

CIMG Pathway 5 Professional Post-Graduate Diploma in Marketing

Strategic Marketing in Practice (PGD 502)

CASE STUDY

December 2023
Case Study

Korsan Financial Service Limited (**KFS**)

Use of case study material in Strategic Marketing in Practice

Important information for candidates

The purpose of the case study is to test your knowledge and understanding of the Strategic Marketing in Practice course in a global context. The examiner will grade candidates' contributions based on the questions that are given in the examination.

The function is described in the candidate's brief, and students will be expected to make specific recommendations. Candidates should familiarize themselves with the case study completely. The case studies are based on real-life scenarios, and they provide all of the required facts concerning the case organisation.

Anomalies may be detected in the facts supplied in this case study, just as they are in real life. When responding to tasks, please make any necessary assumptions. Candidates are evaluated on their overall comprehension of the case and its major concerns rather than on simple details. Candidates must conduct a full strategic marketing audit of the case study organisation as part of their preparation for the assignment. The audit allows candidates to demonstrate their ability to:

- use relevant models and approaches to analyze data from a case study and a specific industry experiencing unique challenges
- evaluate the audit's findings to offer context for the current situation and the implications they can derive
- develop their own models for analyzing the data using their own ideas.

Students should only use the information contained in the case study, as well as their knowledge and grasp of the syllabus, when completing the organisation audit. Candidates must bring their own unique perspective to their audit and present their own work.

Copying of pre-prepared 'group' audits for the case organisation, including those written by consultants/tutors or by any third party, is strictly prohibited and will result in the audits being deemed null and void. The exercises will require solely the candidate's analysis, and personally composed answers will be necessary to pass the examination.

Candidates produce the strategic marketing audit on the case organisation onto six sides of A4 paper, using font size 11 or smaller. Tables, models, and diagrams must have a font size of at least 9 points. Only a summary of the audit must be included on the six sides. It should not include any decisions, goals, or plans. The audit pages should be numbered and given as an appendix to the examination for convenience of reference when addressing the examination questions. The audit is not counted as part of the word count for this examination and will not be graded.

Although no marks are given for the case organisation six-side audit itself, candidates will be graded on how they use and refer to the audit's findings when responding to the assignments.

Candidates are advised not to repeat or copy their National University of Ghana's six-side audit when answering the assignment tasks. It is important that candidates refer the examiner to the six-side audit where and when appropriate, when answering the tasks.

When answering the examination questions, candidates are encouraged not to repeat or copy the case organisation six-side audit. It is critical that candidates link the examiner to the six-side audit where and when appropriate.

As part of the examination, candidates must provide the case organisation six-side audit, describing how and in what sense the insights gained are valuable and relevant. At the end of their answer booklet, they must include this audit as an appendix.

The Chartered Institute of Marketing, Ghana has the right to reject the six-side that does not follow these rules.

Important Information

The following data is based on real-life institution, but details have been modified for evaluation purposes. It does not necessarily reflect current industry management practices or The Chartered Institute of Marketing Ghana's views and opinion

STRATEGIC MARKETING IN PRACTICE CASE STUDY

Candidate brief

Scenario

You work at Korsan Financial Services as the Marketing Director. Your Management has asked you to conduct a six-sided strategic marketing audit to examine both internal and external issues, including strategic uncertainty in the external market affecting KFS's future, so that management can better comprehend its strategic growth, competitive and profitability alternatives. KFS's strengths and weaknesses, core competencies, value proposition, competitive advantage, value generation, and readiness to compete should all be considered.

You should also consider KFS's existing strategic goals and direction, as well as her vision and mission, and current marketing strategy. You should also examine the obstacles and opportunities presented by trends, and technological innovations in the financial services industry.

Korsan Financial Services Background

Korsan Financial Services is registered as a limited liability company and was incorporated under the Companies Code 1963 (Act 179) on the 29th February 2008 with its major business objective being to provide microcredit services. The company is also registered with the Ghana Police Service and has a Moneylender's License. Known for offering its clients comprehensive solutions, Korsan Financial Services is a prominent local financial company in Greater Accra. Since its founding in 2008, the business has grown to become recognised as a reliable partner in the sector. Korsan Financial Services provides credit for peri-urban businesses, start-up credit and small loans among other services, based on its many years of experience. Using a strong client-centric approach, the organisation seeks to ensure each client's financial success and pleasure by offering tailored solutions that address their unique needs.

The company has five directors: Richmond Adu, Michael Dadzie, Charles Amponsah, Edward Cecil Amoateng and Doreen Agbozi. Richmond Adu has a wealth of experience in business management and bullion trade business. Mr Francis Miezah is Chief Executive Officer of the company and has over eleven years of Development and Universal Banking experience. He has worked in banking operations and microcredit with the Agricultural Development Bank and Intercontinental Bank. Edward Cecil Amoateng is a private businessman who has extensive experience in small scale business operations Dorcas Asaam has nine years of banking experience, and has specific experience in credit administration, customer care, banking operations and cash management. Charles Amponsah is an accounting and tax expert and has significant experience in taxation and is currently a senior officer at the Internal Revenue Services. He advises many SMEs in the areas of accounting and taxation.

The company currently operates in two specific geographic markets: Kasoa and Borteiman. The company's head office is located at Borteiman. The Company has three main products: Korsan Peri-urban Credit is targeted at cooperative associations and offers a hybrid between the solidarity and village banking methodology. Korsan Small Loan Credit is targeted at self-employed borrowers using the personal guarantee method. Korsan Start-up credit is targeted at people who have finished their apprenticeships in different trades.

Mission Statement

Our mission is to create and operate robust and profitable microfinance methods and products that excite our target markets; methods and products that are built on market understanding, product innovation, market leadership and strong relationships with our key stakeholders.

Vision Statement

We envision becoming *the preferred* non-bank financial institution delivering leading-edge services and value to all key stakeholders in micro-level financial intermediation.

Core Values

Our values are encapsulated in the acronym MICRO:

We believe without fundamental knowledge of our product, it will be very tasking to match a customer to a right product hence our experience and product knowledge puts us in an advantageous position to successfully match products to clients. A good negotiation session is carried out by Maneaba Aquaculture Investments Company Limited on every single business that we embark on. Three core values shape our culture and define the character of Maneaba Aquaculture Investments Company Limited. These values guide how we conduct our research and interact with our customers.

Managerial Leadership

- Because it blends management and leadership responsibilities to improve task performance, organisational effectiveness, and employee happiness, managerial leadership is significant.

Innovation

- Innovation can enable true digital enterprise transformation, address challenging business problems, and completely redefine the way our organisation runs.

Creativity

- Creative thinking allows staff to develop new or innovative ideas and challenge norms or old ways of thinking. These behaviors can help us create products, services and other offerings that differentiate us from their competitors and address consumers' demands in new ways.

