from a poor work environment. Once banks can leverage employee journey maps to more accurately identify the causal factors of poor employee experience, banks can design suitable interventions to address these factors.

The expectation is that this approach would lead banks to improve the experiences they give their staff. This would produce an engaged workforce that is willing to go the extra mile to produce excellent CX.

In conclusion, the acid test for a bank's performance at CX: the customer's bank-switch decision

Great CX turns customers into unpaid brand ambassadors. Poor CX will eventually cause the most loyal or the most docile customer of any brand to part ways with the organisation.[18]

In some cases, customers leave quietly without providing any feedback to the organisation and enable it to correct the problem. In recent times, such customer exits are most likely to be followed by several posts and long threads of bad reviews or trolling on popular social media platforms. Organisations thus affected would be left - perhaps, for quite a long while - to deal with the resultant negative press. The associated cost in terms of potential revenue lost to boycotts and senior management time spent to repair market reputation could be significant.

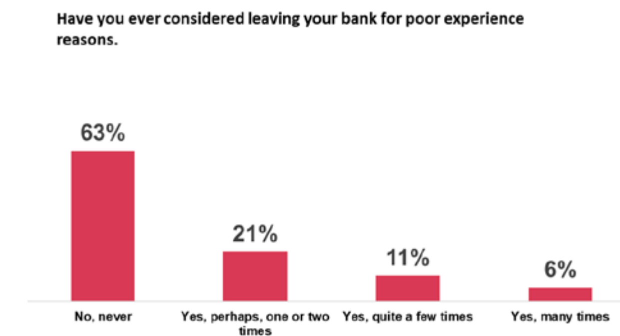
Organisations use various metrics to determine the presence and size of the risk of customer desertions. These include net promoter score (NPS), customer satisfaction score (CSAT), and customer effort score (CES). Customer churn or retention rate, on the other hand, gives a sense of the actual incidence of customer attrition or desertions. In the case of banks, account dormancy rate is another metric that provides insights into customer desertions. All these are important metrics watched closely by the c-suite with more serious management teams drilling below organisation-wide levels to understand segmental trends.

As part of the survey, we asked respondents a pointed question: have you ever considered leaving your bank for poor experience reasons? If yes, how often have you considered this?

The graph below **(Fig 2.25)** shows that 63% of all respondents say that they have never considered leaving their principal banks on grounds of poor CX. This means that, over the 12 months leading to when they took the CX survey, more than a third of bank customers might have thought about leaving their current principal banks for reasons related to poor CX.[19]

This statistic aligns with the finding from the earlier PwC CX survey and must give banks in Ghana grounds to pause and reflect on what they could do differently or improve on to better satisfy their customers. Imagine more than a third of a bank's customers closing their accounts or simply stop depositing funds into their accounts over a period up to one year!

Fig 2.25: Percentage of respondents confirming that they have considered switching from their banks due to poor CX.



Note: Percentages shown may not total 100 due to rounding

Digging below overall survey responses data to understand tier response patterns, it would seem that while Tier 1 bank customers appear the most likely to switch from their principal banks, Tier 1 banks, at the same time, seem to be the industry's most attractive to the banking public. The graph below portrays potential customer losses and gains, aggregated at the tier level.

Fig 2.26: Analysis of tier-level potential customer losses and gains based on respondents' responses to bank-switch question

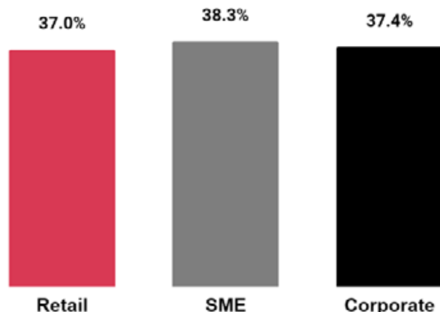
The data suggests that Tier 1 banks are likely to be the industry's biggest net beneficiaries of customer defections, with a positive 9% gain-loss change. Tier 3, on the other hand, could be the industry's biggest losers if customers were to switch banks, as intimated in the survey responses. While there are more nuanced variances in the response patterns at bank levels, we hold the view that the graph provides a hint of which tier banks should consider investing a bit more energy and resources into shoring up their CX transformation efforts.

[19] In the earlier PwC global CX survey referred to in this report (i.e. PwC Future of Customer Experience Survey, 2017/18), we found that 32% of all customers would stop doing business with a brand they love after one bad experience.
[19] About 50% of respondents to the survey suggest that they have maintained their relationships with their current principal banks for a minimum of five years.

Segmental view of risks of customer defections attributable to poor CX

To get a better view of the customer segments that pose relatively higher risks of poor CX-related customer defections to banks to help them better calibrate whatever changes they might deem necessary to their CX strategies or CX transformation projects, we dug deeper into the survey responses. The graphs that follow present our findings.

Fig 2.27: Segmental analysis of potential customer defection risks facing banks (segmentation by type of banking relationship/ type of customer)



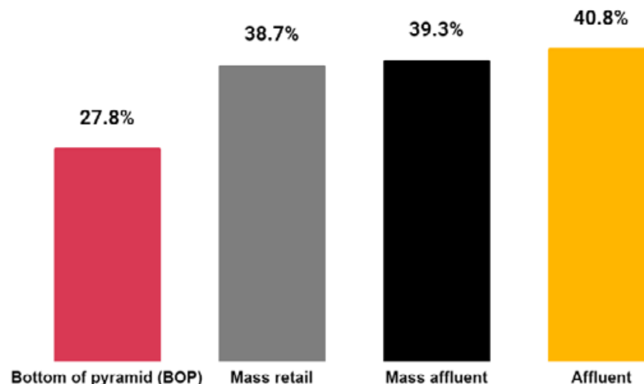
in the risk of customer desertions that the different customer segments (i.e., using the type of banking relationship as a basis for segmentation) pose to banks.

SME banking customer segment, however, poses a slightly higher risk of customer attrition - 38.3% of all SME banking customers that participated in the CX survey say they have ever considered switching from their banks over that past 12 months.

This should prompt banks with a significant percentage of SME customers as part of their portfolios to spend a bit more time to understand their needs and expectations when it comes to CX. For instance, for such banks, it should matter to them that 61% of SME customers that took the survey have indicated that they wish to spend ten minutes or less in bank branches for the banking business.

The equivalent for both retail and corporate banking customers is ~60%. THis could mean that banks with branches sited close to or within SME business enclaves should ensure that they prioritise efforts to make these branches a lot more time-efficient.

Fig 3.28: Segmental analysis of potential customer defection risks facing banks (segmentation by indicated monthly income levels)



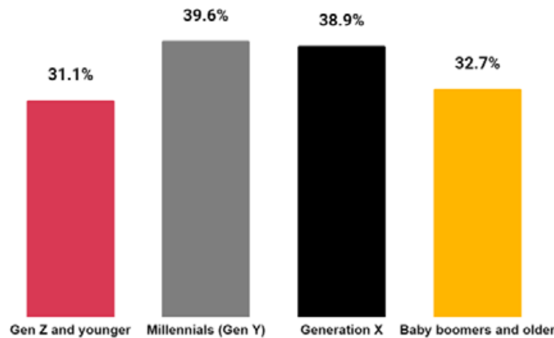
From the survey response data, it would seem that the higher the income levels of bank customers, the less tolerant they are of poor CX. Approximately 41% of bank customers characterised as "affluent" in this survey have considered moving their banking business away from their current principal banks in the last 12 months. This is noticeably higher than the industry/ survey average of ~37%. Indeed, it is only the BOP customer segment in this segmentation category that falls below the industry/ survey average.

Exploring the responses data further, we identify some preferences and behavioural traits about the industry's affluent retail banking customer. We have compared the related data to other income-segmented customers below:

- **Use of bank's digital channels:** 70% of affluents prefer this vs. 58% (industry average)
- **System uptime rates:** 42% of affluents prefer 99% system uptime (27% industry average)
- **Employee product knowledge:** 69% of affluents prioritise that as a No. 1 desirable attribute in bank employees (65% industry average)
- **Omnichannel supportive processes, i.e. seamless processes, connected across physical and digital channels:** 39% of affluents place a premium on this (33% industry average)

These data points should be of interest to banks that focus (or aim to focus) on banking the industry's affluent. Clearly, banks with such a focus should have an effective digital banking strategy as a key plank/ component of their corporate strategy and their CX transformation strategy.

Fig 2.29: Customer segmental analysis of potential customer defection risks facing banks (segmentation by customer age groupings/ generations)



Millennial retail banking customers present banks with the highest desertion risk, followed by Gen X retail banking customers. Almost 40% and 39% of these two customer segments, respectively, indicated in their survey response that they have considered changing banks over the past one year, with ~56% for both customer segments indicating that they have considered it at least once or twice, and ~15% having given it a thought several times over.

A closer look at additional data shows the following about Millennial retail banking customers that should interest banks in order to enable them ensure that they are taking conscious steps to satisfy this segment of customers:

- 39% of Millennial customers prefer to transact banking business very frequently; this holds true for 35% of the industry, on average
- 61% vs 58% prefer the use of their banks' digital channels
- 37% of millennials prioritise having easy access (including via platforms, such as WhatsApp) to their banks, higher than the industry/ survey average of 33%

Insights from conversations with senior bank executives

Bank executives seem confident that actual customer churn in the industry is lower than what the survey suggests the potential could be. They confirm that the switching cost for customers in the industry is high, contributed to by onerous regulations, bank policies, employees' efforts at relationship building with customers, and a general culture among Ghanaians which makes customers baulk at taking the "change/ switch" decision. They add that a good number of existing relationships between banks and their customers are product-tied, with such ties having life spans that extend beyond the short-term.

Bank executives explain that, rather than take the decision to actually close down their accounts and move funds to another bank, many customers would rather stop transacting on their accounts and leave them to become inactive and enter dormancy. A recent directive by the regulator on the treatment of dormant accounts, which entails loss of the balances in such accounts to both banks and customers, has however led both banks and customers to manage account activity in a more proactive manner.

In spite of the low customer churn, bank executives note that banks recognise the value of providing great experiences to their customers to retain their business. A few executives remarked that the industry is generally lacking in product variety or diversity. Product battles in the industry are mostly fought on the basis of price (i.e., interest rate or fees/ commissions) rather than some innovative features that set a particular bank's products apart from the rest. Hence, CX is very important for winning or retaining customers.

Our general point of view and key takeaways for banks

Four out of every ten bank customers have, at least on one occasion, considered leaving their banks for another over the past 12 months due to poor CX. In our view, this is evidence that the industry's efforts at delivering better levels of customer experience have not been very successful.

Over the past ten odd years, the industry has seen the implementation of many technology projects by banks that are aimed to transform banking models from an environment burdened with manual processes to one that is tech-driven and operates with digitised/ digital storefronts aimed at providing customers with smooth banking experiences. However, it would seem that the CX objectives were not adequately mainstreamed into the implementation of these technology projects, hence their full effect was missed.

The responses to survey questions suggest that customers still have expectations of their banks. For instance, the true omnichannel effect of digital channels (integrated, seamless transitions) is still to be fully delivered by most banks to their customers.

In our view, the real risk of customer dissatisfaction is not churn within the industry. Within-industry churn is essentially a zero-sum phenomenon, as one bank gains what another loses. But the real risk on the horizon is the banking industry losing its customers to other entities that provide banking, payments, and/ or financial advisory services that have, traditionally, been the preserve of banks as we know them today.

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Already, fintech and Electronic Money Issuers (EMIs) licensed by Bank of Ghana (BOG) are nibbling at the payments segment of the financial services products market.

These entities are more agile, seem to have less regulatory burden, and appeal to the digital natives of the banking public, e.g. Gen Z and younger.

In our view, banks should prepare themselves for another chapter where they truly put CX at the core of their strategies and operations. Given the numerous innovations happening on the tech front (including AI and, more specifically, generative AI), banks might be tempted to jump on the adoption bandwagon without necessarily reflecting on how best to utilise new technology to enhance delivery of CX.

We would caution against this approach. We would urge banks to hit the "pause and reflect" button. We would encourage banks to work on projects involving their customer experience and innovation teams. These teams could be supported by experienced professional advisors who would bring independent, external perspectives on how leading companies in other jurisdictions are responding to the forces being created by changing demographic shifts, changing customer and employee preferences, and rapid technology disruption.

The banks that emerge winners of the CX war are those that would find a formula that aligns with their purpose and values and guides them to determine their market focus. This would then help them to select (and deselect) the projects they should invest energies in to create unique experiences that tie their customers to their brands.

Banking industry

Banking industry

An overview of developments in the Banking Industry

The Ghanaian banking industry has witnessed significant transformation in recent years, driven by regulatory reforms, technological advancements and changing customer expectations. In the year under review, the industry continued to evolve, with innovative solutions, enhanced customer experiences, and strategic partnerships taking centre stage. Below are some latest developments and highlights in the Ghanaian banking industry:

In 2023, Bank of Ghana ("BoG") implemented additional policy measures in response to the impact of the DDEP as banks strategise to restore their financial strengths.

- Effective November 2023, BoG unified the currency holding for the Cash Reserve Ratio (CRR) requirement on foreign currency denominated deposits and domestic currency deposits for banks. The new unified Cash Reserve Ratio for total deposits (cedi and foreign currency) – were to be held in cedis – and it was therefore set as follows:

  Banks with Loan to Deposits Ratios (LDRs) below 40% will be subject to a CRR of 25% of deposits, those with LDRs between 40% and 55% will be subject to a 20% CRR, while those with LDRs above 55% will be subject to a 15% CRR. The new policy marks a material increase for banks with low LDRs as the current requirement is 15%.

- Linking the CRR to the bank's LDR creates additional costs to the bank as these monies previously could have been invested for a return. However, the monetary authorities believe that this would push the banks to disburse more loans to productive sectors which will help resolve the excess liquidity which is the cause of the high inflation.
- The question however is, what is driving excess liquidity in the market? The level of liquidity in the economy after the DDEP can possibly be explained by less investable options available to the banks.

- BoG allowed the full deductibility of new bonds, in determining the financial exposure limit of banks to counterparties under section 62(8) of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).
- Bank of Ghana also granted zero-risk weight to the new bonds for Capital Adequacy Ratio (CAR) computation. This will help domestic banks to assign a zero-risk weight for bank exposures to the new bonds issued which eventually will help them record favourable capital adequacy ratios.
- BoG also increased Tier II component of regulatory capital to 3.0% of total risk-weighted assets, from 2.0%. This is part of the forbearances of the central bank to commercial banks to meet the capital requirements.
- Lastly, the BoG increased the allowable portion of property revaluation gains for tier II capital computation to 60%, from 50%.

Sustainable Banking principles implementation

BoG, in its quest to integrate sustainability and climate-related risks within its prudential supervisory structures, took several actions to create more awareness on the Ghana Sustainable Banking Principles (SBPs).

- BoG rolled out capacity building programmes for stakeholders of the banking industry including supervisory staff of the Bank of Ghana. The Bank of Ghana, in partnership with the Ghana Association of Banks (GAB), the Ghana Environmental Protection Agency (EPA) and the International Finance Corporation (IFC) organised two capacity building sessions for selected c-suite personnels of banks to heighten their capacity and enhance the implementation of the SBPs. More than one hundred people from the twenty-three (23) universal banks in Ghana participated in these sessions. The average compliance rate of the SBPs as of September 2023 was 62.5 % relative to 53.4 % in September 2022.

- Again, BoG drafted a Climate Related Financial Risk Directive during the year to clearly define the supervisory expectations for Regulated Financial Institutions (RFIs). The object of the Directive is to enhance the management of climate related financial risks by RFIs and enhance Ghana's financial system to promote resilience and effectively support sustainable economic development. The draft directive is expected to be finalised and published in 2024 for industry guidance.

Completion of ORASS implementation

In 2023, BoG on boarded all Regulated Financial Institutions (RFIs) onto its Online Regulatory Analytic Surveillance System (ORASS). The surveillance system facilitates correspondence between the regulator and the regulated institutions for the submission of prudential returns. This enhanced regulation and supervision of banks, credit institutions, FinTech's and other payment service providers. With the full implementation of ORASS, the Bank of Ghana integrated its supervisory cycle, improved data integrity, and strengthened its supervisory process.

Outsourcing directive

Bank of Ghana published the Outsourcing Directive and Methodology for Assessment of banks' Business Models as Exposure Drafts to solicit views and comments from industry players as well as members of the public in 2023. The aim of the draft Outsourcing Directive was to give guidance on regulatory requirements relating to outsourcing arrangements, establish guidelines for outsourcing arrangements that do not compromise banks and Specialised Deposit-Taking Institutions' (SDIs) ability to meet customer obligations or hinder effective supervision by the central bank. These guidelines will apply to all outsourcing arrangements within financial institutions.

Ghana financial stability project

The World Bank has approved a $250 million International Development Association (IDA) credit for a five-year Ghana Financial Stability Project. The project is to support Ghana's Financial Sector Strengthening Strategy (FSSS) by contributing to financial stability through the recapitalisation of viable Banks and Specialised Deposit-taking Institutions (SDIs) impacted by Ghana's DDEP. This is aimed to help the banks that were significantly affected by the DDEP restore their financial strengths.

Introduction of the growth and sustainability levy ACT, 2023 (ACT 1095)

This Growth and Sustainability Levy Act, 2023 (ACT 1095) repealed the National Fiscal Stabilisation Levy Act 2013 (Act 862) effective April 2023. The Levy is applicable as a percentage on the Profit Before Tax (PBT) or Gross Production of the business irrespective of any existing concessions or agreements to the contrary. The Levy is due for payment on quarterly basis; thus, by 31 March, 30 June ,30 September, and 31 December each year. The Rate of Levy applicable is 5% for companies in category A, where banks fall within.

The Ghana banking industry post the DDEP

With the completion of the second phase of the DDEP covering domestic dollar bonds, cocoa bills and the pension funds combined with the first phase which covered the Ghana Cedi denominated bonds, the banking industry is coming to terms with the full effects of the exchanges.

With the actual exchanges completed, players in the industry in 2023 were no longer concerned with impairment of these bonds but rather the fair values at which to initially recognise these new bonds and determining any modification loss or gain on these exchanges. The changes in the terms of the exchanges were substantial thus the old bonds were derecognised, and the new bonds recognised.