Responsiveness

- Our client satisfaction with our product or service is positively correlated with their sense of being heard. Overall, there will be fewer complaints because we are responsive in taking proactive measures to resolve problems before the client contacts us.

Operational Excellence

- We are certain to have clearly established and regularly applied compliance procedures. Beyond just streamlining procedures, achieving operational excellence by encouraging an innovative, efficient, and risk-aware culture at every level of the company.

KFS's Key Marketing Goals

To stay ahead of the competition and fulfil its purpose of offering outstanding financial services, Korsan Financial Services sets high marketing goals. Increasing the exposure and recognition of the company's brand is the primary marketing goal. The goal of Korsan Financial Services' strong brand positioning is to become the preferred financial partner for a variety of financial needs. This goal includes a range of marketing techniques, including focused advertising campaigns, digital marketing efforts, and active involvement in trade shows and conferences.

Growing its clientele and improving customer retention rates is one of Korsan Financial Services' key marketing goals. The company strives to foster loyalty and trust because it understands how important it is to establish lasting relationships with its customers. Korsan Financial Services is committed to delivering outstanding customer experiences by streamlining procedures, optimising customer support, and creating customised financial solutions in order to do this. The company also hopes to expand its customer base and draw in new ones by utilising its current clientele through referral schemes and clever alliances with other companies in catchment area.

One of the key goals of Korsan Financial Services' marketing strategy is to keep a strong internet presence. The business understands the need of having an informative and user-friendly website in the current digital world. Korsan Financial Services wants to reach out to new and existing customers by investing in social media campaigns, search engine marketing, and website optimisation. To establish itself as a thought leader in the financial sector, the

company concentrates on offering insightful articles, instructional materials, and financial advice through its web platforms.

Renowned financial company Korsan Financial Services provides a range of financial options to its customers. The primary goals of the company's marketing strategy are to increase brand awareness, grow the customer base, and keep a robust internet presence. Korsan Financial Services wants to become known as a reliable partner by providing great customer service and tailored financial solutions through targeted marketing campaigns. By accomplishing its marketing goals, the business hopes to bolster its standing as a major force in the financial sector.

Key Success Factors for Korsan Financial Services

The financial services sector in which Korsan Financial Services works is very competitive and active. The company must recognise and leverage its critical success factors if it is to prosper in this demanding market. The main elements of Korsan's success depends on its strategic focus, human capital, technological innovations, customer-centric approach, and regulatory compliance. These factors are explained below:

Strategic Focus:

One of the key success factors for Korsan Financial Services lies in its strategic focus. This involves clear articulation and alignment of the firm's objectives, goals, and initiatives with the ever-changing market dynamics. By continuously monitoring market trends and customer demands, Korsan is able to identify potential growth areas and allocate resources accordingly. Moreover, its strategic focus allows the firm to develop innovative products and services that cater to specific customer needs, ensuring a competitive advantage over its rivals.

Human Capital

The second critical factor contributing to Korsan's success is its investment in human capital. The firm recognizes that its employees are its most valuable asset. By recruiting, nurturing, and retaining skilled and motivated individuals, Korsan creates a strong workforce capable of delivering exceptional performance. Furthermore, the company fosters a culture of continuous learning and professional development, encouraging employees to enhance their

knowledge and skills. This human capital investment not only ensures superior customer service but also fosters innovation and efficiency within the organisation.

Technological Innovation

In this contemporary era of rapid technological advancements, embracing innovation is crucial for financial service providers like Korsan. The firm has successfully recognized and capitalized on the potential offered by emerging technologies such as artificial intelligence, big data analytics, and blockchain. By leveraging these advancements, Korsan is able to improve operational efficiency, deliver personalized customer experiences, and enhance risk management. Technological innovations not only streamline internal processes but also enable the firm to effectively manage the ever-growing volumes of data, ultimately driving long-term success.

Customer-Centric Approach

At the core of Korsan Financial Services' success lies its customer-centric approach. The firm recognizes that satisfied, loyal customers are the foundation of sustainable growth. Korsan actively engages with its clients, understanding their evolving needs and preferences. By delivering personalized services, simplified processes, and tailored solutions, the firm ensures customer satisfaction and retention. Additionally, Korsan actively seeks feedback and aims for continuous improvement, fostering long-term partnerships built on trust and added value.

Regulatory Compliance

Lastly, regulatory compliance plays a vital role in Korsan's success. The financial services industry is heavily regulated, and adherence to these regulations is crucial to maintain credibility and mitigate legal risks. Korsan prioritizes compliance with all relevant laws and regulations, implementing robust systems and controls to ensure accurate reporting, transparency, and ethical practices. This commitment to regulatory

THE GHANAIAN BUSINESS ENVIRONMENT

As the first country in Sub-Saharan Africa to gain independence, Ghana has historically been the portal to economic activity in the West African Sub-Region. The country has enjoyed relative democratic freedom having conducted four consecutive elections widely considered free and fair and successfully changed ruling parties twice over the past 17 years.

Ghana's role in sub-regional economic integration, good governance, African unity and economic reform led President Clinton to dub the nation 'the Gateway to West Africa' during a state visit in 1998. The country has since lived up to this name, with further innovative responses to economic and socio-political issues as shown below. The country has been and seems poised to remain the recipient of significant streams of Foreign Direct Investment (FDI) flows and investments.

Ghana is well endowed with a wide range of agricultural and natural resources, and successive governments in recent years have forged bold and comprehensive industrialisation plans aimed at adding value to our agriculture and natural resources and leveraging our rising population of educated youth. Ghana's export position has been strengthening over recent years due to stronger performance in all three major export commodities, i.e. cocoa, oil, and gold. Ghana remains a world leader in cocoa production, with a production of 900k metric tonnes of cocoa beans in the 2017/2018 crop year. The supply of cocoa beans in the 2017/2018 crop year was adversely affected by factors such as poor weather conditions and land degradation.

However, the signing of a strategic partnership agreement between Ghana and Cote d'Ivoire in September 2018 was expected to boost cocoa production and pricing for both countries in the medium term. The two countries have agreed to, among other things, work together to adopt good practices for adaptation and to also mitigate the adverse effects of climate change. Brent (BR) crude oil output in Ghana averaged 51.18 million barrels, about 3m barrels more than the output in 2017. The projected BR crude oil output for 2019, which was based on a three-year simple average (2017, 2018 and 2019), was 63.4 million barrels. The increase in oil production was attributed to the commencement of crude oil production on the Sankofa-Gye Nyame (SGN) and increased production from the Tweneboa-Enyenra-Ntomme (TEN) as well as the Jubilee Fields. Ghana remains a net importer of petroleum products. However, the recent and expected increase in oil production will improve the balance of trade position.

The Government of Ghana Initiatives with the Financial Sector

Ghana practises a democratic system of governance. Parliamentary and presidential elections are held every four years in accordance with the provisions of Ghana's Constitution. The most recent elections were held in 2016, with the country experiencing a smooth transition in Government. The next elections are expected to be held in December 2020. There are currently 16 administrative regions in Ghana, with 254 metropolitan, municipal and district assemblies (MMDAs). The country practices a system of decentralisation where the various regions and MMDAs are allowed some degree of autonomy in decision-making. There are also various structures of traditional governance which are recognised under the Constitution.

Ghana's legal system is based on the 1992 Constitution. Statutes are enacted by Parliament, while rules, orders and regulations are enacted through delegated legislation, common law and customary (traditional) law. The Government of Ghana has in recent times come up with several initiatives to increase efficiency in the government sector, are explained below:

The National Digital Property Addressing System (NDPAS), National Identification Project (NIP) and interoperable electronic platform

The Government aims to formalise the country's economy by establishing a national database for easy identification and increased access to information on its citizens, locations and businesses. It launched the NDPAS and NIP in 2017 to enhance business activities in Ghana through the creation of a secure personal identification system for citizens and establishing proper national address and location systems, respectively. The digital address is mandatory for getting the National Identification Card and other services in the country. The digital address generated is unique to each property and has a maximum of 11 alpha-numeric characters which reflect region, district and postcode. The GhanaPostGPS can be downloaded from the Google Playstore or the App Store. These projects are still ongoing and are expected to improve security and facilitate the deployment of emergency services. An interoperable electronic platform was established for the financial sector with the aim of reducing the risk of doing business in that sector. It is designed to interface mobile money transactions with the banking system to monitor and facilitate electronic transactions within the country. Once it has been implemented, it will also work together with the NIP to create a robust credit database which will reduce the cost involved in obtaining financing from financial institutions.

The Financial Services Industry of Ghana

In Ghana, the financial services industry is categorised into three main sectors: banking and finance, insurance and capital markets. Banking is the largest component of the banking and finance segment. As a result of high credit risk in the economy in recent years coupled with the collapse of some insolvent banks in the last two years, several banks squeezed their credit stance, resulting in a lower rate of growth in loans and advances.

According to the 2019 Mid-Year Budget Review, following the banking reform exercise, total assets of the banking sector increased by 12% between June 2018 and June 2019. Total deposits also increased by over 22% during the same period. In addition to the above, asset quality has also increased, as was reflected in the declining Non-Performing Loans (NPL) ratio from 22.6% in June 2018 to 18.1% in June 2019. There were also significant improvements in the banks' profitability indicators.

The Bank of Ghana (BoG, the central bank) is the sole regulator of banks and other financial institutions, as outlined in the Bank of Ghana Act 2002 and Banking Act 2004 (and its 2007 amendment). However, the Association of Rural Banks (ARB) Apex Bank is also licensed to undertake limited supervisory functions for rural banks. The Financial Institutions (Non-Banking) Law of 1993 and the Non-Bank Financial Institution (NBFI) Business Rules for Deposit-Taking Institutions 2000 impart regulatory and supervisory responsibilities to the BoG over NBFIs, including savings and loan companies. Credit unions are technically regulated by the Financial Institutions Law 1993, but in practice they are regulated and supervised by the Ghana Co-operative Credit Union Association and in conjunction with the Department of Co-operatives. For rural and community banks (RCBs), minimum capital requirements are within reason GH¢150,000 (US\$114,000) and banks are free to set interest rates. Capital adequacy ratios are 8-10% of assets for banks, RCBs and NBFIs. The Ghana Co-operative Credit Union Association (CUA), an apex body and quasi-regulator for credit co-operatives, caps interest rates by credit unions that receive wholesale funds from the CUA. (CGAP Regulation Centre Profiles; CGAP 2005 Paper; central bank 2008; personal interviews: June-July 2009)

Institutions are regulated based on BoG designations. RCBs, savings and loans companies (S&Ls) and NBFIs that fall under the NBFI law are free to set up microfinance operations and are regulated by the BoG. However, a new BoG policy greatly increases minimum capital requirements for new NBFIs, and current minimum capital requirements for transformation

into an S&L Company are also high. RCBs are required to submit weekly liquidity reports, monthly balance sheets, quarterly financial statements and annual audited financial statements. Reporting requirements for S&Ls are similar to RCBs. In practice, credit unions are regulated and supervised by the CUA, in conjunction with the Department of Co-operatives. Interest rate caps only apply to credit unions that receive wholesale funds from the CUA. (CGAP 2005 paper; CGAP profiles; central bank 2008; personal interviews: June-July 2009.) NGOs, community-based organisations, rotating savings and credit associations (ROSCAs) and accumulating savings and credit associations (ASCAs) can provide microcredit services, but these unregulated institutions are not permitted to mobilise deposits. Most microfinance institutions (MFIs) listed on MIX market are NGOs (11 of 16). However, informal savings agents (“Susu dealers”) have a high penetration rate in Ghana and provide savings services, often at negative interest rates, to rural and urban clients. There is a significant amount of self-regulation in the finance sector, with the CUA and the ARB Apex Bank taking some regulatory responsibilities. The Ghana Co-operative Susu Collectors’ Association (GCSCA) encourages self-regulation among members. (CGAP series paper 2005; personal interviews: June-July 2009.)

Reforms in the Banking Sector

Since 2017, the banking sector in Ghana has been undergoing reform in order to improve investor confidence and shore up the banking sector’s ability to finance big-ticket transactions. Among the major changes that have taken place in the banking sector since 2017 is the withdrawal of licences of banks that were considered technically insolvent and illiquid. In all, the regulator has collapsed nine banks, with their assets and liabilities assumed by GCB Bank and Consolidated Bank Ghana. This drastic move by the regulator is expected to keep the banking industry highly liquid to be able to meet customer obligations and inspire investor confidence. Additionally, several measures have been put in place to drive the growth of the banking sector in Ghana. This includes the increase in the new minimum regulatory capital to GH¢400m by the end of 31 December 2018. As of January 2019, 16 banks had met the GH¢400m threshold, three mergers involving six banks had received Bank of Ghana approval and five banks (Agricultural Development Bank, National Investment Bank, OmniBSIC, Universal Merchant Bank and Prudential Bank) are benefiting from capital injection by Ghana Amalgamated Trust Plc (GAT).

The capital injection is expected to enhance the capacity of banks in Ghana to undertake larger transactions in Ghana and the West Africa sub-region. Since the emergence of the upstream oil and gas industry, there has been negligible funding from local banks due to the relatively small size of the balance sheets of Ghanaian banks.

However, with the increase in capital, expectations are that the oil and gas industry, together with other risky industries in the economy, would begin to gain the attention of the local banking sector.