Given the collapse of the Ghanaian bond market, the issue of an appropriate discount factor to use in assessing fair values for initial recognition of the new instruments and thus the modification loss or gain to book remains material to the process. Level 1 and/or level 2 prices cannot be determined with the required objectivity needed and thus level 3 prices via discounted cash flow techniques were used. Using the same range of discount factors as were used for impairment assessment as at 31 December 2022 and having moved closer to the maturity dates of the new bonds meant that modification gains were expected on the dates of exchanges. These gains together with the unwinding factor of the interest on the reporting dates (31 December 2023) were largely part of the increase in profitability of the banking sector in 2023.

Players are monitoring developments around the DDEP. A worsening creditworthiness of the issuer (Government of Ghana) will increase concerns over new impairment post the DDEP. So far, the coupons on the new bonds are being honoured sometimes even before their due dates but the real concerns are around the repayments of the principals in 2027 and 2028. The pressure on Government to repay not only players in the banking industry but also those in insurance, pensions and any other corporate entity holding these DDEP bonds are enormous and obvious for all to see. Government revenue performance coupled with still high expenditure levels with no clear buffers being created towards the redemption of these bonds are concerns for the industry.

With the DDEP, asset quality concerns for the banking industry are not only on the loan book but also on holding of these government securities. The inactivity of the Ghanaian bonds market has pushed some players, still in search of higher returns, to look to the treasury bills and the Bank of Ghana Open Market Operations (OMO) instruments which were still offering quite high returns against all expectations of rates aligning downward towards the average 9% rate on the first exchange.

Treasury bills are still Government of Ghana (“GoG”) issues. BoG is expected to be independent of GoG but we are all aware of how the financial soundness or solvency of the Bank of Ghana so much depends on the GoG and whether one can truly detach the OMO instruments from the Government of Ghana. It appears only a better debt sustainability level than currently is the case can prevent further difficulties for the Government of Ghana in honouring these direct and quasi government related debts when they fall due.

In all of these, let us remember the Eurobonds and Government debts to the Central Bank are yet to be restructured and continue to present significant impairment concerns to the banking industry. There are recent talks of some agreements reached with the bilateral creditors and the Ghanaian banking industry can only be expectant of such similar news on the commercial creditors to bring some certainty to the industry.

BoG has been proactive in implementing measures to enhance financial stability, such as the unification of the CRR, the allowance for bond deductibility, and adjustments in regulatory capital requirements. Furthermore, the emphasis on sustainable banking principles and the completion of the ORASS underscore the commitment to modernise and secure the banking sector.

The introduction of the Growth and Sustainability Levy Act, alongside the support from the Ghana Financial Stability Project, highlights ongoing efforts to strengthen the financial system. Collectively, these developments reflect a robust and adaptive banking industry poised to support sustainable economic growth in Ghana.

Quartile analysis

Quartile analysis

The 20 participating banks have been segregated into four quartiles based on the size of their total operating assets. Banks within the same quartile are analysed and compared against each other.

Total operating assets

Introduction

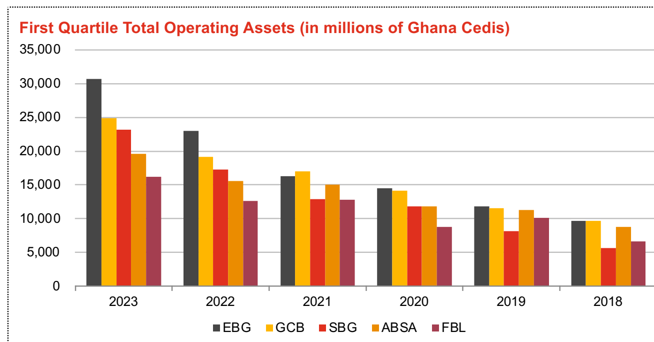
Operating assets encompass cash balances, and assets such as investment securities, equity securities, and loans and advances that generate interest or fee income for banks. These assets exclude investments in fixed and intangible assets, as they provide general support to the Bank's business rather than generating income directly. They are broadly seen as the earning assets of the banks.

For financial institutions, the size of operating assets measures the entity's business efficacy, given their direct influence on income generation. Therefore, assessing how the banking sector has been shaped by restructured Government of Ghana's instruments for the 2023 financial year is essential. This assessment must include a thorough examination of the operating assets' performance post the government securities swap of the banks.

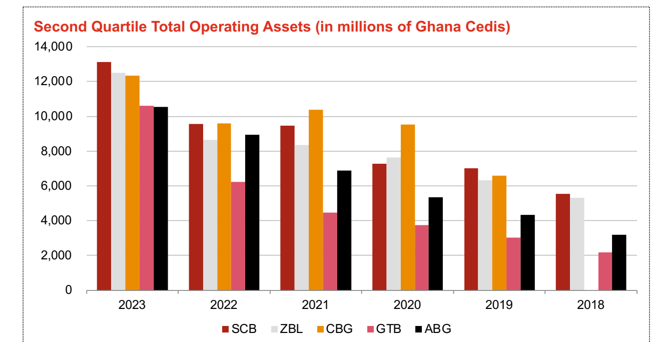
Quartile analysis

Despite facing substantial impairment charges on investment securities and loans and advances, the operating assets of the industry showed resilience, growing by an impressive 23% from 2022. This growth underscores the industry's ability to navigate challenging economic conditions while maintaining its operational strength and capacity for expansion, regardless of the increased credit risk posed by the poor economic climate.

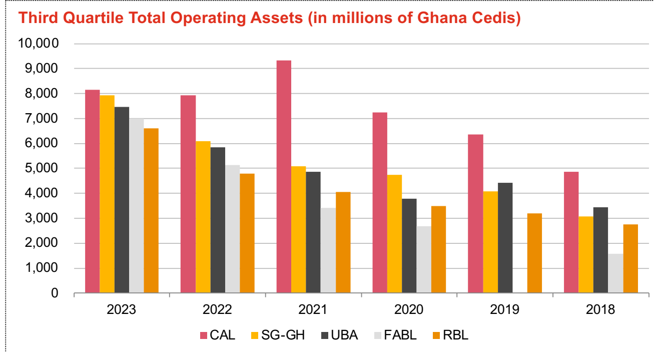
The total operating assets for banks in the first quartile witnessed a remarkable 31% year-on-year growth, reaching GH₵115 billion. This surge marks a significant leap from the previous year's 18% growth rate. Notably, ABSA, GCB, and FBL contributed substantially to this growth, with FBL recording the highest increase from GH₵12.6 billion in 2022 to GH₵16 billion in 2023, representing a 30% increase.

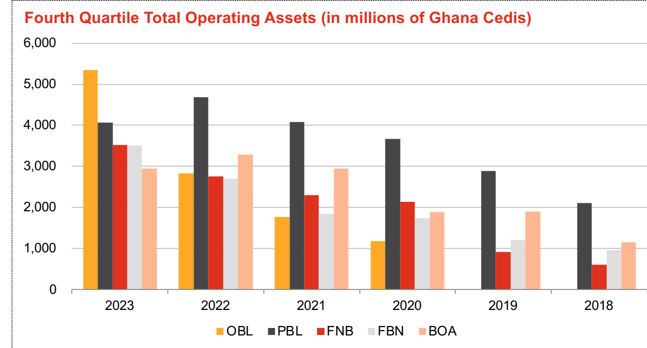


First Quartile Total Operating Assets (in millions of Ghana Cedis)



Second Quartile Total Operating Assets (in millions of Ghana Cedis)





The second and third quartile banks also experienced growth in their total operating assets, with year-on-year increases of 37% and 25%, respectively, driven primarily by cash balances. The industry's cash assets increased by 29.17% compared to 2022. Banks have adopted a conservative approach to lending due to the prevailing economic conditions, aiming to minimise impairment charges.

Consequently, the Bank of Ghana issued a staggered cash reserve ratio (CRR) directive in March 2024 to deter this practice. Banks with LDRs (Loan-deposit ratios) below 40% will be subject to a CRR of 25% of deposits, those with LDRs between 40% and 55% will be subject to a 20% CRR, while those with LDRs above 55% will be subject to a 15% CRR. The penalty of higher unremunerated cash reserves is expected to stimulate a material increase in credit growth in the banking industry. This directive was effective from April 2024.

However, the fourth quartile witnessed a decline in the growth of total operating assets by 6% compared to the growth in 2022, with Prudential Bank and Bank of Africa contributing to this regression. Their operating assets reduced by 13% and 10% year on year. Prudential Bank experienced an increase in impairment provisions, which rose from GH₵549,436 to GH₵1.2 million, impacting net loans and advances, which totalled GH₵1 billion compared to GH₵1.7 billion in 2022.

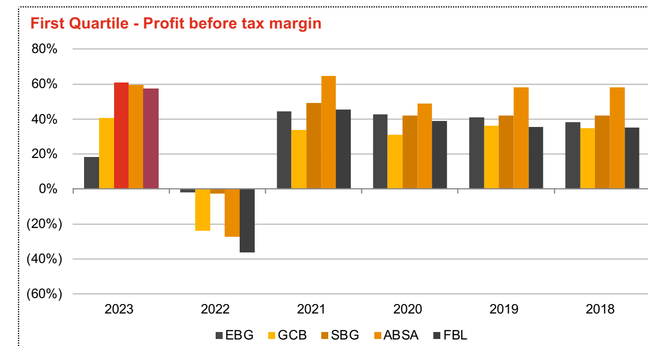
PBT margin

Introduction

Profit Before Tax (PBT) margin is a financial metric that offers insights into a bank's operational efficiency and profitability. It highlights the ability of management to retain revenue before taxes, over which banks have limited control. This effectively measures how well a bank converts its revenue into profit, excluding the impact of taxes.

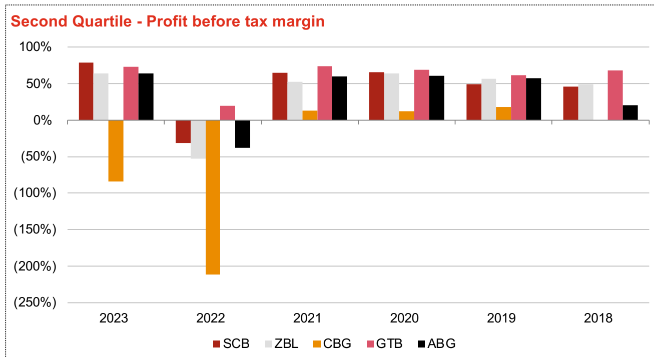
In 2023, the Ghanaian banking industry recorded an overall PBT margin of 37.5%, indicating a robust recovery from the Domestic Debt Exchange Program (DDEP) in 2022, where the LBT (Loss Before Tax) margin was 32.9%. While this improvement is noteworthy, it is essential to recognise that there is still room for further enhancement, considering the PBT margin was 45.2% in 2021, just before the DDEP.

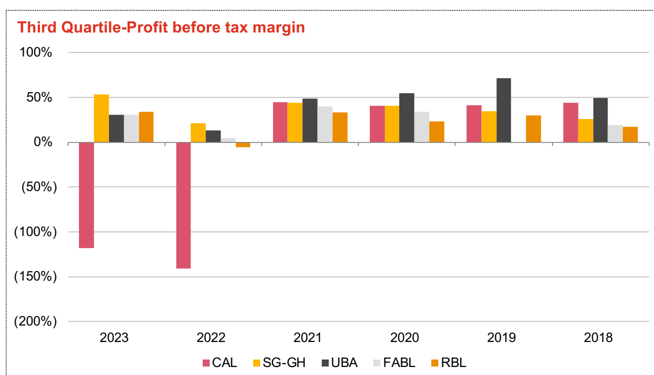
This progression underscores the ongoing efforts and challenges within the industry to optimise profitability and operational efficiency. Despite the overall positive trend, some Ghanaian-owned banks, such as CAL Bank, Consolidated Bank Ghana (CBG), and Prudential Bank Limited (PBL), continue to face difficulties, reflected in their loss before tax margins. These banks must continue the strategic repositioning in order to improve their financial performance and align with the broader industry recovery.

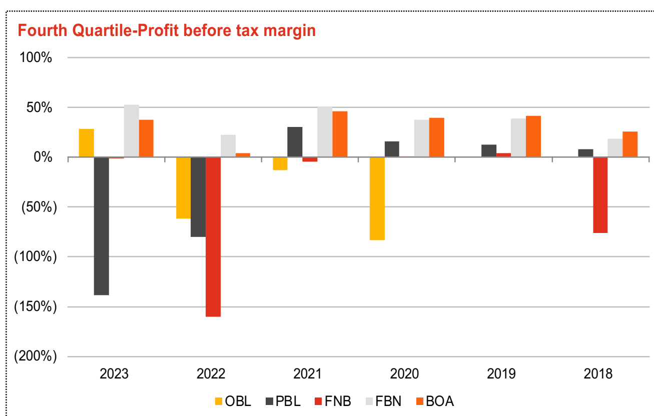


The first quartile banks recorded impressive growth in PBT margin in 2023. Among the five banks in this quartile, SBG stood out with a remarkable turnaround, achieving a PBT margin of 61.0%, a significant improvement from the 2.5% loss before tax margin reported in 2022.

This substantial growth was primarily driven by increase in investment income (partly on the back of the release of impairment booked in 2022 as part of the DDEP). Moreover, impairment charges were considerably lower compared to the previous year, further bolstering SBG's profitability and contributing to the overall performance of the first quartile.







The second to fourth quartile banks showed a notable improvement in PBT margin, averaging 13.8%, a significant recovery from the previous year's Loss Before Tax (LBT) margin of 46.5%. Leading these quartiles, SCB achieved an impressive PBT margin of 79.2%. However, not all banks shared in this success. CAL Bank Plc (CAL), Consolidated Bank Ghana (CBG), and Prudential Bank Limited (PBL) struggled to fully recover from the DDEP in 2022, posting LBT margins of 83.6%, 118.4%, and 138.6%, respectively.

The primary factors contributing to these losses were reductions in investment income and interest on loans and advances. Furthermore, operating expenses for these banks increased by an average of 30%. While some banks are effectively retaining a significant portion of their revenue, others are facing substantial challenges in their path to recovery, highlighting the varied financial health within the sector.

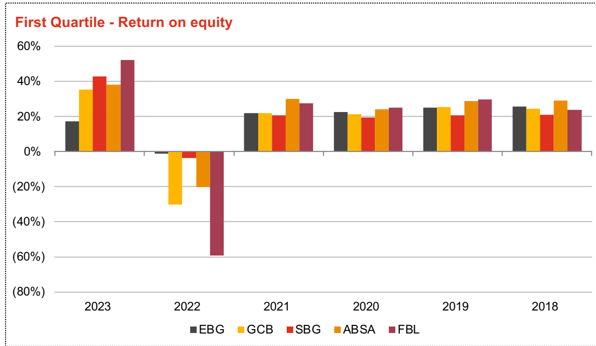
Return on equity

Introduction

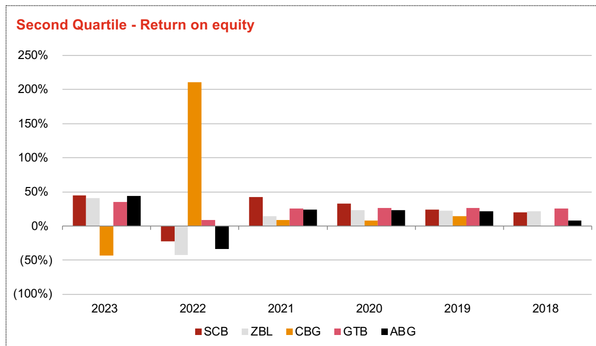
Return on Equity (ROE) provides insights into an entity's profitability and efficiency in generating return for its equity financiers. In 2023, the banking industry witnessed a remarkable improvement in ROE, rebounding from a negative 29.3% in 2022 to a positive ROE of 25.0%. This significant turnaround can be attributed to the banks' strategic recovery from impairment losses caused by the Domestic Debt Exchange Programme, which had previously led to substantial losses across the industry.

In the 2023 fiscal year, the banking sector registered a total impairment recovery amounting to GH₵ 8.7 billion, marking a turnaround from the GH₵ 4.2 billion impairment losses recorded in the preceding year. However, it is worth noting that not all banks shared in this recovery. Similar to their performance in PBT Margin, CAL, CBG, and PBL reported negative returns on equity, with ROEs of -347.9%, -43.6%, and -408.3%, respectively. These figures suggest that these banks are still grappling with the aftermath of the previous year's financial shock.

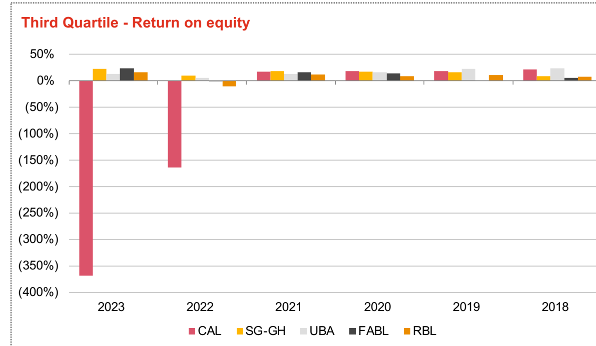
Aside from the notable movements of CBG, GTB, and Cal Bank which moved from the first to the second quartile, the third to the second quartile, and the second to the third quartile respectively, all other participating banks maintained their quartile positions from 2022. This stability, along with the overall positive shift in ROE, indicates a sector gradually finding its footing and poised for future growth.



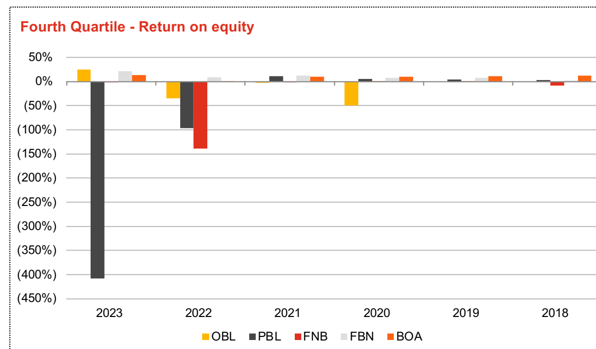
In this quartile, all banks achieved a positive ROE, averaging 37.2%, a significant improvement compared to the -22.9% recorded in 2022. Fidelity Bank led the pack with an impressive ROE of 52.1%, marking an incredible turnaround from its previous -59.1%. EBG, while recording the lowest ROE in this quartile at 17.2%, still showed substantial progress from its -1.3% in 2022.