Beyond meeting the new minimum capital, banks are required to top up their capital based on the inherent risk in their portfolio. This is driven by the Capital Requirement Directive (CRD), the rule book for the Basel framework implemented by the Bank of Ghana from January 2018. Based on the CRD, banks will now align their capital requirements to the amount of risk they carry. Furthermore, the banking industry has seen the rollout of the risk management code and corporate governance directive. These initiatives are expected to consolidate the gains made by the industry and sustain the existing liquidity position of banks. Among the reasons for the collapse of nine banks in the past two years is corporate governance failure, and the regulator is confident that the risk management code and corporate governance directive would help to address the challenges and forestall recurrence. Investors in the banking industry should be confident that, based on the merits of the initiatives mentioned above, their investments would not be lost based on systemic failures.

Obtaining a banking license in Ghana

Despite the relatively high number of banks in Ghana, there are opportunities for interested investors, especially in the areas of agriculture and development finance. Retail banking also presents enormous opportunities based on the low banked population ratio, which is currently around 45%. To share in the opportunities, interested investors could consider acquiring a stake in existing banks, especially the local banks which have a relatively high appetite for capital injection. For those interested in stock exchange dealings, the Ghana Stock Exchange presents opportunities to invest in the stock of ten listed banking stocks. Alternatively, interested investors could consider setting up a new banking institution, but this would demand a minimum capital of GH¢400m as required by the regulator.

To obtain a universal banking license to operate in Ghana, a body corporate must apply to the Bank of Ghana for a Class 1 banking license. This application must be in writing and must be accompanied by:

- A certified true copy of the Regulations or other Instrument relating to the proposed business of banking;
- Names, addresses and occupations of persons who would hold significant shareholdings directly or indirectly in the proposed banking venture and the respective values of such holdings;
- Particulars of the directors and key management personnel concerned with the management of the banking business;
- Statutory declaration from each would-be director stating that they are free of any criminal convictions, public criticisms and warnings regarding their conduct. They must also each submit a criminal record certificate from the Criminal Investigation Department;
- Feasibility reports including a business plan and financial projections for the first five years; and
- Capital and sources of funds.

Additionally, the Central Bank may request other particulars or interview the promoter, directors and proposed senior management personnel in the course of appraisal to satisfy itself about the representations made or information furnished by the applicant.

Apart from the universal banking stream, interested investors could look at lower tiers such as savings and loans companies, microfinance companies, finance houses, leasing companies, lending companies etc. The capital requirements and regulations for these lower-tier financial institutions are lower than for the universal banks.

Regulation of the Banking sector

The banking sector of Ghana is regulated by the Bank of Ghana. The regulatory and legal framework within which banks, non-bank financial institutions as well as forex bureau operate in Ghana are the following:

- Banks and Specialised Deposit Taking Institutions Act 2016, Act 930;
- Bank of Ghana Act, 2002 (Act 612);
- Bank of Ghana (Amendment) Act, 2016 (Act 918);
- Non-Bank Financial Institutions Act, 2008 (Act 774); and

- Bank of Ghana Notices/Directives/Circulars/ Regulations.
- Development Finance Institutions Act, 2020, Act 1032

Minimum capital requirements Aside from the GH¢400m minimum capital requirements for universal banks, the regulator has set minimum capital requirements for the other operators in the banking and finance space, and these are stated below:

- Non-bank financial institutions – GH¢15m;
- Rural banks – GH¢1m; and
- Microfinance and companies (deposit taking and non-deposit taking) – GH¢2m

Money Lender

Application for a license to operate the business of microfinance, money lending and FNGO shall be in writing and addressed to the Head, Other Financial Institutions Supervision Department, Bank of Ghana, Cedi House, Accra. A certified true copy of the Certificate of Incorporation and company's Regulations or other Instrument, relating to the proposed business, or by or under which any person proposing to carry on such business was established. The registered name of the company should include either 'Microfinance, Money Lending, or FNGO or the type of license being applied for.

Minimum capital requirements

All Tier 2 and 3 entities (comprising microfinance companies and moneylending companies) excluding FNGOs shall require not less than GH¢2,000,000 [Two million Ghana cedis only] as minimum paid capital.

All FNGOs shall require not less than GH¢300,000 [Three hundred thousand Ghana cedis only] as minimum paid capital (owners' contribution).

NOTE: Not more than 25% of the initial paid-up capital shall be spent on property, plant and equipment (capital expenditure). That is at least 75% of the initial paid-up capital shall be in liquid cash resources to support operations.

Tier 2 and 3 microfinance institutions shall pay the following fees, or as may be determined by Bank of Ghana:

- a) Non-Refundable Processing fee: GH¢500.00

- b) Non-Refundable Licensing fee: GH¢1,000.00
- c) Annual license renewal fee: GH¢500.00 which should be paid by January 31 of each year.

Credit Referencing

The lack of good credit information has been a major obstacle, and the BoG is currently planning to form a public registry, including MFIs. There is one private credit bureau operating as of June 2009 (XDS Data Ghana Limited), but this is relatively new and banks are as yet unwilling to share data about clients. Banks and financial institutions tend to provide negative information only, as they fear poaching of their low-risk clients by other banks. Ghana has a Credit Information Index score of 0.0 out of a maximum of 6 in World Bank, Doing Business, which compares to a regional average of 1.4. Public and Private registry coverage is 0.0% of the adult population. (Ghana Business News online, June 6th, 2009; World Bank, Doing Business 2009; XDS website; personal interviews: June-July 2009.)

Development Finance Institutions Act, 2020

The Development Finance Institutions Act, 2020 (Act 1032) (the "Act") was passed by the Ghanaian Parliament and received Presidential assent on 27th October, 2020. The Act establishes a framework for the licensing, regulation and supervision of Development Finance Institutions (DFI's) within the country. The Act is defined to mean the " provision of short-, medium- and long-term funding, guarantees and other credit enhancement structures to key sectors of the economy in a financially sustainable manner." Any person that intends to engage in this business must be a body corporate registered under Ghanaian law and must obtain a license from the Bank of Ghana (BoG). Notably, however, the Act does not apply to DFI's governed by a multilateral treaty or under sovereign bilateral agreements such as the World Bank, African Development Bank

The Economic Environment

Liberalization of financial policies in the late 1980s has enabled Rural Microfinance Institutions (RMFIs) in Ghana to develop with relatively little interference, but without a clearly articulated national strategy. Nevertheless, continued high inflation and interest rates (particularly on Treasury Bills) has limited the incentive for commercial banks to reach out to smaller, poorer clients (though enabling weak Rural and Community Banks (RCBs) to improve their capital adequacy with highly restricted lending).

Furthermore, directed, subsidized loans under current government poverty programs threaten to undermine loan performance and weaken the long-run potential for developing sound, self-sustaining MFIs on a significant scale. While Ghana's approach has yielded a wide range of MFIs and products with the potential for substantial outreach to the poor and sustainability based on savings mobilization, it has also permitted easy entry of institutions with weak management and internal controls.

Throughout the greater part of Ghana's economic history, weak fiscal discipline (especially in election years), persistent double-digit inflation, and the use of monetary policies to restrain liquidity resulted in relatively high interest rates not only for commercial bank lending but also for T-bills and Bank of Ghana bills and bonds. The consequence has been very little incentive for banking institutions to lend, since they can make a good return (over much lower deposit rates) simply by investing excess liquidity in T-bills. Although the high reserve requirements (62% primary and secondary) imposed on Rural Banks for example has sometimes been blamed for the small amount of credit they provide, in fact they have generally maintained more than the required amount of reserves.

The Digitization of the Economy

National Communication Authority's contribution to Ghana's digital agenda In a bid to facilitate the digitisation of the economy, in 2018, the NCA introduced and completed some projects with the aim of enhancing the protection and security of ICT consumers to facilitate confidence in the increased use of digital products and services in Ghana. These include:

- NCA Computer Emergency Response Team (NCACERT);
- Common Platform (CP) for the monitoring of Government revenues in the telecom sector;
- NCA Conformance and Type Approval Testing Laboratories;
- Broadcast Monitoring Centre; and
- Communications Monitoring Centre.

These initiatives are aimed at contributing to strengthening the technology framework for Ghana's digital agenda.

Eastern Corridor Fibre Optic Backbone project

In a bid to improve the country's ICT infrastructure, works on extending the Eastern Corridor Fibre Optic Backbone project by 165 kilometres has been completed. This extension stretches from Accra to Ho and will link up with the main project, which spanned from Ho to Bawku.

The Eastern Corridor Fibre Optic Backbone project will connect 120 communities along the route to communication means. The infrastructure has been put in place to promote the use of technology in education, health delivery, e-governance, and agriculture, among other sectors. It is expected that with this infrastructure in place, the telecommunication companies will deploy their services to these communities.

Growth in mobile banking and mobile money interoperability

Mobile money is a fast-growing phenomenon in Ghana. According to the Bank of Ghana, the value of mobile money transactions hit GH¢233bn in 2018 compared to GH¢155bn in 2017, representing a growth of over 43%. Only three telecommunication operators offer mobile money services in the country. They are MTN, Vodafone and AirtelTigo.

This growth has been accelerated by the launch of the country's first Mobile Money Interoperability System through the Ghana Interbank Payment and Settlement Systems Limited in May 2018. With the launch of this new system, users can transfer money from one mobile money account to another across networks without restrictions.

Transactions across networks through the mobile money interoperability platform in 2018 amounted to GH¢212m. This indicates the increased use of the platform and the opportunity for a more improved performance in the coming years.

e-Commerce

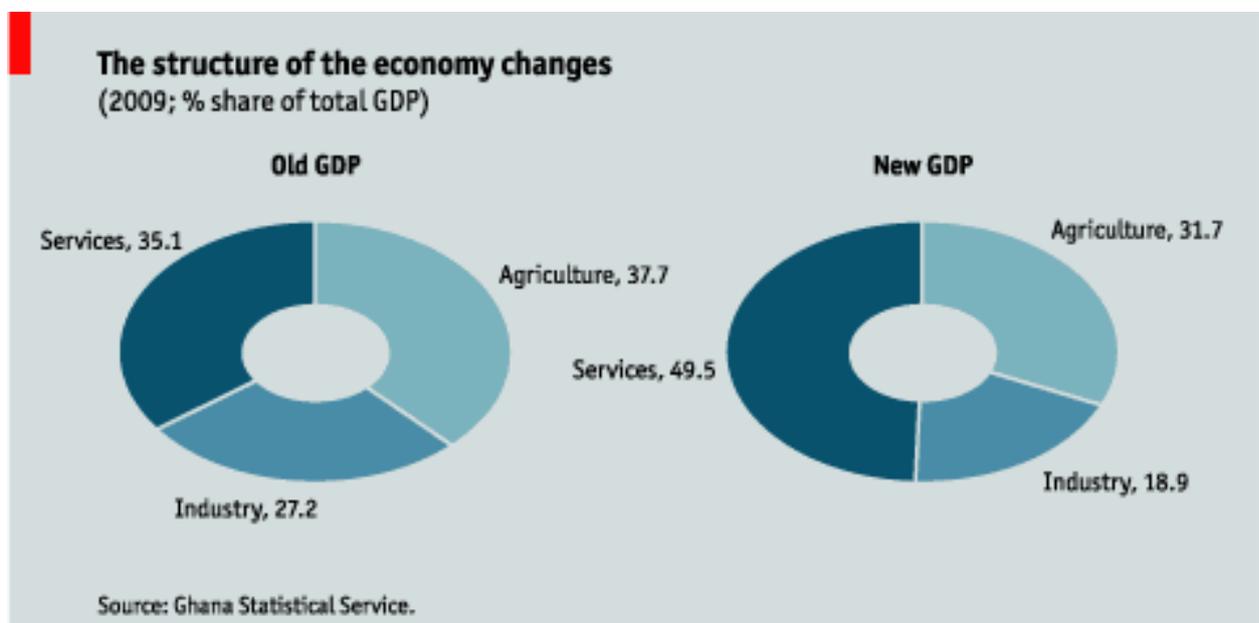
The concept of e-commerce in Ghana is developing with the increase in the digital literacy rate due to the influx of smart devices, the tech-savvy nature of the young population and improvement in technological know-how in the country. With the increase in demand for a more relaxed and convenient method of shopping, many brick-and-mortar shops are creating online stores to serve the needs of that section of the population. The introduction of convenient payment platforms such as mobile money has also helped in the development of this business. Top online marketplaces in Ghana include Tonaton, Olx, Jumia and Tisu, among others, with more opportunities for new entrants due to its developing nature and the willingness of the populace to explore more shopping avenues for quality and affordability. E-Commerce businesses, however, currently face a challenge with distribution due to the poor

addressing system in the country. This challenge is expected to be mitigated with the introduction of the GPS Digital Addressing System.

4G operations for mobile services

In December 2018, the National Communications Authority awarded Vodafone Ghana with a 2x5MHz frequency spectrum block in the 800MHz Band to deploy 4G spectrum and beyond. Vodafone Ghana now joins the industry leader MTN as the only two telecommunication companies with licences to roll out 4G services in the country. The regulator has indicated its intention to replace 2G licences expiring in 2019 with universal access licences, enabling licensees to offer both fixed and mobile offers.

Figure 1 Key Country Statistics



Services sector

The services sector remains the largest contributor to Ghana's GDP despite declining from 45.6% as of September 2017 to 44.5% as of September 2018. The sector comprises trade, repair of vehicles and household goods; hotels and restaurants; transport and storage; information and communication; financial and insurance activities; real estate, professional, administrative, public administration; education; health; commodity, social and personal services activities. The services sector is also the largest employer, according to the 2017 Integrated Business and Establishment Survey, which was launched by the Ghana Statistical Service (GSS).