Banks in the second quartile achieved an average ROE of 24.2%, a marginal improvement from the 24.2% recorded in 2022. SCB led the quartile with an impressive ROE of 44.9%, up from -22.6% the previous year. However, CBG posted a negative ROE of -43.6%, making it the only bank in the quartile to suffer a decline. Despite an increase in shareholders' funds, CBG faced significant income losses, which resulted in this poor performance. As a result, CBG moved from the first quartile in 2022 to the second quartile in 2023.

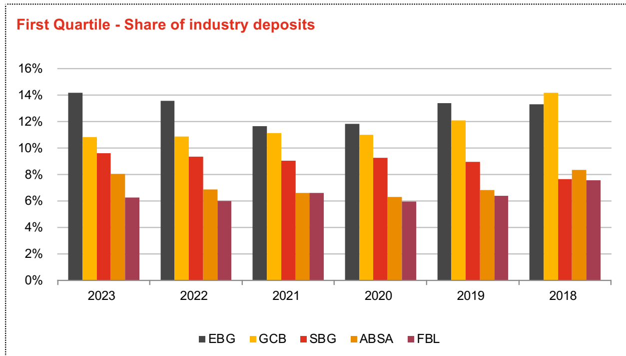


In the third quartile, most banks achieved positive ROEs in 2023, marking a substantial improvement over the negative ROEs recorded in 2022. However, Cal Bank remained an outlier, continuing to face significant losses and maintaining a negative total shareholders' return closing with a loss after tax of GH₵680 million. Thus, Cal Bank's ROE plummeted to 347.9%. This underperformance dragged the average ROE for banks in the third quartile down to -58.6%, compared to -31.9% in 2022.

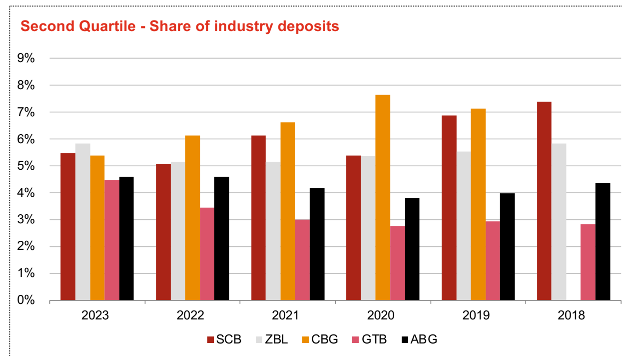


In a similar trend to the third quarter, banks in this quartile experienced an overall increase in ROE, with the notable exception of Prudential Bank, which recorded a negative ROE of -408.3% in 2023, down from -96.8% in 2022. This drastic decline of -322% is the largest in the industry. Consequently, the overall average ROE for the quartile fell to -69.8%, a significant drop from the -51.9% recorded in 2022.

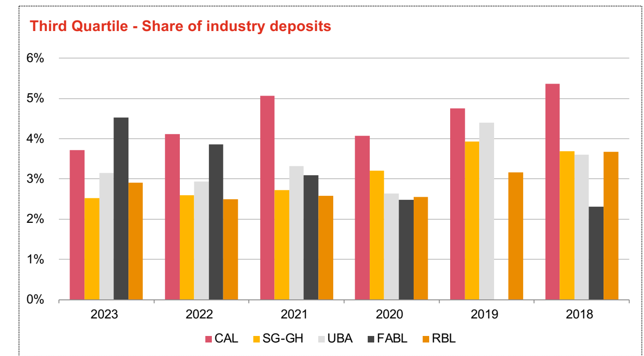
Share of industry deposits



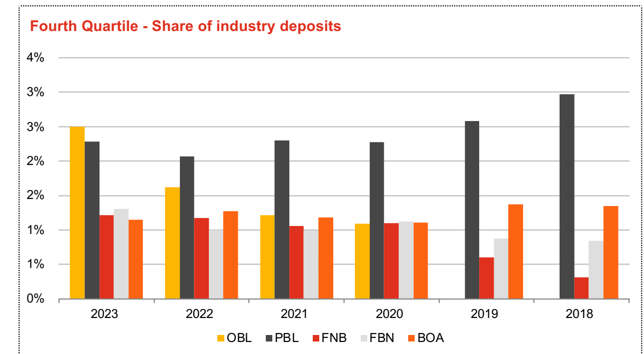
Banks in the top quartile continue to show strong performance in deposit holdings, now accounting for 49% of the industry's total deposits, compared to 46.8% in 2022. EBG increased its share to 14.2%, a rise of 0.6% from the previous year. ABSA, SBG, and FBL also showed increases in their shares, while GCB remained stable over the period.



The market share of banks in the second quartile experienced a slight increment, rising from 24.4% in 2022 to 25.7% in 2023. ZBL, SCB and GTB saw their shares of industry deposits increase cumulatively by 1.7%, with ZBL rising from 5.1% to 5.8%, SCB rising from 5.1% to 5.5% and GTB from 3.4% to 4.5%. CBG was the only bank in this quartile to register a decline, decreasing its share from 6.1% in 2022 to 5.4% in 2023 whereas ABG maintained their market share from the previous year.



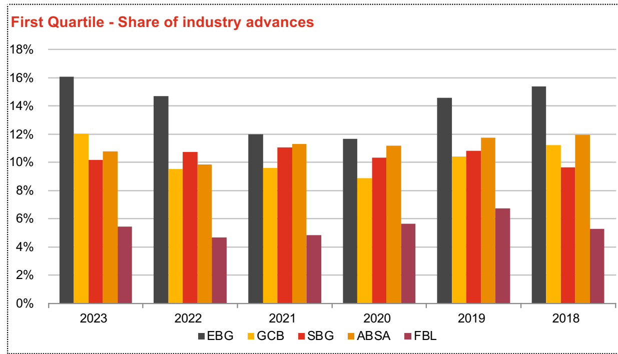
Banks in the third quartile held 16.8% of the market's deposits, reflecting a slight increase from 16% in 2022. UBA, FABL and RBL were the primary contributors to this growth, with their shares rising by 0.2%, 0.6% and 0.4%, respectively.



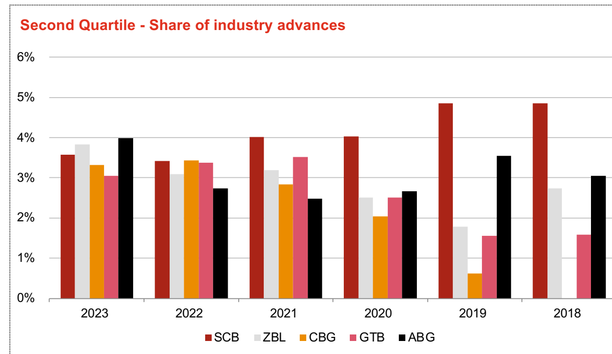
The market share of banks in this quartile increased by 1.3%, with OB, PBL and FBN accounting for a significant portion of the increase by 0.8%.

Share of industry loans and advances

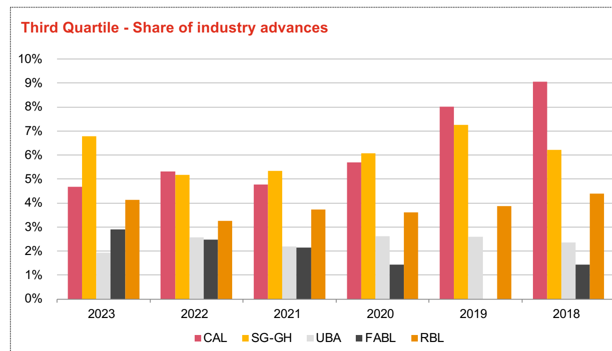
The industry experienced a marginal rise in loans and advances from GH₵ 67.16 billion in 2022 to GH₵ 67.26 billion in 2023. Loans to the commerce and finance industry surged by 10% compared to the previous year whereas loans to the mining sector decreased largely by 68%.



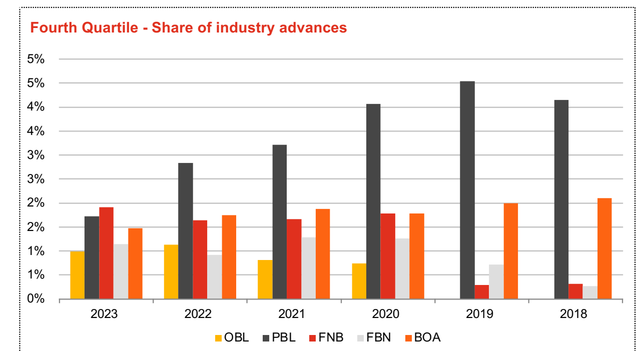
The five banks in the top quartile collectively hold 54.6% of the industry's total loans and advances portfolio. EBG maintains the largest portfolio share at 16.1%, up from 14.7% the previous year. GCB, ABSA and FBL increased their shares by 2.5%, 1% and 0.8% respectively. However, SBG experienced a marginal decrease in its share of industry advances by 0.5%.



The second quartile banks experienced a marginal rise in their combined share of industry advances, increasing from 16.1% to 17.8%. SCB, ZBL and ABG played a crucial role in driving this increase, cumulatively growing by 2.2%.

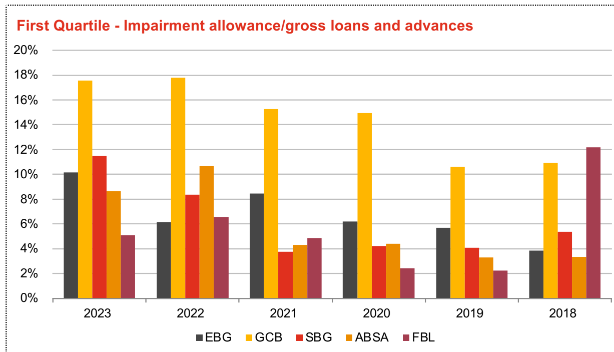


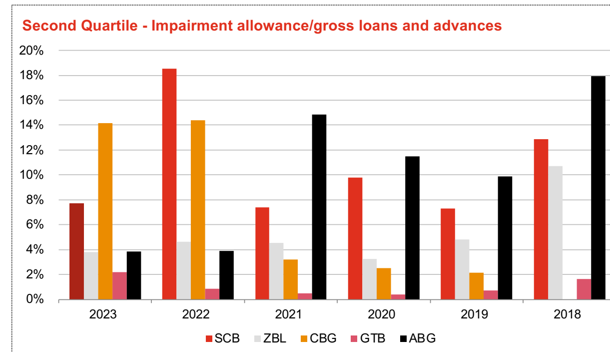
The banks in the third quartile recorded a marginal increase in market share by 1.6%. RBL and FABL recorded the highest increment of 0.8% each respectively, offset by declines in the market shares of CAL, SG-GH and UBA by 0.6%,1.6% and 0.7% respectively.



The market share of banks in the fourth quartile declined by 1.1% compared to 2022. Notably, FNB and FBN registered marginal gains of 0.3% and 0.2% respectively in market share over the course of the year.

Impairment allowance/ gross loans and advances





The third quartile banks indicated a downward trend in loan book quality for the institutions in this category. This is reflected in the rise in the average impairment allowance to loan book ratio, which climbed from 54.1% in 2022 to 73.5% in 2023.

Among the banks within this quartile, CAL and UBA were the primary contributors to the overall increase in impairment allowance relative to gross loans and advances.

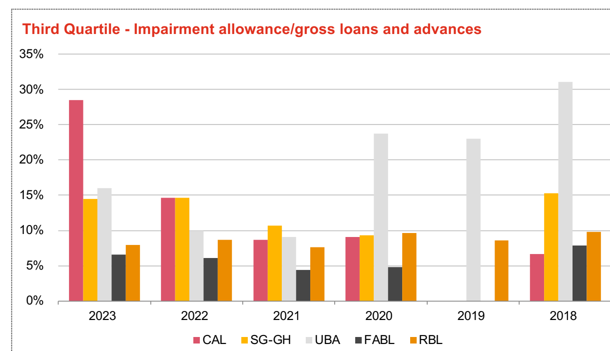
An analysis of year-over-year trends reveals an increase in loan impairment allowances for EBG and SBG. These allowances, expressed as a percentage of their respective loan books, surged by 3.9% and 3.1% respectively. EBG experienced a significant increase in impairment allowances, indicating a deterioration in loan book quality.

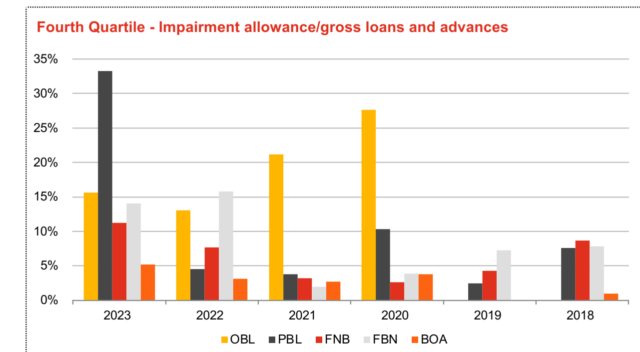
This trend is further highlighted by the substantial increase in non-performing loans for the bank, with EBG witnessing a surge of 352%. These movements are attributable to the continual deterioration in the economic environment the banks operate.

In contrast, GCB, ABSA and FBL exhibited a positive trend in asset quality. Their loan books grew by 23.6%, 5.1% and 12.4% respectively, while their loan impairment allowance expressed as a percentage of their respective loan books decreased by 0.2%, 2.1% and 1.4%.

The second quartile showed an increase in loan book quality, with the average impairment allowance to total loans and advances declining to 31.7% compared to 42.3% in the same period of 2022.

SCB recorded the highest increase in loan book quality, accounting for 10.8% of the overall decrease in impairment allowance relative to gross loans and advances in the quartile. The bank's impairment allowance declined by 62.4% within the period.

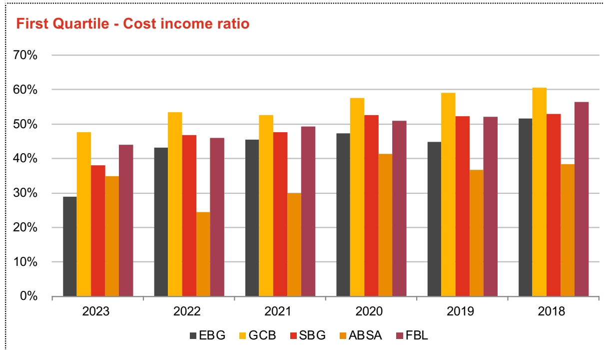




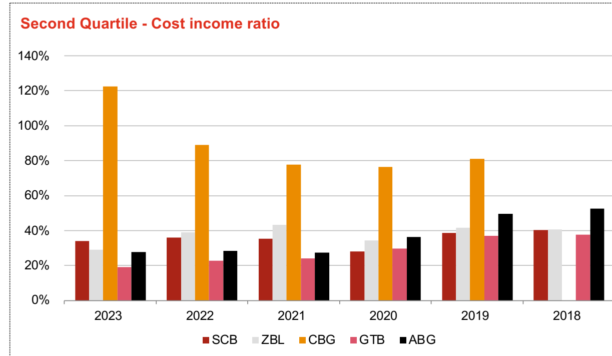
The fourth quartile banks witnessed a notable increase in impairment allowance ratios to gross loans. This ratio climbed from 44.2% in 2022 to 79.4% in 2023. PBL and FNB were the frontrunners in this trend, experiencing significant increases in their impairment allowance to loan book ratios. Compared to 2022, these ratios rose by 28.8%, and 3.5% for PBL and FNB respectively.

Cost-income ratio

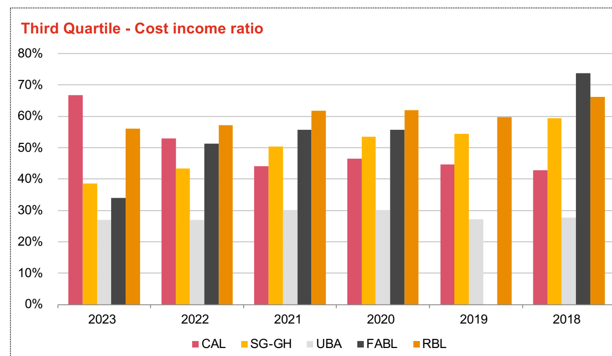
The Cost-to-Income Ratio (CIR) gauges a bank's efficiency by juxtaposing its operating costs (expenses) against its operating income (revenue). It offers valuable insights into how banks strategically navigate economic downturns to mitigate inflationary pressures while maintaining operational effectiveness.



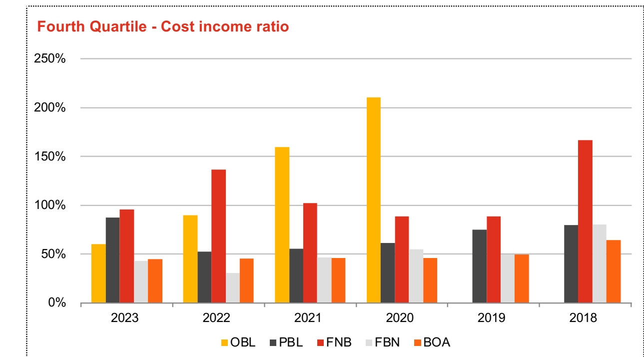
The banks in this quartile witnessed a decrease in their CIR, indicating improved efficiency and higher income. However, ABSA saw its CIR rise from 24.4% in 2022 to 34.9% in 2023, primarily due to elevated operational costs. On average, the quartile achieved a CIR of 39%, marking a reduction from 42.8% in 2022.



Zenith Bank led the quartile with a 26% decrease in CIR, dropping from 39.1% in 2022 to 29.1% in 2023. This improvement was driven by a 52% increase in operating income and a substantial 64% reduction in operating costs. Conversely, CBG experienced the highest increase in CIR, rising to 122.4% from 88.9% in 2022, primarily due to reduced operating income during the same period. Overall, the quartile saw a reduction in the cost-to-income ratio from 49.2% in 2022 to 46% in 2023, indicating that most banks effectively managed their costs, leading to improved financial stability.



The cost-to-income ratio decreased for SG-GH, FABL, and RBL, with FABL experiencing the largest decline of 34% due to a remarkable 102% increase in operational income in 2023. UBA maintained its CIR at 27%, unchanged from 2022. However, Cal Bank continued to face significant impairment losses and decreased operating income, leading to an increase in its cost-to-income ratio from 52.9% in 2022 to 66.7% in 2023. On average, the quartile recorded a CIR of 44%, compared to 40% in 2022.