Agriculture and agribusiness

The contribution of agriculture to Ghana's GDP has ranged from 22.1% in 2015 and 22.7% in 2016, to 21.2% in 2017. The sector is estimated to employ about 36.1% of Ghana's labour force, most of whom are small landowners engaged in agriculture mainly for subsistence. The principal agricultural produce in Ghana is crops (industrial, staples, fruits and vegetables), livestock, fisheries and forestry/logging.

Although Ghana has an expanse of arable land with relatively favourable climatic conditions, the country is still a net importer of food. In 2016, Ghana imported more than US\$1.8bn worth of agricultural products, including US\$272m of rice, US\$102m of poultry meat, US\$ 277m of frozen fish, US\$145m of wheat and US\$139m of palm oil. Evidently, the agricultural sector requires massive investment to enable it to reach its full potential.

The years 2018 and 2019 saw the introduction of the Akufo-Addo Program for Economic Transformation (AAPET) aimed at modernising and transforming the agriculture sector. Key features of the AAPET include the scrapping of duties on agro-processing equipment and machinery, the implementation of a grant funding facility for agribusiness start-ups, the establishment of a GH¢400m fund for sustainable agriculture financing and crop insurance schemes, the launch of a pension scheme for cocoa farmers, as well as the provision of technical assistance and tax incentives to support agro-processing, packaging and market access for farmers.

The Socio-Cultural Context of Ghana¹

The extent of poverty and the importance of the rural sector to the economy makes it pivotal for microfinance interventions. Poverty in Ghana, like in most other sub-Saharan African countries, is predominantly a rural phenomenon. Rural poverty is estimated to contribute approximately 90% to national poverty. More than one-half of the population living in the rural Savannah regions of Ghana continues to be extremely poor.

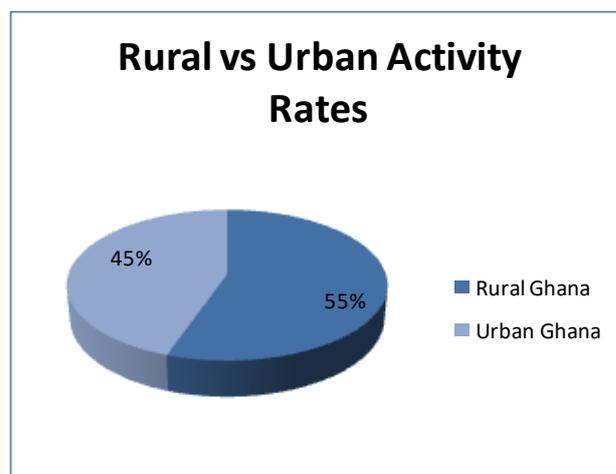
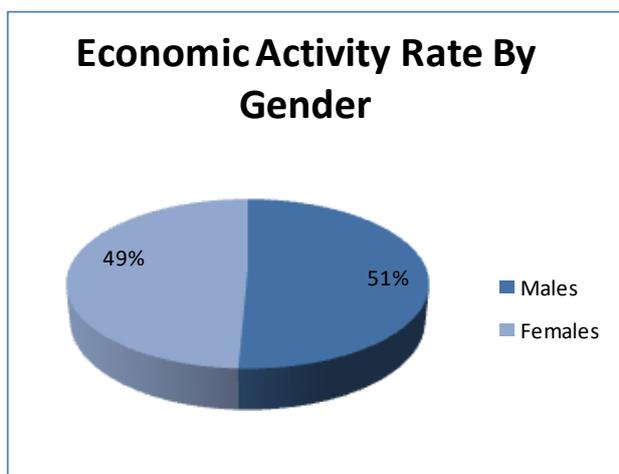
Poverty is highest among self-employed households cultivating agricultural crops and has decreased only slightly compared to self-employed households engaged in export-crop agriculture and wage employees in the public and private sectors. In spite of these,

¹ Source: Ghana Living Standards Survey (GLSS)5 Report, 2008

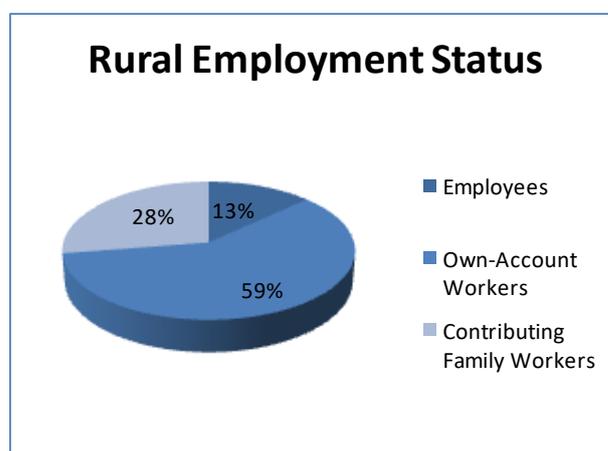
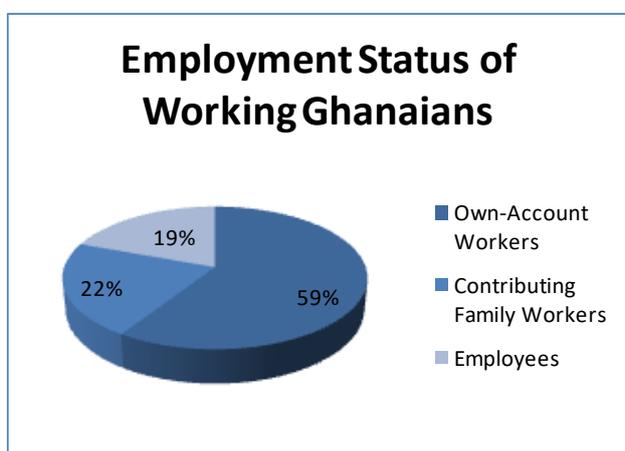
agriculture, which is mainly rural-based and the core of the Ghanaian economy, remains the principal sector for the development and growth of the economy.

Employment Statistics²

Ghanaian males have a slightly higher economic activity rate (54.9%) than their female counterparts (53.4%). The activity rates for males exceed those for females in all age groups except in the 15 to 24. Overall, the economic activity rate in rural areas is higher (58.6%) than that of urban areas (47.3%). For each age group, the activity rates for both males and females are higher in rural areas than in urban areas.