In the fourth quartile, the average cost-to-income ratio decreased from 70% in 2022 to 66% in 2023. FNB achieved the highest reduction in CIR, with a decrease of 41%, bringing it down from 136.4% in 2022 to 94.4.1% in 2023. This improvement was driven by a substantial 44% increase in operating income. Conversely, PBL saw the most significant increase in CIR, rising from 52.4% in 2022 to 87.2% in 2023. This increase was due to a 21% reduction in operating income and a 5% increase in operating expenses.

Market share analysis

Market share analysis

Share of industry deposits

In 2023, the total industry deposits amounted to GH₵201.73 billion, a significant increase from the GH₵163.70 billion recorded in 2022. This growth underscores the competitive landscape and continuous efforts of banks to enhance their deposit bases. Major banks like EBG, GCB, and SBG continue to lead the market, while players like FABL and GTB are making notable strides.

The industry's objective of lowering the cost of funds and depositor demands for liquidity are highlighted by current accounts' dominance in the deposit mix. Savings accounts also play crucial roles in the market deposit mix and increased marginally in 2023, while time and fixed deposits declined. This suggests that Ghanaians may be less willing to lock their money into long-term deposits due to economic uncertainties.

Composition of industry deposits

	2023	2022	2021	2020	2019	2018	2017
Current accounts	57.6%	56.5%	50.9%	50.1%	50.4%	52.4%	49.8%
Time & fixed deposits	16.6%	16.9%	17.5%	18.2%	18.9%	20.4%	26.5%
Savings accounts	17.3%	16.6%	16.2%	17.9%	15.6%	16.1%	13.9%
Certificates of deposits	0.6%	0.4%	0.6%	0.7%	0.8%	0.7%	0.0%
Call deposits	4.4%	4.6%	7.9%	7.3%	6.5%	7.2%	4.1%
Deposits from other banks	3.5%	5.0%	7.0%	5.5%	7.7%	3.2%	5.6%
Deposits from BoG	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
Forex deposits	0.0%	0.0%	0.0%	0.3%	0.0%	0.0%	0.0%
RBL Housebills/ Housenotes	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

An economy reeling from the effect of the DDEP but with continuous increase in customer deposits levels in the banking sector can be attributable to a number of factors including;

- less investable options available to the banks, and
- perhaps some increases in the money supply from the monetary policy authorities,

The high returns still recorded on Government treasury bills and Bank of Ghana's Open Market Operations (OMO) may also account for the increased level in money supply and hence customer deposits.

Current accounts continue to constitute more than half of the banking industry's total customer deposits with the services, commerce and finance sectors of the economy continuing to account for the largest portions of the loans and advances disbursed by the Ghanaian banking sector.

EBG and GCB continue to be the market leaders, growing their combined share marginally from 24.4% in 2022 to 25.1% in 2023. This indicates strong customer trust and robust deposit mobilisation strategies within their combined network of over 250 branches across the country.

SBG and ABSA maintained their 3rd and 4th positions from 2022 while continuing to grow their market share by 1.4% in 2023. Although CBG continues to improve its share of deposits in the industry, it was overtaken by FBL, ZBL, and SCB, dropping from its 5th position in 2022 to 8th in 2023.

OBL and FBN, while having smaller market shares, have shown growth, indicating successful strategies in the market.

The top 10 banks in total captured over 50% of the total market share. FABL found its way into the top 10, previously holding the 11th position in 2022 and 13th position in 2021. The shift in depositor preferences towards more liquid assets, combined with the strategic growth of key players, highlights the sector's adaptability to economic conditions and evolving customer needs. As the market continues to evolve, banks that can effectively leverage customer trust and innovate their deposit mobilisation strategies are likely to maintain and enhance their market positions.

Share of industry deposits

	2023	R	2022	R	2021	R	2020	R	2019	R	2018	R
EBG	14.20%	1	13.58%	1	11.93%	1	11.85%	1	13.4%	1	13.3%	2
GCB	10.86%	2	10.87%	2	11.43%	2	11.01%	2	12.1%	2	14.2%	1
SBG	9.63%	3	9.37%	3	9.29%	3	9.26%	3	9.0%	3	7.7%	4
ABSA	8.06%	4	6.90%	4	6.80%	4	6.34%	5	6.8%	6	8.4%	3
FBL	6.27%	5	6.03%	6	6.79%	5	5.99%	6	6.4%	7	7.6%	5
ZBL	5.82%	6	5.15%	7	5.26%	8	5.36%	8	5.5%	8	5.8%	7
SCB	5.46%	7	5.07%	8	6.27%	7	5.37%	7	6.9%	5	7.4%	6
CBG	5.37%	8	6.12%	5	6.78%	6	7.63%	4	7.1%	4	0.0%	-
ABG	4.59%	9	4.58%	9	4.27%	10	3.81%	11	4.0%	12	4.4%	10
FABL	4.52%	10	3.85%	11	3.17%	13	2.48%	17	0.0%	-	2.3%	16
GTB	4.47%	11	3.44%	13	3.06%	14	2.76%	14	2.9%	15	2.8%	15
CAL	3.72%	12	4.12%	10	5.18%	9	4.07%	9	4.8%	9	5.4%	8
UBA	3.14%	13	2.94%	14	3.40%	12	2.63%	15	4.4%	10	3.6%	13
RBL	2.91%	14	2.50%	16	2.64%	16	2.55%	16	3.2%	14	3.7%	12
SG-GH	2.52%	15	2.59%	15	2.79%	15	3.21%	12	3.9%	13	3.7%	11
OBL	2.50%	16	1.62%	19	1.25%	18	1.09%	23	0.0%	-	0.0%	-
PBL	2.28%	17	2.07%	18	2.35%	17	2.27%	18	2.6%	16	3.0%	14
FBN	1.31%	18	1.00%	22	1.01%	21	1.12%	20	0.9%	18	0.8%	18
FNB	1.21%	19	1.17%	21	1.08%	20	1.10%	22	0.6%	19	0.3%	19
BOA	1.15%	20	1.27%	20	1.21%	19	1.11%	21	1.4%	17	1.3%	17
Industry	**100.0%**		**100.0%**		**100.0%**		**100.0%**		**100.0%**		**100.0%**	

Share of industry loans and advances

The total industry share of loans and advances stood at GH₵67.26 billion in 2023, representing a 0.15% increase from GH₵67.16 billion in 2022. The top five banks have increased their market share dominance with a combined share of 55.9%.

The commerce and finance and services sectors maintained their dominance amongst the industry loans taking up 38.9% of total industry loans in 2023. Agriculture, forestry, and fishing saw a slight decrease from 3.8% to 3.2%. Mining and quarrying experienced a notable rise from 2.4% to 4.1%. Manufacturing increased from 11.5% to 13.0%, continuing its upward trend.

Between 2022 and 2023, the distribution of industry loans and advances among banks exhibited notable shifts.

Total Industry Loans & Advances - Sectoral analysis (Billions of Ghana Cedis)

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Agriculture, forestry & fishing	1.11	1.24	1.56	1.12	2.22	1.93	1.61	2.58	2.12
Mining & quarrying	1.00	0.94	0.69	1.13	1.37	1.45	1.26	1.62	2.73
Manufacturing	2.81	2.68	2.94	3.16	3.18	5.08	5.96	7.71	8.77
Construction	2.66	2.73	2.16	2.21	1.30	3.34	,3.53	4.90	5.45
Electricity, gas & water	3.96	3.80	2.06	1.89	2.39	3.97	3.48	4.98	5.19
Commerce & finance	6.97	7.48	6.46	7.56	7.63	8.22	10.07	11.68	10.53
Transport, storage & communication	1.20	2.60	2.18	1.46	3.22	5.07	4.75	6.35	6.09
Services	5.37	5.96	5.31	6.67	6.93	9.96	11.15	16.17	15.61
Miscellaneous	2.73	2.89	4.02	4.17	11.11	6.49	6.28	9.62	9.00
Housing	0.24	0.23	0.25	0.36	0.94	1.36	1.32	1.56	1.78
Total Industry Loans & Advances	**28.03**	**30.57**	**27.62**	**29.73**	**40.30**	**46.86**	**49.41**	**67.16**	**67.26**

EBG increased its share from 14.7% to 16.1%, maintaining the top position. GCB saw a significant rise from 9.5% to 12.0%, moving from the fourth to the second rank.

ABSA slightly increased its share from 9.8% to 10.8%, holding the third rank consistently. SG-GH improved its shared from 5.2% to 6.8%. FBL increased its share from 4.7% to 5.5%, moving from the eighth to the sixth rank.

RBL improved from 3.3% to 4.1%, rising from twelfth to the eighth rank. SCB increased its shares from 3.4% to 3.6%. In contrast, SCB fell from the tenth to the eleventh rank, despite increasing its market share by 0.2%.

In summary, the banking sector in Ghana demonstrated significant adjustments in loan allocations between 2022 and 2023. EBG, GCB, and ABSA consolidated their leading positions, with GCB showing the most substantial gain in share. Banks like RBL and FBL also improved their standings, while SCB experienced a decline. Sector-wise, there was notable growth in the mining and quarrying and manufacturing sectors, both in terms of share and absolute loan values. Commerce and finance, as well as services, saw declines although they maintained the top positions, indicating a shift in loan allocation priorities.

Share of industry loans and advances

	2023	R	2022	R	2021	R	2020	R	2019	R	2018	R
EBG	16.1%	1	14.7%	1	12.4%	1	11.7%	1	14.6%	1	15.4%	1
GCB	12.0%	2	9.5%	4	9.9%	4	8.9%	4	10.4%	4	11.2%	3
ABSA	10.8%	3	9.8%	3	11.7%	2	11.2%	2	11.8%	2	12.0%	2
SBG	10.2%	4	10.7%	2	11.4%	3	10.4%	3	10.8%	3	9.6%	4
SG-GH	6.8%	5	5.2%	7	5.5%	5	6.1%	5	7.3%	6	6.2%	6
FBL	5.5%	6	4.7%	8	5.0%	7	5.7%	7	6.7%	7	5.3%	7
CAL	4.7%	7	5.3%	6	4.9%	8	5.7%	6	8.0%	5	9.1%	5
RBL	4.1%	8	3.3%	12	3.8%	10	3.6%	11	3.9%	11	4.4%	9
ABG	4.0%	9	2.7%	15	2.6%	15	2.7%	13	3.5%	12	3.0%	12
ZBL	3.8%	10	3.1%	13	3.3%	13	2.5%	16	1.8%	15	2.7%	13
SCB	3.6%	11	3.4%	10	4.2%	9	4.0%	10	4.9%	8	4.9%	8
CBG	3.3%	12	3.4%	9	2.9%	14	2.0%	17	0.6%	18	0.0%	-
GTB	3.0%	13	3.4%	11	3.6%	11	2.5%	15	1.6%	16	1.6%	16
FABL	2.9%	14	2.5%	17	2.2%	17	1.4%	20	0.0%	-	1.4%	17
UBA	1.9%	15	2.6%	16	2.3%	16	2.6%	14	2.6%	13	2.4%	14
FNB	1.9%	16	1.6%	20	1.7%	19	1.8%	18	0.3%	19	0.3%	18
PBL	1.7%	17	2.8%	14	3.3%	12	4.1%	9	4.5%	9	4.1%	10
BOA	1.5%	18	1.7%	19	1.9%	18	1.8%	19	2.0%	14	2.1%	15
FBN	1.1%	19	0.9%	22	1.3%	20	1.3%	22	0.7%	17	0.3%	19
OBL	1.0%	20	1.1%	21	0.8%	21	0.7%	23	0.0%	-	0.0%	-
Industry	**100.0%**		**100.0%**		**100.0%**		**100.0%**		**100.0%**		**100.0%**	

Share of industry operating assets

The key observations on the industry's operating assets are as follows:

- Increase in total industry operating assets by GH₵ 43.1 billion, that is, from GH₵ 187.2 billion in 2022 to GH₵ 230.3 billion in 2023
- The major drivers of this increase are liquid assets which increased by 40.5%, GH₵ 96.1 billion, (2022: GH₵ 68.4 billion) and cash assets which increased by 30.6%, GH₵ 75.2 billion (2022: GH₵ 57.6 billion)
- Due to the Domestic Debt Exchange Program, bank portfolio reallocation showed a higher possession of liquid assets, representing 41.7% of industry operating assets as compared to 36.5% in the previous year.
- For the past five years, EBG and GCB had the lead as the top banks holding the majority of the banking industry's operating assets. The story remains unchanged in 2023, with EBG increasing its operating assets by 33.4% and SBG by 34.3%. EBG and GCB increased their cash holdings by 74.67% and 26.29% respectively.
- With SBG, ABSA and FBL also retaining their place in the top 5 banks having majority share of the industry's operating assets. Customer deposits being the main driver of growth in share of industry

Industry operating assets

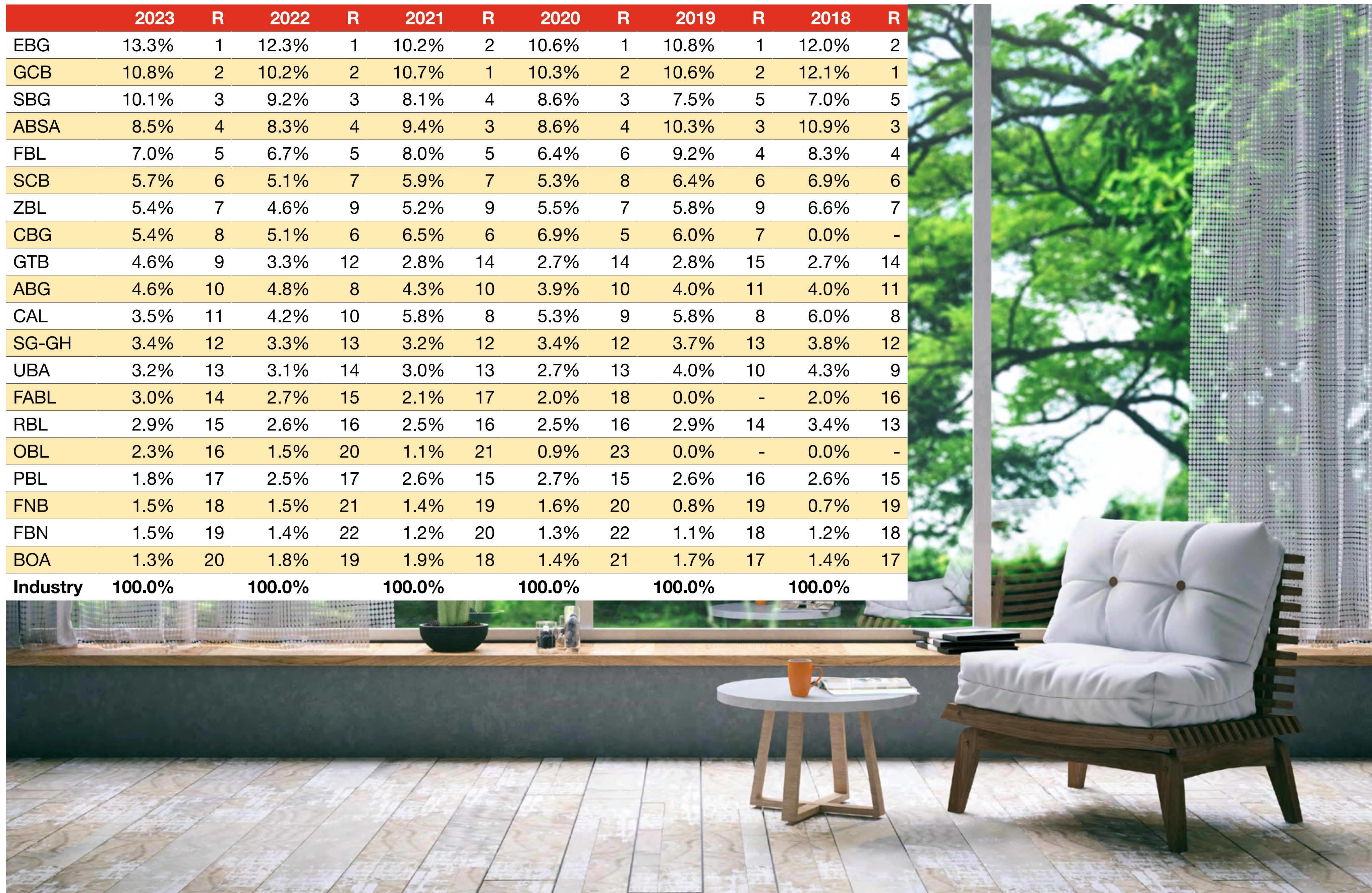
	2015	2016	2017	2018	2019	2020	2021	2022	2023
Cash Assets	15.5	20.5	19.9	21.7	23.7	28.6	31.2	57.6	75.2
Liquid Assets	13.0	20.2	27.7	39.4	49.1	66.5	82.4	68.4	96.1
Net Loans and Advances	25.8	27.9	24.7	26.8	36.5	42.2	45.4	59.9	58.8
Other Operating Assets	0.5	0.4	0.1	0.1	0.2	0.3	0.4	1.3	0.2
Total	**54.9**	**69.1**	**72.4**	**88.0**	**109.5**	**137.7**	**159.4**	**187.2**	**230.3**

Composition of operating assets

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Cash Assets	28.3%	29.7%	27.5%	24.6%	21.6%	20.8%	19.6%	30.8%	32.6%
Liquid Assets	23.7%	29.3%	38.3%	44.8%	44.9%	48.3%	51.7%	36.5%	41.7%
Net Loans and Advances	47.1%	40.4%	34.1%	30.5%	33.3%	30.7%	28.5%	32.0%	25.5%
Other Operating Assets	1.0%	0.6%	0.2%	0.2%	0.2%	0.2%	0.3%	0.7%	0.1%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Share of industry operating assets

	2023	R	2022	R	2021	R	2020	R	2019	R	2018	R
EBG	13.3%	1	12.3%	1	10.2%	2	10.6%	1	10.8%	1	12.0%	2
GCB	10.8%	2	10.2%	2	10.7%	1	10.3%	2	10.6%	2	12.1%	1
SBG	10.1%	3	9.2%	3	8.1%	4	8.6%	3	7.5%	5	7.0%	5
ABSA	8.5%	4	8.3%	4	9.4%	3	8.6%	4	10.3%	3	10.9%	3
FBL	7.0%	5	6.7%	5	8.0%	5	6.4%	6	9.2%	4	8.3%	4
SCB	5.7%	6	5.1%	7	5.9%	7	5.3%	8	6.4%	6	6.9%	6
ZBL	5.4%	7	4.6%	9	5.2%	9	5.5%	7	5.8%	9	6.6%	7
CBG	5.4%	8	5.1%	6	6.5%	6	6.9%	5	6.0%	7	0.0%	-
GTB	4.6%	9	3.3%	12	2.8%	14	2.7%	14	2.8%	15	2.7%	14
ABG	4.6%	10	4.8%	8	4.3%	10	3.9%	10	4.0%	11	4.0%	11
CAL	3.5%	11	4.2%	10	5.8%	8	5.3%	9	5.8%	8	6.0%	8
SG-GH	3.4%	12	3.3%	13	3.2%	12	3.4%	12	3.7%	13	3.8%	12
UBA	3.2%	13	3.1%	14	3.0%	13	2.7%	13	4.0%	10	4.3%	9
FABL	3.0%	14	2.7%	15	2.1%	17	2.0%	18	0.0%	-	2.0%	16
RBL	2.9%	15	2.6%	16	2.5%	16	2.5%	16	2.9%	14	3.4%	13
OBL	2.3%	16	1.5%	20	1.1%	21	0.9%	23	0.0%	-	0.0%	-
PBL	1.8%	17	2.5%	17	2.6%	15	2.7%	15	2.6%	16	2.6%	15
FNB	1.5%	18	1.5%	21	1.4%	19	1.6%	20	0.8%	19	0.7%	19
FBN	1.5%	19	1.4%	22	1.2%	20	1.3%	22	1.1%	18	1.2%	18
BOA	1.3%	20	1.8%	19	1.9%	18	1.4%	21	1.7%	17	1.4%	17
Industry	**100.0%**		**100.0%**		**100.0%**		**100.0%**		**100.0%**		**100.0%**	



Profitability and efficiency

Profitability and efficiency

Profit before tax margin

Profit before tax and effective cost management are crucial KPIs that measure the efficiency of any business, and this is especially true for the banking industry. These metrics are vital for a range of industry stakeholders, including executives, investors, employees, and policymakers; for banks, profit before tax and cost control initiatives have far-reaching implications in terms of the resilience and sustainability of the financial institution and the economy.

The profit before tax (PBT) margin of the banking industry in Ghana increased by 213.8%, from negative 32.9% in 2022 to 37.5% in 2023. The 217% increase is the highest in the past five years, which is consistent with the industry's recovery from the effects of the Domestic Debt exchange introduced by the government of Ghana in December 2022, significantly impacting the financial results of the banks in-terms of significant amounts of impairment on investments. This negative impact has been largely offset by significant modification gains recorded by the banks. These modification gains have improved the overall profitability of the banking sector, demonstrating the industry's resilience and ability to bounce back from the effects of the Domestic Debt Exchange Program. Additionally, as a contributing factor, the industry's net interest income increased by 43% from GH₵15.2 billion in 2022 to Gh₵21.8 billion in 2023, with the increase being attributed to a rise in interest income on short term investments, increasing to 111% in 2023 from 63% in 2022; this is due to the industry's loss of confidence in the capital market, precisely government bonds, hence the switch to the money market of short term investments with lower risk. The other components of interest income, specifically interest income on loans and advances as well as interest income on government securities, both saw modest increases compared to interest income on short-term securities. Interest income on loans and advances experienced a 23% surge, rising from GH₵10.7 billion in 2022 to GH₵13.3 billion in 2023. Similarly, interest income on government securities (Treasury Bills and Open Market Operation (OMO) instruments) saw a 27% surge, increasing from GH₵12.8 billion in 2022 to GH₵16.3 billion in 2023.

Profit before tax (PBT) showed a dramatic turnaround in 2023, increasing to GH₵11.8 billion from a loss position of GH₵7.9 billion in 2022. This represents a 249% improvement over the prior year.

This significant rebound was primarily driven by improvements in the industry's impairment and modification assessments. In 2022, the banks had impaired investment securities to the tune of GH₵4.2 billion. However, in 2023 they reported GH₵8.7 billion in impairment write-backs and modification gains, a remarkable 307% surge.

The above overshadowed the fact that the industry's general and administrative costs surged by 19%, from GH₵10.7 billion to GH₵12.8 billion, a situation exacerbated by high inflation rates during the year.

Thus, while the PBT improvement was dramatic, it was more a function of accounting adjustments related to impairments and modifications, rather than effective cost control measures by most of the banks in the face of high inflation.

All 20 participating banks saw an improvement in their profit before tax (PBT) margins compared to the prior year, except for PBL which worsened from (79.8%) to (138.6%).

SCB and GTB surpassed the industry average of 37.5%, ranking in the 70th percentile at 79.2% and 73.3% respectively (compared to (31.7%) and 19.8% in the prior year).

ABG, ZBL, and SBG followed in the 60th percentile also surpassing the industry average, with PBT margins of 64.3%, 64.1%, and 61% respectively (compared to (38.3%), (52.9%), and (2.5%) in 2022).

ABSA, FBL, SG-GH, and FBN were in the 50th percentile, surpassing the industry average as well, with PBT margins of 59.7%, 57.4%, 53.4%, and 52.9% respectively (compared to (27.2%), (36.2%), 21%, and 22.5% in 2022).

GCB ranked 10th with a 40.8% PBT margin (compared to (23.8%) in 2022). This performance was also above the industry average.

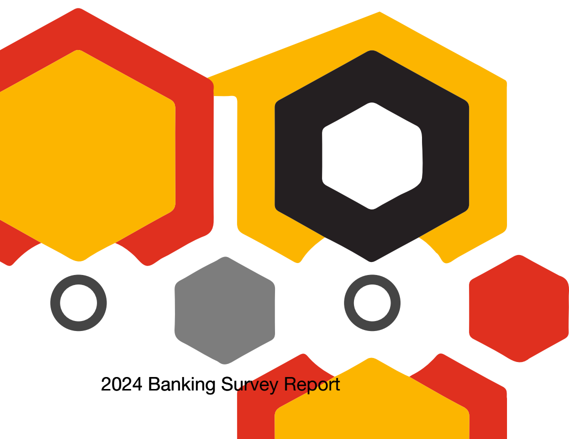
BOA, RBL, FABL, and UBA were in the 30th percentile, with PBT margins of 37.4%, 34.1%, 30.9% and 30.5% respectively, all below the industry average, (compared to 3.8%, (5.3%), 4.3%, and 13.4% in 2022).

FNB, CBG, CAL, and PBL all had negative PBT margins of (0.8%), (83.6%), (118.4%), and (138.6%) respectively; these banks had the same negative PBT in the prior year.

SCB achieved the highest PBT margin, due to making the largest amount of impairment write-backs compared to the other banks, some of which were still recording impairment and modification losses.

GTB also saw a boost in profitability from its cost-cutting strategies. Its expenses were just GH₵292.5 million, which was only 2% of the industry's total expenses of GH₵12.8 billion. In contrast, the bank with the highest expenses was GCB, which incurred GH₵1.8 billion, representing 14% of the industry total.

The strong performances of SCB and GTB were driven by their differing approaches - SCB benefited from significant impairment write-backs, while GTB focused on reducing its overall cost structure.



The growth in earning assets of the banking sector is attributable to the increase in assets-creating liabilities especially customer deposits in line with the financial intermediary role of the banks. With average interest rates on loans and advances remaining high and the continued high returns on Government treasury bills and Bank of Ghana's OMO instruments, profitability in the banking sector returned to the pre DDEP era for many banks.

Would the same results be recorded if IAS 29 on hyperinflationary economies was applied to 2023 financial results? Certainly not, material adjustments would have been passed given the inflation adjustment factors mainly of the affected non-monetary assets and liabilities on the books of these banks and how long the banks were holding these financial statements line items.

Also, the significant rebound in PBT was driven by improvements in the industry's impairment and modification assessments. In 2022, the banks had impaired investment securities to the tune of GH₵ 4.2 billion. However, in 2023 they reported GH₵ 8.7 billion in impairment write-backs and modification gains - a remarkable 307% surge.

The banking sector was not spared of the increasing cost of doing business in Ghana in 2023. Operating costs increased but not proportionately to the level of increases noted in income.

Profit before tax margin

	2023	R	2022	R	2021	R	2020	R	2019	R	2018	R
SCB	79.2%	1	-31.7%	12	64.9%	2	65.6%	2	49.7%	6	45.7%	5
GTB	73.3%	2	19.8%	3	73.6%	1	68.8%	1	61.3%	2	68.6%	1
ABG	64.3%	3	-38.3%	14	60.2%	4	60.9%	4	57.4%	4	20.8%	13
ZBL	64.1%	4	-52.9%	15	52.5%	5	63.8%	3	56.8%	5	49.4%	4
SBG	61.0%	5	-2.5%	8	49.3%	7	41.9%	8	42.2%	7	42.2%	7
ABSA	59.7%	6	-27.2%	11	64.6%	3	48.8%	6	58.1%	3	58.2%	2
FBL	57.4%	7	-36.2%	13	45.6%	10	39.0%	12	35.6%	13	35.1%	9
SG-GH	53.4%	8	21.0%	2	44.3%	13	40.4%	10	34.7%	14	26.2%	11
FBN	52.9%	9	22.5%	1	50.9%	6	37.3%	13	38.9%	11	18.4%	15
GCB	40.8%	10	-23.8%	10	33.9%	15	31.1%	15	36.1%	12	34.8%	10
BOA	37.4%	11	3.8%	6	46.5%	9	39.4%	11	41.3%	8	25.7%	12
RBL	34.1%	12	-5.3%	9	33.1%	16	23.6%	16	29.9%	15	17.4%	16
FABL	30.9%	13	4.3%	5	39.9%	14	33.7%	14	0.0%	-	19.3%	14
UBA	30.5%	14	13.4%	4	48.7%	8	54.9%	5	71.5%	1	49.5%	3
OBL	28.2%	15	-61.7%	17	-12.7%	21	-83.3%	23	0.0%	-	0.0%	-
EBG	18.4%	16	-1.8%	7	44.4%	12	42.8%	7	41.1%	10	38.4%	8
FNB	-0.8%	17	-160.1%	21	-4.1%	20	0.3%	22	3.8%	19	-75.9%	19
CBG	-83.6%	18	-211.9%	22	13.2%	19	12.2%	20	18.2%	16	0.0%	-
CAL	-118.4%	19	-140.6%	20	44.6%	11	40.7%	9	41.2%	9	44.3%	6
PBL	-138.6%	20	-79.8%	18	30.5%	17	15.9%	18	12.9%	17	7.9%	18
Industry	**37.5%**		**-32.9%**		**45.2%**		**40.2%**		**41.6%**		**38.1%**	

Net interest margin

The banking industry's net interest margin (NIM) increased slightly from 7.9% in 2022 to 9.3% in 2023. Both net interest and total interest-bearing assets increased by GH₵6.5 billion and GH₵40 billion respectively representing 43% and 21% growth, however the growth in the interest-bearing assets was less proportionate to the growth in the net interest income explaining the marginal growth of 1.45% during the year.

FBN topped the chart with a remarkable NIM of 18.9% which is above the industry average of 9.3% compared to that of the prior year of 8.6%.

Six banks followed: GCB with 11.9%, EBG with 11.7%, ABSA with 11.6%, GTB with 11.2%, SG-GH with 11.2% and UBA with 11% compared to those of prior year of 10.6%, 11.3%, 8.2%, 7.8%, 8.7% and 9.3% respectively. This is a remarkable improvement for these banks this year.

SCB and BOA also exceeded the industry average with 10.4% and 10.2% compared to prior year NIM status of 7.9% and 7.2% respectively.

FBL and OBL saw a marginal increase over the industry average with 9.8% and 9.7% respectively against prior year performance of 6.6% and 4.1%; a remarkable performance from prior year.
The remaining banks (SBG, RBL, ZBL, FABL, FNB, PBL, CAL, ABG and CBG) fell below the industry with NIM of 9.1%, 8.8%, 8.6%, 7.4%, 6.0%, 5.6%, 5.6%, 5.3% and 4.6% respectively. However, SBG, RBL, FABL and FNB improved upon their prior performance of 7.1%, 8.0%, 7.7%, 6.8% and 4.3% respectively while PBL, CAL, ABG and CBG declined in performance compared to prior year of 8.1%, 6.1%, 6.1% and 5.8% respectively.

FBN topping the NIM chart as mentioned above is attributable to increase in both net interest income and interest-bearing assets. The bank's operating assets increased by GH₵ 805.9 million representing 30% increment over the prior year while net interest income increased by GH₵ 411.5 million representing 201%; a more proportionate increase relative to the increase in interest bearing assets.

Net interest margin

	2023	R	2022	R	2021	R	2020	R	2019	R	2018	R
FBN	18.9%	1	8.6%	5	9.4%	2	9.7%	3	9.3%	3	5.6%	17
GCB	11.9%	2	10.6%	2	11.2%	1	10.8%	2	10.1%	1	9.6%	2
EBG	11.7%	3	11.3%	1	8.9%	3	9.1%	4	8.7%	7	8.8%	5
ABSA	11.6%	4	8.2%	6	7.6%	8	7.9%	10	7.6%	11	8.7%	6
GTB	11.2%	5	7.8%	10	7.5%	9	7.8%	13	9.7%	2	7.7%	11
SG-GH	11.2%	6	8.7%	4	7.6%	6	8.5%	6	9.3%	4	8.9%	4
UBA	11.0%	7	9.3%	3	7.2%	14	7.4%	15	7.5%	12	10.5%	1
SCB	10.4%	8	7.9%	9	7.1%	15	8.2%	7	8.8%	6	9.1%	3
BOA	10.2%	9	7.2%	12	7.3%	12	8.8%	5	8.8%	5	7.3%	13
FBL	9.8%	10	6.6%	15	7.5%	10	8.1%	8	7.3%	14	8.1%	10
OBL	9.7%	11	4.1%	21	3.1%	21	1.7%	23	0.0%	-	0.0%	-
SBG	9.1%	12	7.1%	13	4.9%	19	5.6%	22	6.9%	16	8.1%	9
RBL	8.8%	13	8.0%	8	7.3%	13	7.4%	16	7.1%	15	7.2%	14
ZBL	8.6%	14	7.7%	11	7.6%	7	7.9%	12	7.6%	10	8.3%	8
FABL	7.4%	15	6.8%	14	7.4%	11	6.4%	19	0.0%	-	4.8%	19
FNB	6.0%	16	4.3%	20	4.3%	20	5.7%	21	8.6%	8	4.8%	18
PBL	5.6%	17	8.1%	7	8.2%	4	7.9%	11	6.6%	18	6.5%	16
CAL	5.6%	18	6.1%	17	5.2%	18	7.0%	18	8.3%	9	8.6%	7
ABG	5.3%	19	6.1%	16	6.9%	16	7.1%	17	4.4%	19	6.5%	15
CBG	4.6%	20	5.8%	19	6.0%	17	6.1%	20	6.6%	17	0.0%	-
Industry	**9.3%**		**7.9%**		**7.4%**		**7.9%**		**7.9%**		**8.0%**	

Cost to income ratio

In 2023, GTB was the most improved performer in terms of cost to income ratio efficiency with 19%, even though lower than prior year's 23%, representing a 17% decrease. GTB achieved a 57.9% increase in total income, while its operating expenses rose by 33.4%. This improvement in income was driven by increases across GTB's major revenue streams, including interest income, fees/commissions income, trading income; except other income which decreased marginally by 3% from GH₵307 million in 2022 to GH₵299 million in 2023.

The 33.8% rise in GTB's operating expenses was attributable to several factors. These included salary adjustments to address the high cost of living, increased staffing; this accounts for 27% of the increase. The impact of inflation also resulted in a surge in other general and administrative expenses by 57%, other components of expenses decreased marginally resulting in the overall 33.8%.

Looking at the broader Ghanaian banking industry, operating expenses grew by 19% in 2023 driven by high inflation averaging 39.6% ranging from 52% in Jan 2023 to 23% in Dec 2023 month on month.

The industry recorded GH₵8.9 billion in income growth representing 39% over the prior year, more than double the growth of 19% in operating expenses.

While most banks (ABG, EBG, ZBL, SCB, FABL, SBG, SG-GH, FBL, BOA, GCB, RBL, OBL and FNB) recorded efficiency improvements over the prior year, with GTB achieving the most significant efficiency, ABSA, FBN, CAL, PBL and CBG all saw their cost-to-income ratios worsened by 11%, 12%, 14%, 35% and 33% respectively. However, UBA maintained its cost income ratio at 27% as prior year.

Cost-income ratio

	2023	R	2022	R	2021	R	2020	R	2019	R	2018	R
GTB	0.19	1	0.23	1	0.24	1	0.30	2	0.37	3	0.38	2
UBA	0.27	2	0.27	3	0.30	4	0.30	3	0.27	1	0.28	1
ABG	0.28	3	0.28	4	0.27	2	0.36	5	0.49	10	0.52	8
EBG	0.29	4	0.43	8	0.46	8	0.47	9	0.45	7	0.52	7
ZBL	0.29	5	0.39	7	0.43	6	0.34	4	0.42	5	0.41	5
SCB	0.34	6	0.36	6	0.36	5	0.28	1	0.39	4	0.40	4
FABL	0.34	7	0.51	13	0.56	16	0.56	14	0.00	-	0.74	15
ABSA	0.35	8	0.24	2	0.30	3	0.41	6	0.37	2	0.38	3
SBG	0.38	9	0.47	12	0.48	11	0.53	11	0.52	12	0.53	9
SG-GH	0.39	10	0.43	9	0.50	13	0.54	12	0.55	13	0.59	11
FBN	0.43	11	0.31	5	0.47	10	0.55	13	0.49	8	0.80	17
FBL	0.44	12	0.46	11	0.49	12	0.51	10	0.52	11	0.56	10
BOA	0.45	13	0.46	10	0.46	9	0.46	7	0.49	9	0.64	13
GCB	0.48	14	0.53	16	0.53	14	0.58	15	0.59	14	0.61	12
RBL	0.56	15	0.57	17	0.62	17	0.62	17	0.60	15	0.66	14
OBL	0.60	16	0.90	20	1.59	21	2.11	23	0.00	-	0.00	-
CAL	0.67	17	0.53	15	0.44	7	0.46	8	0.45	6	0.43	6
PBL	0.87	18	0.52	14	0.55	15	0.61	16	0.75	16	0.80	16
FNB	0.95	19	1.36	22	1.02	20	0.88	21	0.88	18	1.67	19
CBG	1.22	20	0.89	19	0.78	19	0.77	18	0.81	17	0.00	-
Industry	**0.40**		**0.46**		**0.47**		**0.51**		**0.51**		**0.53**	

Return to shareholders funds

Return to shareholders funds

Return on asset (ROA)

Ghana's banking industry's effort to bounce back from the aftermath of the banking clean up and covid 19 pandemic suffered a downtown in 2022 with the role out of the Government of Ghana's Domestic Debt Exchange Program. This led to substantial impairment charges on the industry's financial assets, negatively impacting profitability, and other performance metrics such as Return on Assets (ROA). However, the banks took measures to improve profitability, resulting in notable gains in 2023.