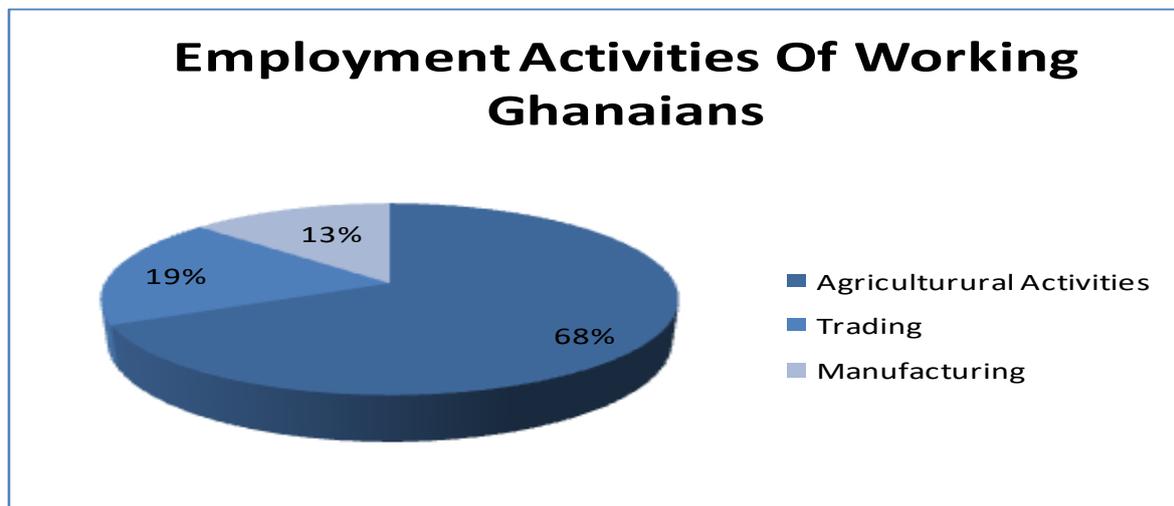


The employment statistics of the currently employed indicate that 55 percent of the adults are own account workers, 20 percent are contributing family workers while 18 percent are employees. In urban areas, employees (34.8%) constitute the second largest category after own account workers (47.2%), whereas in rural areas, contributing family workers (27.5%) are the second most populous group after own account workers (59.4%).



² Source: GLSS5 Report, 2008

The majority of the working population is employed in agricultural activities (55.8%), followed by trading (15.2%) and then manufacturing (10.9%). Whereas 21.6 percent of the working females are engaged in trading, only 8.4 percent of their male counterparts are traders



Household Agriculture Statistics³

About 3.4 million households in Ghana own or operate a farm or keep livestock. More than half of households (1.8 million), which cultivate crops hire labour for their operations. The two most important crops, in terms of sales, are maize and cocoa. About 3.5 million households process crops or fish for sale or for use by households with women having about 87 percent share of responsibility in this activity.

Non-Farm Enterprises Statistics⁴

Approximately three million two hundred thousand households representing 46 percent of all households in Ghana operate non-farm enterprises with women operating 72 percent of these businesses. Some 52 percent of the households operating non-farm enterprises are found in urban localities. Almost half (49.5%) of all businesses involve trading, and most of the rest are into some kind of manufacturing. The main sources of capital for non-farm enterprises are household savings (60%) and assistance from relatives or friends (20%). It is worthy to note that more skilled than unskilled persons are currently engaged in non-farm enterprises.

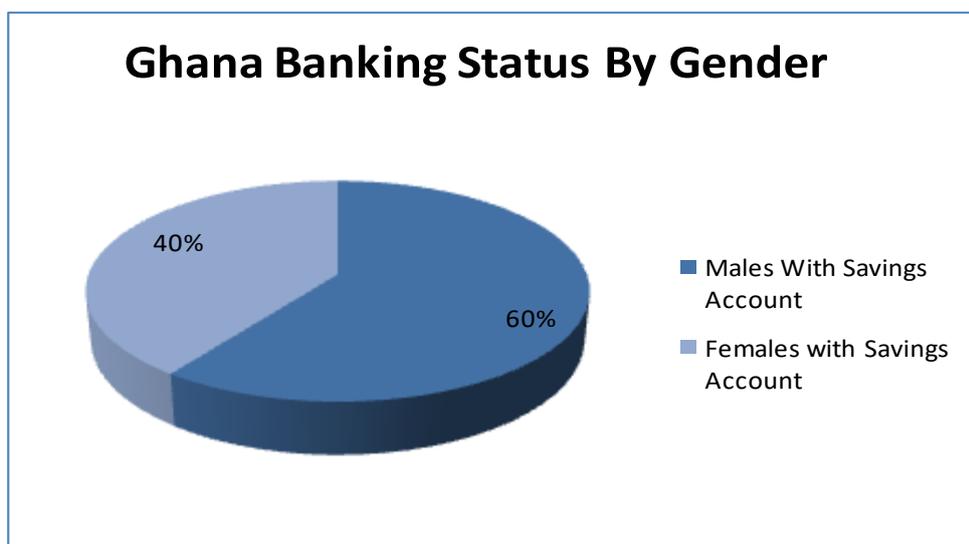
³ GLSS 5, 2008

⁴ GLSS 5, 2008

Credit and Savings Statistics⁵

Research shows that more than 27 percent of all households owe money or goods to other persons, institutions or businesses and only 6 percent are able to pay fully a loan in the preceding 12 months. The extent of indebtedness, as measured by the proportion of households taking out loans, is lower in urban areas (24.1 %) than in rural areas (29.8 %). Over half of household loans come from relatives, friends and neighbours. Traders form the second most important source of loans for households followed by state banks. Most of these loans contracted without any guarantee are meant for household businesses.

Just a third of all households in Ghana have savings accounts. Two-fifth of urban households operates savings accounts as against only 22 percent of their rural counterparts. More males (60%) have savings accounts than females (40%) and this is the case for all localities.