The industry experienced a 213% increase in profitability over the past year, with 80% of banks reporting a positive ROA in 2023, consistent with the trend of the past six years, except for 2022. The overall ROA for the banking industry grew by 200%, reaching 2.9%. The banking industry's total gross assets experienced a significant 20% growth, primarily driven by a substantial increase in total cash assets and total liquid assets in 2023. Specifically, cash assets rose by 29% and liquid assets by 38% over the past year, contributing to the overall growth in industry assets. GT Bank achieved the highest ROA at 6.5%, a remarkable 300% increase from 1.6% in 2022. This growth was driven by a 107% increase in interest income and a 79% decline in impairment charges, resulting in a profit after tax margin of 54%, well above the industry average of 24%. GT Bank's total assets grew by 57% mainly driven by increase in total cash assets by 74% and total liquid assets by 135%.

Several banks, including SCB, ABSA, SBG, ABG, FBN, ZBL, SG-GH, FBL, and GCB, reported ROAs above the industry average of 2.9%, marking a significant improvement from the negative ROAs many reported in 2022. Banks such as FABL, UBA, OBL, RBL, and EBG reported positive ROAs but fell below the industry average in 2023. Notably, OBL achieved a positive ROA for the first time in four years, driven by a 154% increase in interest income and a 59% reduction in impairment charges. Conversely, FNB, CBG, CAL, and PBL reported negative ROAs, with FNB recording the lowest at negative 0.1%, a 99% improvement from its negative 11.1% ROA in 2022. This improvement was attributed to a 62% increase in interest income and a 94% reduction in impairment charges.

Overall, the banking sector remains strong and profitable despite the country's economic challenges, with improved returns on assets. Specifically, 55% of banks recorded ROAs at or above the industry average of 2.9%, 25% recorded positive ROAs below the industry average, and 20% reported negative ROAs.

Return on assets

	2023	R	2022	R	2021	R	2020	R	2019	R	2018	R
GTB	6.5%	1	1.6%	3	6.3%	1	6.6%	1	6.4%	1	6.6%	1
SCB	6.2%	2	-2.9%	13	4.3%	3	6.0%	2	3.7%	4	3.5%	5
ABSA	5.3%	3	-2.5%	10	4.3%	2	3.8%	6	4.0%	3	4.3%	2
SBG	5.2%	4	-0.3%	8	2.9%	9	2.6%	13	3.0%	10	3.6%	4
ABG	5.0%	5	-3.4%	14	4.3%	4	4.1%	4	3.7%	5	1.4%	13
FBN	4.9%	6	2.2%	1	3.8%	5	2.1%	15	2.8%	12	0.9%	16
ZBL	4.9%	7	-4.3%	16	2.5%	13	4.2%	3	3.7%	6	3.3%	6
SG-GH	4.8%	8	1.7%	2	3.4%	6	3.0%	9	2.9%	11	1.8%	12
FBL	4.4%	9	-2.8%	12	2.6%	11	2.7%	11	2.5%	13	2.3%	10
GCB	3.7%	10	-2.6%	11	3.0%	8	2.9%	10	3.4%	7	3.0%	8
BOA	3.4%	11	0.2%	5	2.3%	14	3.2%	8	3.2%	9	2.0%	11
FABL	2.8%	12	0.0%	6	2.5%	12	2.6%	14	0.0%	-	1.0%	15
UBA	2.2%	13	1.0%	4	2.6%	10	4.1%	5	4.2%	2	4.3%	3
OBL	2.1%	14	-4.1%	15	-0.5%	21	-3.7%	23	0.0%	-	0.0%	-
RBL	1.9%	15	-1.3%	9	1.9%	17	1.4%	16	1.9%	15	1.3%	14
EBG	1.8%	16	-0.1%	7	3.2%	7	3.4%	7	3.3%	8	3.2%	7
FNB	-0.1%	17	-11.1%	21	-0.2%	20	0.0%	21	0.3%	19	-5.4%	19
CBG	-4.0%	18	-14.2%	22	0.7%	19	0.5%	20	1.0%	16	0.0%	-
CAL	-6.9%	19	-8.8%	20	2.1%	15	2.6%	12	2.5%	14	3.0%	9
PBL	-7.8%	20	-6.9%	19	2.0%	16	0.8%	18	0.8%	17	0.5%	17
Industry	**2.9%**		**-2.9%**		**2.9%**		**2.8%**		**3.0%**		**2.9%**	

Return on equity (ROE)

The banking industry's average ROE increased by 185%, rising from negative 29.3% in 2022 to 25% in 2023. This growth was primarily driven by increased interest income and significant reduction impairment charge during the period. FBL achieved an impressive ROE of 52.1%, marking a 188% increase from its 2022 ROE of negative 59.2%. This significant improvement was attributed to a profit margin of 30%, well above the industry average of 24%. The growth in interest income by 32% and a drastic reduction in impairment charges by 102% were pivotal factors in FBL's performance.

Several banks outperformed the industry average ROE, showcasing substantial growth over their 2022 figures. SCB, ABG, SBG, ZBL, ABSA, GCB, and GTB recorded ROE growth of 299%, 232%, 1274%, 195%, 290%, 218%, and 309% respectively. The improvements for these banks were mainly driven by increased interest income and substantial reductions in impairment charges. Despite reporting ROEs below the industry average, the following banks showed significant improvements from their negative figures in 2022. OBL, FABL, SG-GH, FBN, EBG, RBL, BOA, and UBA reported ROEs of 24.7%, 23.1%, 22.3%, 21.7%, 17.2%, 16.5%, 13.8%, 12.9% respectively.

FNB, CBG, and PBL reported negative ROEs. PBL recorded the lowest at negative 408%, a further 321% decline from the previous year. This was mainly due to a 10% reduction in interest income and an 88% increase in total expenditure resulting in net loss for the period. The reported loss led to a 73% decline in shareholders' funds for 2023.

CAL Bank reported a high ROE of 367.9% which resulted from a reported loss for the period and a negative shareholder equity due to accumulated losses over the past two years. In other words, CAL Bank's high ROE is not a positive indicator of its financial performance, but rather a mathematical outcome and a symptom of its struggles. The Bank's losses and negative shareholder fund raise concerns about its long-term sustainability and warrant close attention.

In summary, the banking industry showed a positive outlook in 2023, with a notable increase in profitability and ROE across most banks, driven by higher interest income and reduced impairment charges. However, some banks still struggle with negative ROEs, highlighting the varied performance within the sector.

Return on equity

	2023	R	2022	R	2021	R	2020	R	2019	R	2018	R
CAL	367.9%	1	-164.2%	22	17.1%	10	18.6%	10	18.1%	11	21.3%	8
FBL	52.1%	2	-59.2%	18	27.5%	2	25.2%	3	29.8%	1	23.7%	5
SCB	44.9%	3	-22.6%	12	26.6%	3	32.6%	1	24.2%	6	20.1%	10
ABG	44.1%	4	-33.3%	14	23.6%	5	22.9%	6	21.6%	9	7.9%	13
SBG	43.0%	5	-3.7%	9	20.7%	8	19.4%	9	20.7%	10	21.0%	9
ZBL	40.8%	6	-42.7%	16	14.2%	12	23.2%	5	22.0%	8	21.3%	7
ABSA	38.2%	7	-20.1%	11	30.1%	1	24.2%	4	28.8%	2	29.1%	1
GCB	35.5%	8	-30.1%	13	21.9%	6	21.4%	8	25.5%	4	24.4%	4
GTB	35.2%	9	8.6%	4	25.8%	4	26.7%	2	26.4%	3	25.9%	2
OBL	24.7%	10	-34.4%	15	-2.4%	21	-49.2%	23	0.0%	-	0.0%	-
FABL	23.1%	11	0.0%	7	16.3%	11	14.3%	13	0.0%	-	5.5%	15
SG-GH	22.3%	12	10.0%	2	17.9%	9	16.7%	11	16.0%	12	8.8%	12
FBN	21.7%	13	9.5%	3	12.5%	14	7.2%	18	7.4%	16	2.1%	17
EBG	17.2%	14	-1.3%	8	21.8%	7	22.4%	7	25.0%	5	25.7%	3
RBL	16.5%	15	-10.1%	10	11.8%	15	8.5%	15	11.2%	14	7.5%	14
BOA	13.8%	16	0.8%	6	10.3%	17	10.2%	14	10.9%	15	11.8%	11
UBA	12.9%	17	5.0%	5	12.5%	13	16.4%	12	22.7%	7	23.7%	6
FNB	-0.7%	18	-138.4%	21	-0.7%	20	0.1%	22	0.6%	19	-8.0%	19
CBG	-43.6%	19	211.2%	1	9.0%	18	8.2%	16	14.0%	13	0.0%	-
PBL	-408.3%	20	-96.8%	19	11.6%	16	5.1%	19	4.2%	17	3.3%	16
Industry	**25.0%**		**-29.3%**		**19.2%**		**19.1%**		**20.0%**		**17.9%**	

The profits were made in 2023 but dividends continue to elude shareholders as was in 2022, the year the DDEP was announced. But if we agree that returns to shareholders are not only in the form of dividend but capital appreciation as well, we can only look forward to having these improved results reflect positively in the price of the shares of these banks and more importantly the continuous survival of these banks by way of improved capital adequacy and solvency ratios.

Liquidity

Liquid funds to total deposits

Liquidity is used by the banking industry to measure their ability to meet customers' obligations as they fall due. There has been a significant increase in liquidity across the industry. The ratio of total liquid funds to total deposits for the entire industry witnessed an increase of 10%, rising from 77% in 2022 to 85% in 2023. The industry's liquid assets increased by GH₵43.4 billion, from GH₵127.9 billion in 2022 to GH₵171.3 billion in 2023. This could be attributable to increased money supply and relatively higher rate of return on government papers (treasury bills and OMO instruments from Bank of Ghana). As reported by the Ministry of Finance, broad money supply (M2+) witnessed a significant growth of 36.8% in September 2023 compared with 28.5% growth in the corresponding period. Additionally, the total industry's returns on government securities stood at GH₵16.3 billion in 2023, representing a 27% increase from 2022 due to relatively higher average rates on treasury bills and Bank of Ghana OMO instruments.

Consequently, the Bank of Ghana had to set the unified higher Cash Reserve Ratio (CRR) linked to the Loans to Deposits Ratios (LDR) of banks in order to curb inflation pressures and the depreciation of the Ghana Cedi and address excess structural liquidity conditions in the markets. In spite of numerous challenges facing the banking industry as a result of the Domestic Debt Exchange Program (DDEP) and other economic shocks, the banks were very resolute in their commitment to maintain adequate liquidity to settle customers' claims when required.

FBN, FBL, SCB and UBA maintained relatively stable liquidity coverage over deposits in the year under review. On average, their liquid assets to total deposits increased by 17% above industry ratio. Despite the drop from 131% to 105%, FBN recorded the highest liquidity ratio in 2023 at 20% above the industry average of 85%. This sharp reduction was due to a disproportionate increase in total deposit relative to the increase in liquid assets. Total deposits saw a 61% increase, rising from GH₵1.6 billion in 2022 to GH₵2.6 billion. In contrast, liquid assets increased by 30% from GH₵2.1 billion in 2022 to GH₵2.8 billion in 2023. The increase in total deposit was mainly driven by deposits from individuals, private enterprises and government departments and agencies which collectively contributed to 76% of the total deposits growth.

ABSA, GCB, SG-GH, EBG, CAL, RBL, PBL and FABL however reported liquid assets to total deposits ranging from 81% to 58% which are below the industry average of 85%. PBL and FABL reported some of the lowest liquidity positions in 2023. PBL's total liquid assets to total deposits reduced by 22% from 88% in 2022 to 66% in 2023. Although total deposits increased by GH₵1.2 billion from GH₵3.4 billion in 2022 to GH₵4.6 billion in 2023, liquid assets increased marginally by 3% from GH₵3 billion to GH₵3.1 billion in 2023, accounting for the fall in liquidity. A major portion of the deposit mobilised was used to settle borrowings which fell by 71% from GH₵1.3 billion in 2022 to GH₵386 million in 2023.

FABL's remained unchanged in 2023 relative to the previous year. The year saw a growth in liquid assets of 45% from GH₵3.7 billion in 2022 to GH₵5.3 billion in 2023. The growth was funded by increased deposits which grew proportionally by 45% from GH₵6.3 billion to GH₵9.1 billion. A portion of the deposit was invested in interest bearing loans which increased by GH₵237 million in 2023.

Liquid funds/ total deposits

	2023	R	2022	R	2021	R	2020	R	2019	R	2018	R
FBN	1.05	1	1.31	1	1.00	9	0.98	7	1.32	3	1.78	2
FBL	1.02	2	0.95	4	1.27	2	0.98	8	1.46	2	1.17	5
SCB	1.00	3	0.90	6	0.99	10	0.95	9	0.93	11	0.98	8
UBA	1.00	4	0.89	7	0.92	11	0.93	11	0.97	9	1.33	4
GTB	0.98	5	0.75	14	0.76	16	0.90	12	1.03	8	1.05	7
FNB	0.98	6	0.90	5	1.14	4	1.16	1	1.65	1	2.81	1
CBG	0.96	7	0.75	12	1.09	7	1.04	4	1.10	6	0.00	-
OBL	0.95	8	0.82	10	0.92	12	0.73	19	0.00	-	0.00	-
BOA	0.90	9	1.04	2	1.40	1	0.95	10	1.05	7	0.74	14
SBG	0.89	10	0.71	15	0.68	20	0.74	18	0.58	18	0.66	17
ABG	0.88	11	0.97	3	1.10	5	1.02	5	0.94	10	0.93	9
ZBL	0.87	12	0.81	11	1.07	8	1.12	2	1.26	4	1.34	3
ABSA	0.81	13	0.82	9	1.16	3	1.02	6	1.25	5	1.13	6
GCB	0.81	14	0.75	13	0.90	14	0.87	13	0.79	14	0.80	12
SG-GH	0.77	15	0.66	19	0.76	17	0.62	21	0.45	19	0.65	18
EBG	0.74	16	0.64	20	0.73	18	0.74	17	0.59	16	0.71	16
CAL	0.72	17	0.70	16	1.10	6	1.07	3	0.89	12	0.77	13
RBL	0.71	18	0.69	17	0.71	19	0.70	20	0.69	15	0.72	15
PBL	0.66	19	0.88	8	0.90	13	0.79	15	0.59	17	0.57	19
FABL	0.58	20	0.58	22	0.62	21	0.77	16	0.00	1	0.88	11
Industry	**0.85**		**0.77**		**0.93**		**0.88**		**0.89**		**0.91**	

Liquid funds/ total interest-bearing liabilities

The industry's liquid funds to total interest bearing liabilities ratio strengthened by 10% to 80% in 2023. Industry's liquid funds assets grew by 38% from GH₵70 billion in 2022 to GH₵96 billion in 2023 while interest- bearing liabilities increased by 17% from GH₵183 billion in 2022 to GH₵213 billion in 2023. All banks witnessed a significant increase in their liquidity position relative to interest-bearing liabilities, except for FBN, ABG, PBL and FABL.

Ten out of the twenty participating banks demonstrated above industry average performance with liquid funds to total interest-bearing liabilities ratios above 80%. FBN maintained its conversative approach to liquidity management with the highest cover of over 100%. Even though its liquidity position towards interest-bearing liabilities decreased by 25%. The fall in the ratio was mainly driven by a 60% increase in deposits as against an increase of 20% in liquid assets. The ratio for UBA, GTB, SCB, OBL, CBG, SBG, BOA, ZBL and FBL inched upward by 6% to 23% in the current period. This indicates an increased participation of money market instruments by these banks at the expense of loans and advances as evident in the general increase of over 47% in treasury bills and a decrease of 2% in gross loans and advances.

On the other hand, ABG, ABSA, GCB, FNB, EBG, RBL, SG-GH, PBL, CAL and FABL recorded below industry average performance. These banks have higher than proportionate loan portfolios and thus lower liquid assets and other high interest-bearing liabilities to create those earning assets and thus the lower ratios they reported.

The Bank of Ghana introduced a new regime on Cash Reserve Ratio (CRR) which directly links the Cash Reserve Ratio (CRR) to Loans and Deposits Ratios (LDRs) with the intention to boost lending and mop up excess liquidity. However, considering the current

economic condition and the resultant depreciation of the cedi and inflationary pressure, we expect banks to bear the cost of the higher Cash Reserve Ratio as they maintain higher liquidity rather than extending credit. We anticipate most banks will maintain higher levels of liquidity while being cautious with lending until the economic environment begins to show significant signs of improvement.

Liquid funds/ total interest bearing liabilities

	2023	R	2022	R	2021	R	2020	R	2019	R	2018	R
FBN	1.04	1	1.29	1	0.99	2	0.96	3	1.28	2	1.78	2
UBA	0.99	2	0.89	2	0.92	6	0.93	4	0.97	6	1.00	5
GTB	0.97	3	0.74	8	0.75	14	0.88	7	1.03	5	1.04	3
SCB	0.95	4	0.87	4	0.93	5	0.91	6	0.86	7	0.92	6
OBL	0.93	5	0.80	5	0.87	8	0.69	18	0.00	-	0.00	-
CBG	0.90	6	0.71	10	0.98	3	1.01	2	1.08	4	0.00	-
SBG	0.88	7	0.71	12	0.68	19	0.73	14	0.57	17	0.65	15
BOA	0.88	8	0.75	7	0.87	9	0.82	8	0.81	8	0.59	16
ZBL	0.85	9	0.80	6	1.03	1	1.05	1	1.08	3	1.04	4
FBL	0.84	10	0.73	9	0.88	7	0.80	11	0.81	9	0.85	8
ABG	0.79	11	0.87	3	0.95	4	0.92	5	0.79	10	0.83	9
ABSA	0.78	12	0.68	14	0.76	13	0.73	15	0.73	13	0.76	12
GCB	0.77	13	0.71	11	0.84	10	0.81	9	0.75	12	0.77	11
FNB	0.75	14	0.68	13	0.81	11	0.81	10	1.56	1	2.81	1
EBG	0.74	15	0.64	16	0.73	15	0.74	13	0.58	15	0.70	13
RBL	0.70	16	0.68	15	0.68	18	0.67	19	0.65	14	0.67	14
SG-GH	0.66	17	0.57	19	0.65	20	0.56	22	0.43	19	0.56	17
PBL	0.61	18	0.63	17	0.73	16	0.60	20	0.49	18	0.52	19
CAL	0.61	19	0.56	20	0.80	12	0.71	16	0.57	16	0.54	18
FABL	0.58	20	0.58	18	0.62	21	0.77	12	0.00	-	0.88	7
Industry	**0.80**		**0.70**		**0.82**		**0.79**		**0.76**		**0.79**	

Liquid funds to total Assets

In 2023, the liquid fund to total assets ratio for the banking industry rebounded from the downturn experienced in 2022, continuing its growth trajectory over the past years before 2022. The ratio increased by 12% in 2023, driven by a 34% increase in total liquid assets during the period.

OBL reported the highest liquid funds to assets ratio among the surveyed banks, with a 21% increase from its 2022 ratio of 0.69 to 0.84 in 2023. This improvement was primarily due to a 121% in total liquid assets in 2023.

UBA, SCB, GTB, CBG, FBN, FBL, ZBL, and SBG all reported liquid funds to assets ratios above the industry average. Specifically, SBG, GTB, and UBA saw growth of 20%, 33%, and 15%, respectively, over their 2022 ratios. In contrast, ABG experienced an 8% decline but still managed to meet the industry average ratio of 0.67 in 2023. Banks such as GCB, FNB, BOA, EBG, ABSA, RBL, PBL, CAL, FABL, and SG-GH reported liquid funds to total assets ratios below the industry average, with ratios of 0.66, 0.65, 0.64, 0.63, 0.62, 0.60, 0.58, 0.55, 0.51, and 0.44, respectively. Despite falling below the industry average, these banks experienced some growth over their 2022 ratios.

Overall, 45% of the surveyed banks reported liquid fund to total assets ratios above the industry average of 0.67, 5% reported at the average, and 45% reported below the average.

Liquid funds/ total assets

	2023	R	2022	R	2021	R	2020	R	2019	R	2018	R
OBL	0.84	1	0.69	6	0.70	7	0.63	11	0.00	-	0.00	-
UBA	0.80	2	0.69	7	0.71	6	0.68	7	0.77	4	0.79	4
SCB	0.79	3	0.72	3	0.75	5	0.69	4	0.69	8	0.71	7
GTB	0.79	4	0.59	11	0.56	17	0.66	9	0.75	5	0.76	5
CBG	0.76	5	0.71	4	0.84	1	0.87	1	0.91	1	0.00	-
FBN	0.75	6	0.76	1	0.65	11	0.66	8	0.74	6	0.89	1
FBL	0.75	7	0.68	8	0.78	2	0.69	5	0.73	7	0.75	6
ZBL	0.74	8	0.70	5	0.77	3	0.81	2	0.85	2	0.83	2
SBG	0.70	9	0.58	12	0.55	18	0.59	17	0.45	17	0.48	15
ABG	0.67	10	0.73	2	0.76	4	0.73	3	0.65	9	0.67	8
GCB	0.66	11	0.63	9	0.68	9	0.68	6	0.62	10	0.63	11
FNB	0.65	12	0.57	14	0.61	12	0.59	16	0.82	3	0.81	3
BOA	0.64	13	0.59	10	0.65	10	0.55	19	0.57	13	0.47	16
EBG	0.63	14	0.55	16	0.60	14	0.60	13	0.49	15	0.53	14
ABSA	0.62	15	0.54	17	0.60	13	0.56	18	0.59	12	0.62	12
RBL	0.60	16	0.56	15	0.54	19	0.53	20	0.53	14	0.55	13
PBL	0.58	17	0.57	13	0.59	15	0.49	21	0.39	18	0.42	18
CAL	0.55	18	0.51	18	0.69	8	0.60	14	0.49	16	0.45	17
FABL	0.51	19	0.49	21	0.52	20	0.62	12	0.00	-	0.65	9
SG-GH	0.44	20	0.43	22	0.47	21	0.42	22	0.32	19	0.41	19
Industry	**0.67**		**0.60**		**0.66**		**0.64**		**0.62**		**0.62**	

Asset quality

Asset quality

In an analysis of the operating assets of the 20 participating banks, it becomes evident that as of 2023, 41% of the industry's operating assets comprise government securities, 33% represent cash holdings, and 26% consist of loans and advances. Interestingly, post the DDEP, asset quality discussions in the banking sector are not only around the loan books but also holdings in government securities.

Given the prevailing economic conditions, banks have adopted a conservative approach, significantly reducing gross loans and advances by 19% year on year to mitigate the risk of high impairment charges. This stance is offset by a 14% increase in investments in government securities and a 7% rise in cash holdings. This strategic shift has bolstered the banks' potential, contributing to an impressive GH₵43.1 billion increase in total operating assets for the 2023 financial year.

Moreover, the ratio of impairment charges to gross loans and advances saw a 17% decline in 2023, indicating a modest improvement in credit management operations despite ongoing economic challenges. However, the reduction in gross loans and advances also highlights a concerning trend of the increasing reluctance of companies and individuals to acquire loans due to rising interest rates. This trend points to a growing unattractiveness of loans, which could stifle economic growth for some businesses if loan interest rates continue to escalate.

The notable 14% increase in investments in government securities in 2023 may appear to be a prudent strategy to avoid the blunt impact of impairment charges on loans. However, the historic Domestic Debt Exchange Programme (DDEP) serves as a cautionary tale. Banks must exercise greater caution when allocating a substantial portion of their operating assets to government securities. This asset class has proven to be increasingly risky and unpredictable, due to Ghana's fiscal challenges. While government securities used to offer a haven from immediate impairment charges, the long-term stability of these investments is questionable given the events around the DDEP. Thus, banks must adopt a more diversified investment strategy to ensure sustainable growth and financial stability.

Three banks, EBG, GCB, and SG-GH significantly increased their gross loan portfolios by over GH₵1 billion each, contributing 35% of the total gross loans and advances amongst the participating banks. ABG also increased its gross loan portfolios by over GH₵730 million with eight other banks; ABSA, CAL, FABL, FBN, RBL, ZBL, FBL and FBN seeing marginal growths in their gross loans and advances. Conversely, eight banks; SCB, UBA, CBG, GTB, SBG, PBL, BOA and OBL recorded a slight decline in their gross loans advanced to customers. The ratio of impairment allowance to gross loans escalated from 10.5% to 12.2%, translating to a net increment of GH₵233 million. Remarkably, three banks; SCB, CBG, and FBN experienced substantial declines in their impairment charge ratios to gross loans and advances, from 20.1%, 12.6%, and 17.3% in 2022 to (11.1%), (1%), and 0.9% in 2023 respectively. These figures underscore a significant improvement in asset quality and risk management practices within these institutions.

We need to quickly add the role of the DDEP, the actual exchanges happening in 2023, which significantly reduced the impairment levels from 2022 to modification gains on the dates of exchanges coupled with the unwinding of related interest courtesy the use of same discount factors for 2022 and 2023 and the closer these government securities are now getting to their maturity dates.

A sectoral analysis showed that five industries experienced growth in total industry loans and advances, while the other five recorded declines. The commerce and finance and services industries continued to be the leaders contributing over 39% of the GH₵67 billion in industry gross loans and advances in 2023 as compared to the 41% of the GH₵68.2 billion in industry gross loans and advances 2022. The manufacturing, construction and electricity, gas & water followed suit regardless of the contributions made by the above industries, in terms of year-on-year growth, these industries recorded slight growth in their share of Industry Loans & Advances except for the commerce and finance and services industries which recorded a combined decline in their portfolios by 3%.

Impairment charge/ gross loans and advances

	2023	R	2022	R	2021	R	2020	R	2019	R	2018	R
SCB	-11.1%	1	20.1%	22	-1.1%	1	1.5%	8	5.2%	17	6.7%	16
CBG	-1.0%	2	12.6%	20	1.6%	9	2.0%	10	2.1%	14	0.0%	-
ABG	0.0%	3	2.7%	7	7.7%	20	1.7%	9	-1.8%	1	9.3%	18
ZBL	0.7%	4	0.9%	4	2.3%	11	0.5%	4	1.5%	9	6.9%	17
FBL	0.9%	5	8.7%	17	3.2%	14	4.4%	19	4.4%	16	3.7%	14
FBN	0.9%	6	17.3%	21	2.4%	13	2.3%	13	5.5%	18	1.1%	4
RBL	0.9%	7	3.3%	9	1.0%	5	2.9%	15	2.1%	13	3.3%	13
GTB	1.2%	8	0.6%	2	0.2%	2	0.7%	5	1.5%	10	-4.5%	1
FABL	1.5%	9	3.2%	8	1.5%	7	-2.6%	2	0.0%	-	2.9%	10
ABSA	2.1%	10	7.5%	16	1.6%	8	2.7%	14	1.4%	8	1.0%	3
SG-GH	2.2%	11	5.5%	13	1.1%	6	1.2%	7	0.0%	2	2.9%	11
GCB	2.3%	12	3.9%	10	6.1%	19	5.1%	22	1.8%	11	1.8%	6
FNB	2.7%	13	5.0%	12	0.8%	3	2.2%	12	6.4%	19	4.9%	15
OBL	4.5%	14	-0.2%	1	4.6%	18	-5.4%	1	0.0%	-	0.0%	-
BOA	4.6%	15	2.0%	6	1.6%	10	4.5%	20	0.0%	2	2.6%	9
SBG	5.1%	16	5.6%	14	0.9%	4	1.2%	6	1.3%	7	1.4%	5
EBG	5.7%	17	0.6%	3	4.2%	16	3.6%	17	3.8%	15	3.0%	12
UBA	9.0%	18	7.2%	15	8.6%	21	4.2%	18	0.5%	6	10.6%	19
CAL	19.6%	19	8.9%	18	4.3%	17	3.2%	16	0.0%	2	2.6%	8
PBL	38.9%	20	4.5%	11	3.7%	15	6.3%	23	2.0%	12	2.4%	7
Industry	**4.4%**		**5.3%**		**2.8%**		**2.7%**		**2.9%**		**3.0%**	

Ghanaian banks are generally continuing to apply the reliefs offered by the Bank of Ghana in spite of the improved profitability in 2023. Only time will tell when these reliefs are fully withdrawn to better assess the industry's capital adequacy level.

NPL levels increased on average for the industry underscoring the general economic difficulties and the negative impact on customers' abilities to pay these loans. Interestingly, asset quality discussions in the banking sector are no longer limited to the loan book but also holdings in Government securities and Bank of Ghana's OMO instruments.

Impairment allowance/ gross loans and advances

	2023	R	2022	R	2021	R	2020	R	2019	R	2018	R
GTB	2.2%	1	0.9%	1	0.5%	1	0.4%	1	0.7%	5	1.6%	2
ZBL	3.8%	2	4.6%	5	4.6%	10	3.3%	5	4.8%	12	10.7%	12
ABG	3.8%	3	3.9%	3	14.8%	18	11.5%	18	9.9%	17	17.9%	17
FBL	5.1%	4	6.5%	8	4.9%	11	2.4%	2	2.3%	7	12.2%	14
BOA	5.2%	5	3.1%	2	2.7%	3	3.8%	6	0.0%	1	1.0%	1
FABL	6.6%	6	6.1%	6	4.4%	9	4.8%	10	0.0%	-	7.8%	8
SCB	7.7%	7	18.5%	21	7.4%	12	9.8%	16	7.3%	15	12.9%	15
RBL	7.9%	8	8.7%	11	7.6%	13	9.7%	15	8.6%	16	9.8%	11
ABSA	8.6%	9	10.7%	13	4.3%	8	4.4%	9	3.3%	9	3.3%	3
EBG	10.1%	10	6.2%	7	8.5%	14	6.2%	11	5.7%	13	3.9%	4
FNB	11.2%	11	7.7%	9	3.2%	4	2.6%	4	4.3%	11	8.7%	10
SBG	11.5%	12	8.4%	10	3.8%	7	4.2%	8	4.1%	10	5.4%	5
FBN	14.0%	13	15.8%	19	2.0%	2	3.8%	7	7.3%	14	7.9%	9
CBG	14.2%	14	14.4%	16	3.2%	5	2.5%	3	2.1%	6	0.0%	-
SG-GH	14.5%	15	14.6%	17	10.7%	17	9.3%	14	0.0%	1	15.3%	16
OBL	15.6%	16	13.1%	14	21.2%	21	27.6%	22	0.0%	-	0.0%	-
UBA	16.0%	17	10.0%	12	9.0%	16	23.7%	21	23.0%	19	31.1%	19
GCB	17.6%	18	17.8%	20	15.3%	19	14.9%	19	10.6%	18	10.9%	13
CAL	28.5%	19	14.7%	18	8.7%	15	9.1%	12	0.0%	1	6.7%	6
PBL	33.3%	20	4.5%	4	3.7%	6	10.3%	17	2.4%	8	7.6%	7
Industry	**12.2%**		**10.5%**		**7.8%**		**9.9%**		**9.5%**		**9.8%**	

Appendix

Fig 2.11: Top three products patronised by customer segmentation

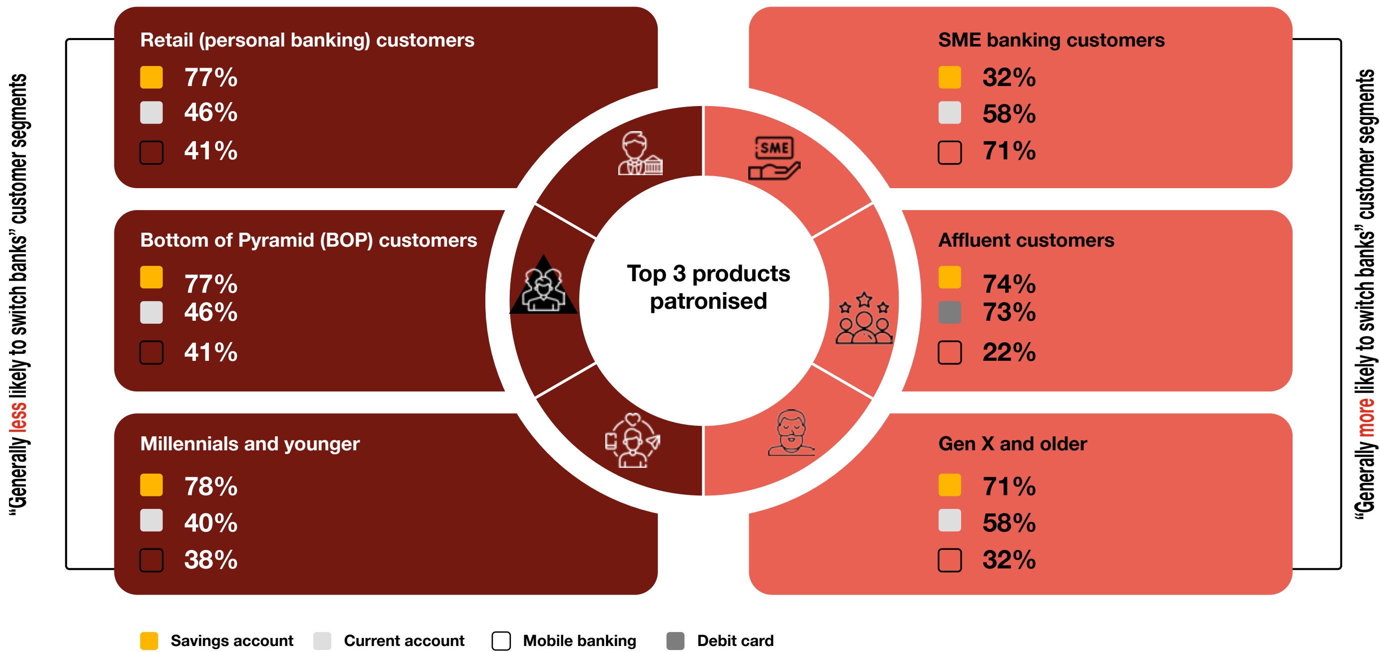


Fig 2.12: Top three most frequent transactions by customer segmentation

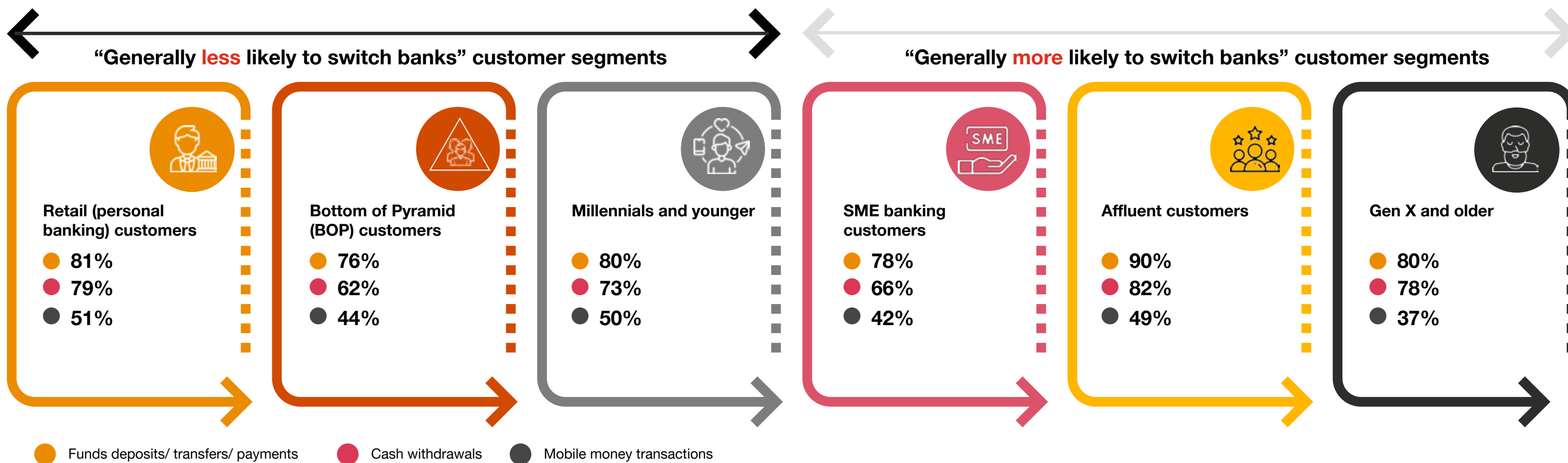


Fig 2.13: Transactions frequency by customer segmentation

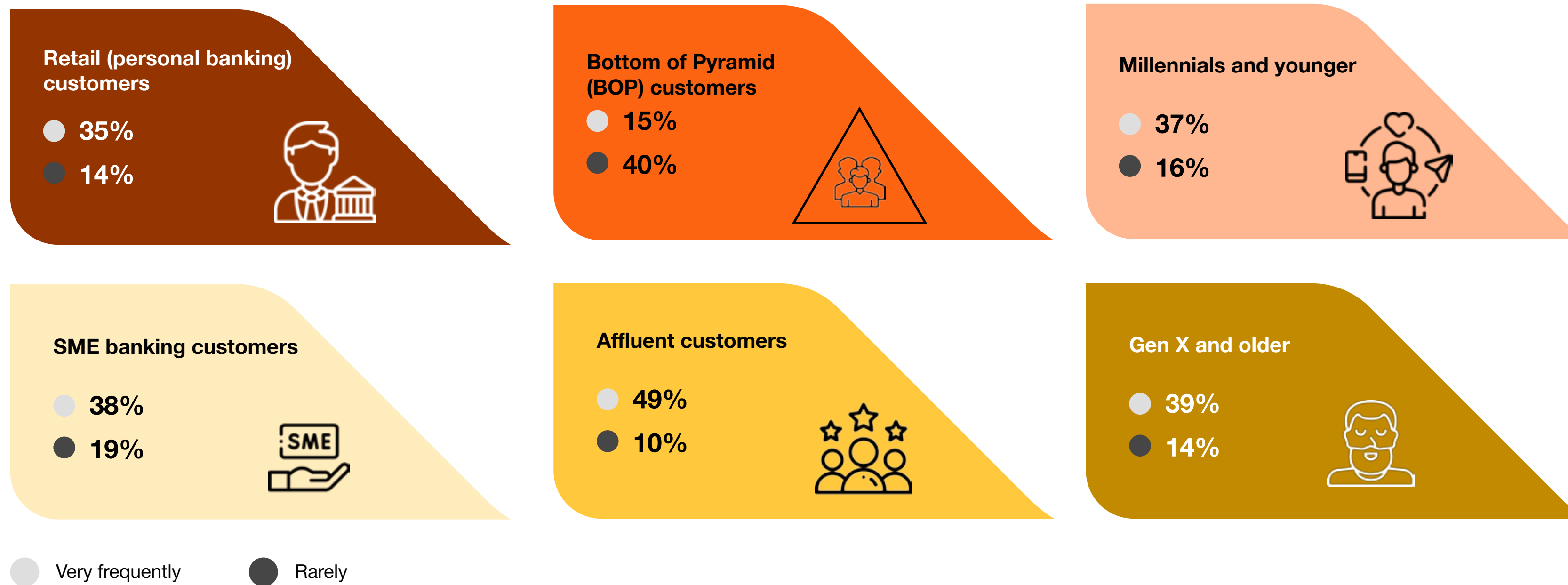


Fig 2.14: Top 4 Social media preferences by customer segmentation

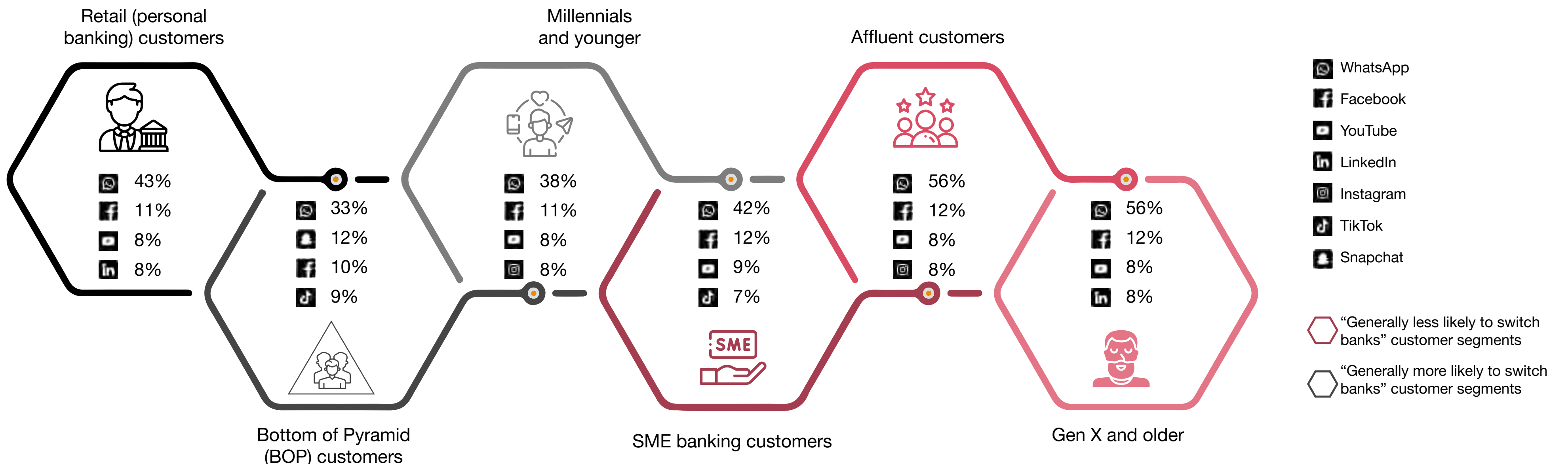


Fig 2.15: Loyalty of customers by customer segmentation

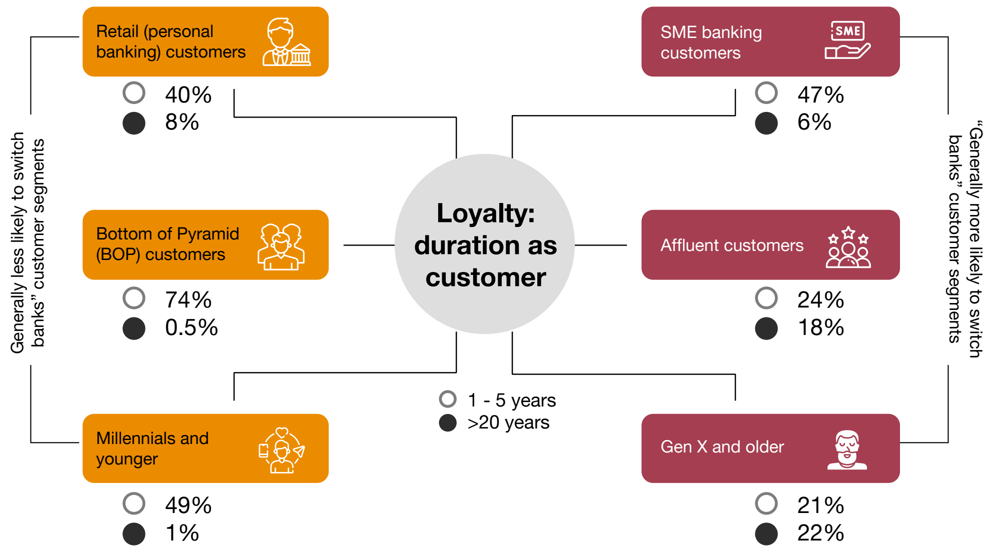


Fig 2.16: Switching risk by customer segmentation

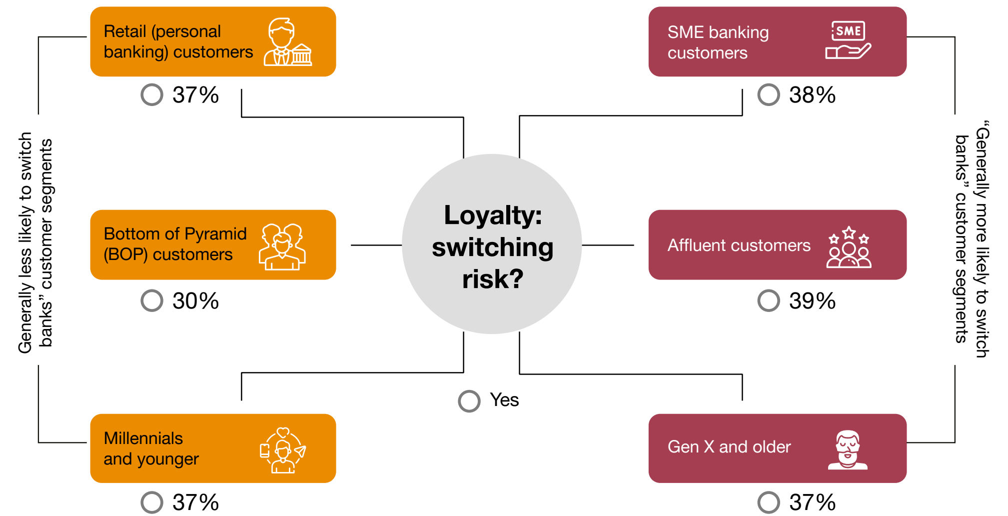


Fig 2.17: Top 2 digital channel preferences by customer segmentation

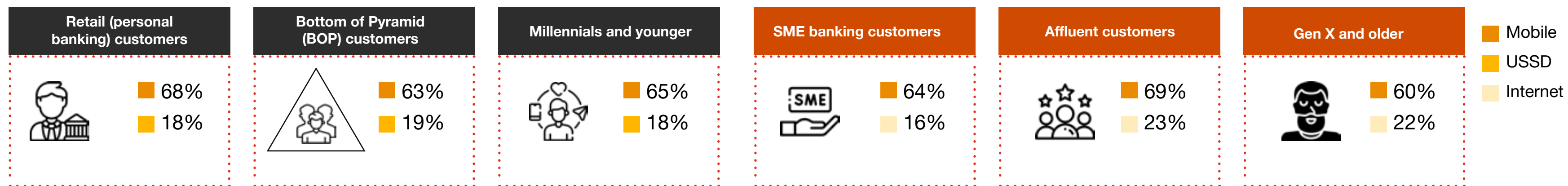
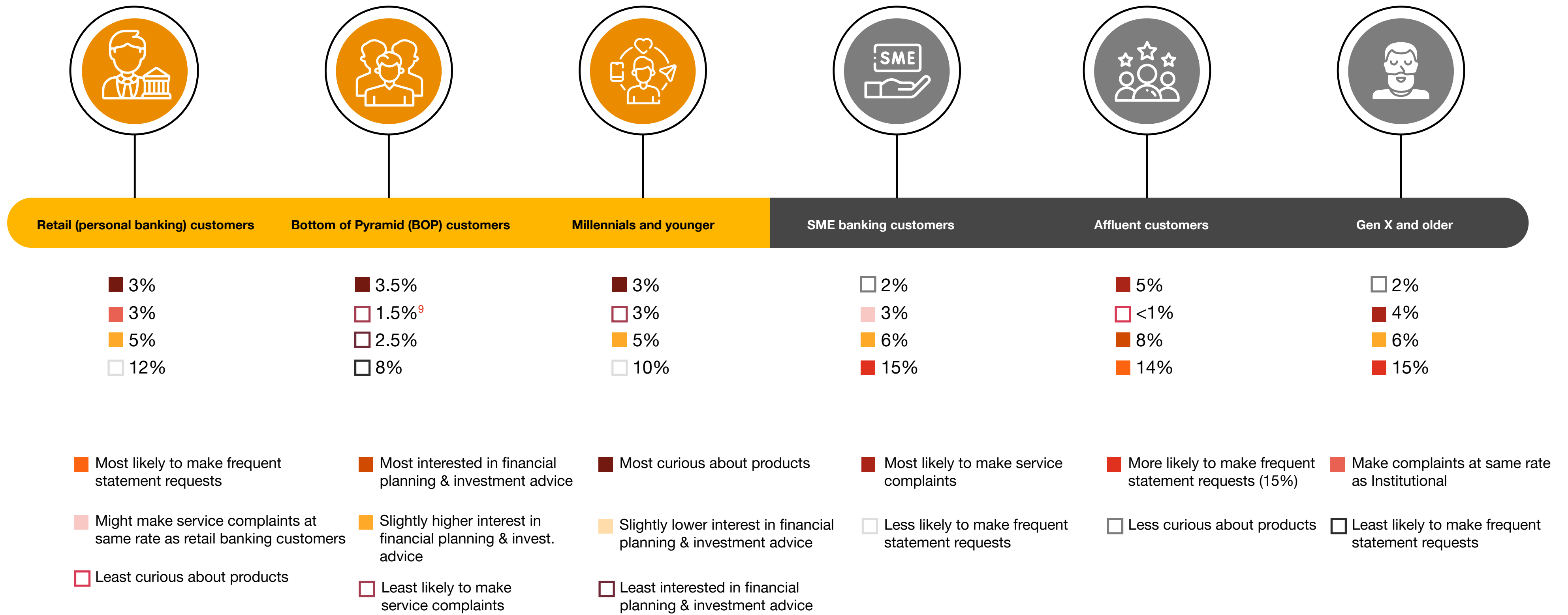


Fig 2.18: Others/ miscellaneous



[9] The profiled customer segments that are less or the least likely to make service complaints to their banks are more likely to vent on social media platforms where the audiences are much larger and tend to amplify the severity of the issue by recounting their own experiences.

Table 1

No.	Term	Definition
1	ABG	Access Bank (Ghana) Plc
2	ABSA	Absa Bank Ghana Limited
3	ADB	Agricultural Development Bank Limited
4	BOA	Bank of Africa Ghana Limited
5	CAL	CalBank PLC
6	CBG	Consolidated Bank Ghana Limited
7	EBG	Ecobank Ghana Limited
8	FABL	First Atlantic Bank Limited
9	FBL	Fidelity Bank Ghana Limited
10	FBN	FBNBank (Ghana) Limited
11	FNB	First National Bank (Ghana) Limited
12	GCB	Ghana Commercial Bank
13	GTB	Guaranty Trust Bank (Ghana) Limited
14	NIB	National Investment Bank Limited
15	OBL	OmniBSIC Bank Ghana Limited
16	PBL	Prudential Bank Limited
17	RBL	Republic Bank (Ghana) PLC
18	SBG	Stanbic Bank Ghana Limited
19	SCB	Standard Chartered Bank (Ghana) Limited
20	SG	Société General (Ghana) Limited
21	UBA	United Bank for Africa (Ghana) Limited
22	UMB	Universal Merchant Bank Limited
23	ZBL	Zenith Bank (Ghana) Limited

Table 2

Generational group	Income bracket			
	Bottom of pyramid	Mass Retail	Mass Affluent	Affluent
Generation Alpha	Generation Alpha BOP (0%)	Generation Alpha mass retail (0%)	Generation Alpha mass affluent (0%)	Generation Alpha affluent (0%)
Generation Z	Generation Z BOP (7%)	Generation Z mass retail (9%)	Generation Z mass affluent (0%)	Generation Z affluent (0%)
Generation Y	Generation Y BOP (6%)	Generation Y mass retail (36%)	Generation Y mass affluent (7%)	Generation Y affluent (4%)
Generation X	Generation X BOP (1%)	Generation X mass retail (10%)	Generation X mass affluent (4%)	Generation X affluent (5%)
Baby Boomers	Baby Boomers BOP (0%)	Baby Boomers mass retail (4%)	Baby Boomers mass affluent (2%)	Baby Boomers affluent (2%)
Silent Generation and Older	Silent Generation and Older BOP (0%)	Silent Generation and Older mass retail (0%)	Silent Generation and Older mass affluent (0%)	Silent Generation and Older affluent (0%)

Note: Percentages shown may not total 100 due to rounding

Abbreviations

Term	Definition
AFDB	African Development Bank Group
AI	Artificial Intelligence
ATM	Automated Teller Machine
B&M	Brick and Mortar
BoG	Bank of Ghana
BOP	Bottom of Pyramid
CAR	Capital Adequacy Ratio
CEO	Chief Executive Officer
CIR	Cost-to-Income Ratio
CRR	Cash Reserve Ratio
CSP	Customer Service Point
CX	Customer Experience
DDEP	Domestic Debt Exchange Programme
e.g.	For example
ECOWAS	Economic Community Of West African States
E-levy	Electronic levy
EPA	Environmental Protection Agency
etc	Et cetera
EUR	Euro
Fig	Figure
FSSS	Financial Sector Strengthening Strategy
GAB	Ghana Association of Banks
GBP	Great Britain Pounds
GCB	Ghana Commercial Bank
GDP	Gross Domestic Product
Gen X	Generation X
Gen Y	Generation Y
Gen Z	Generation Z
GenAI	Generative artificial intelligence
GH₵	Ghana Cedis
GSS	Ghana Statistical Service
IFC	International Finance Corporation

Term	Definition
IMF	International Monetary Fund
KPIs	Key Performance Indicators
LBT	Loss Before Tax
LDRs	Loan to Deposits Ratios
ML	Machine Learning
MMA	Millennial mass affluent
MoF	Ministry of Finance
MPC	Monetary Policy Committee
MPR	Monetary Policy Rate
NIB	National Investment Bank Limited
NIM	Net Interest Margin
OBL	OmniBSIC Bank Ghana Limited
OMO	Open Market Operations
ORASS	Online Regulatory Analytic Surveillance System
P2P	Peer-to-peer
PBL	Prudential Bank Limited
PBT	Profit Before Tax
POS	Point of sale
Post-DDEP	Post Domestic Debt Exchange Programme
POV	Point of View
PwC	PricewaterhouseCoopers (Ghana) LTD
RFIs	Regulated Financial Institutions
ROA	Return on Asset
ROE	Return on Equity
SBPs	Sustainable Banking Principles
SDIs	Specialised Deposit-Taking Institutions
TAT	Turnaround time
Tech	Technology
UK	United Kingdom
USA	United States of America
USD	United States Dollars
USSD	Unstructured Supplementary Service Data

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