⁵ GLSS 5, 2008

The Competition Landscape⁶

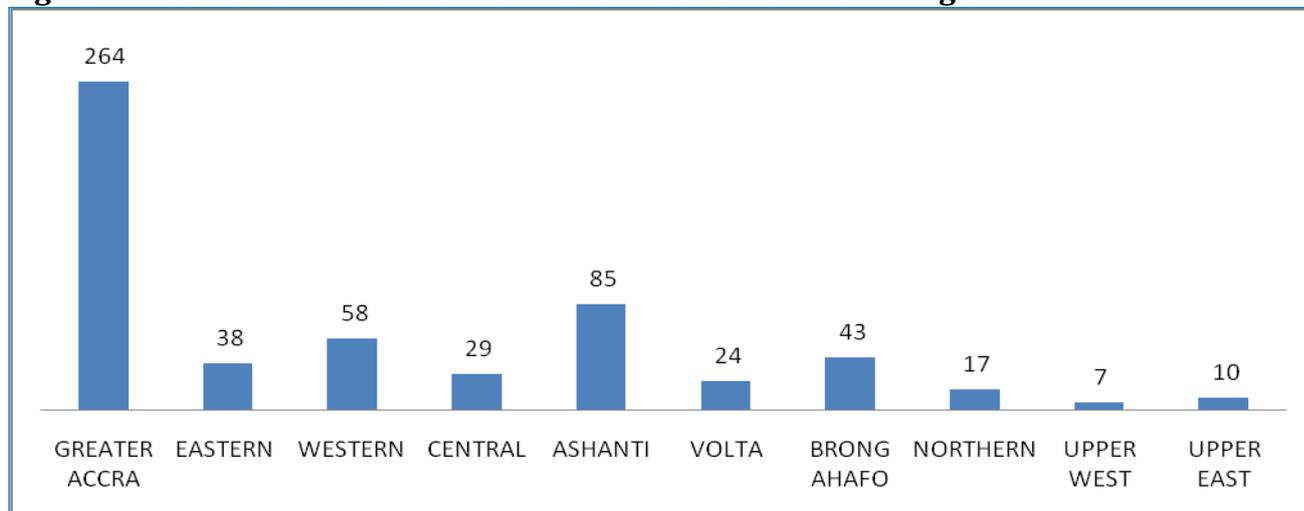
As at December 2009 the number of Universal Banks in Ghana stood at 26, a considerable upshot from the lower numbers of the late 1990s. However, the commercial (or universal) banking terrain has not changed dramatically with about four major banks, Barclays, GCB, Stanchart and SG- SSB jointly accounting for over 60% of the total banking sector assets and deposits (BOG Report, 2008). As at 2008 year-end only two banks, Barclays and Ghana Commercial Bank, have more than a hundred branches nationwide and 17 banks have less than 20 branches each across the country, showing glaring disparities in outreach strategies of the universal banks.

Despite the renewed interest in the banking sector and the overall competitiveness of the financial services sector some urban areas and most rural areas continue to remain underserved by commercial banks, a situation that offers some opportunity to Micro Finance Institutions. For example, there are only 5 commercial banks which have a presence in Upper East and Upper West Regions: Barclays, NIB, ADB, GCB and SG-SB. These banks, plus four others (each with only one branch bank), are the only commercial banks in the Northern Region. As indicated in Figure 1, the total number of banks' branches in these three regions

⁶ A list of all banking and non-bank financial institutions as at Sept. 2009 is available at: www.bog.gov.gh

(34) is lesser than the number of total banks' branches in the Eastern Region alone (38) and less than 13% of the total banks' branches in Greater Accra alone (264).

Figure 2: Total of Universal Banks' Branch Networks In Each Region



Bank of Ghana (May 2022)

This situation will not change in the medium to long-term given the considerable hurdle to overcome in generating the level of commercial activity in most of the underserved areas; and the kind of activity that will necessitate the required geographical spread by the commercial banks. This, coupled with the growing demand for microcredit even in urban centres, points to the fact that market development and penetration of commercial banks' will be based substantially on linkages with lower-level/ microfinance institutions such as FNGOs, Susu Groups etc rather as opposed to actual presence or participation in these areas.

The current microfinance interest of the commercial banks is being driven by both local-local and local-international partnerships. However, it is yet to be established how successful each model will be. For example, HFC Bank and CHF International registered Boafo Microfinance Services Ltd. as a non- financial subsidiary of the Bank in Dec 2006. Boafo addresses a market niche by providing housing and enterprise microfinance loans to households living and working in informal settlements in towns where HFC Bank operates. Boafo offers loans as small as 500 Ghana Cedis up to 20,000Ghana Cedis per person.

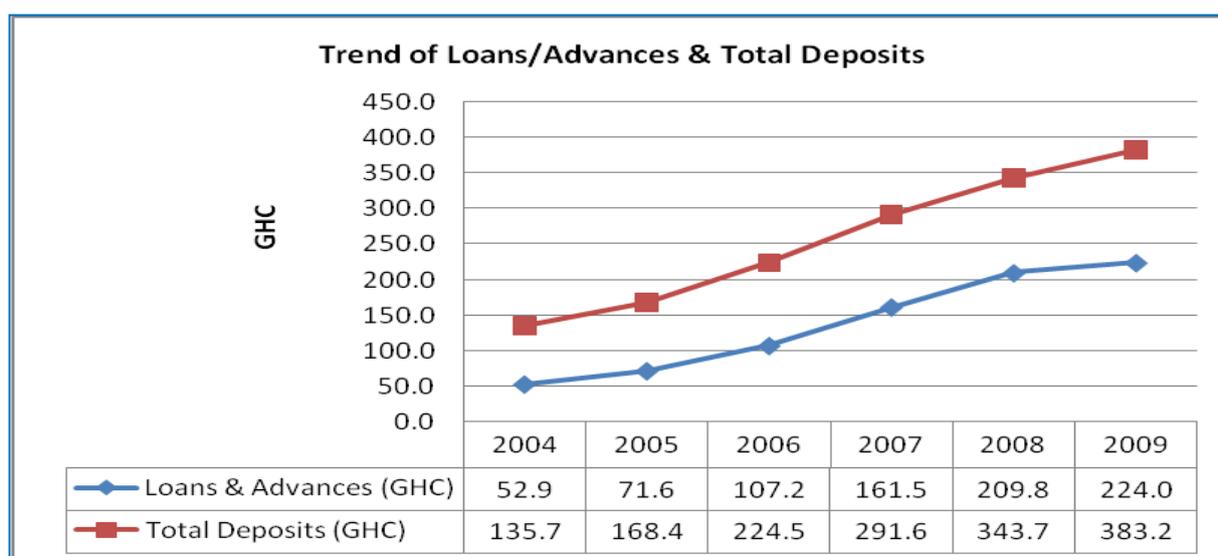
EB-ACCION Savings & Loan is a microfinance partnership between ACCION and Ecobank and has a license to undertake microfinance operations in Ghana. As at 2008 year-end over forty-three EB-ACCION staff have been trained to deliver microcredit, savings and micro-insurance products in Accra, helping small merchants, manufacturers and other micro-entrepreneurs to develop their businesses.

Barclays Micro banking also attempts to offer a holistic microfinance approach which revolves around its key microfinance product ‘Micro banking “Dwetiri” Account;’ a specialized banking service that involves capital for on-lending and facilities savings deposits for institutions. This has been designed in collaboration with the Ghana Cooperative ‘susu’ Collectors Association (GCSCA) for ‘susu’ collectors.

Competition Posed By Rural Banks

While the number of rural banks have lingered under 130 since 2004 (120 in 2004 and 128 in 2009), an analyses of Deposits and Borrowing from the RCBs show consistent growth over the past years.

Figure 3: Trend of Loans/Advances By & Deposits To RCBs



Source: BOG, 2022

Originally, Rural and Community Banks (RCBs) made standard commercial loans to individuals or groups, often related to agriculture. While term lending may have been justified by the agricultural planting cycle or investment in a productive asset, it tended to result in portfolio performance problems, as borrowers had difficulty making balloon payments and RCBs had weak capacity to follow up and enforce repayment.

Over the past years, however, a few of the more progressive RCBs have drawn on emerging microfinance techniques to introduce new programs for saving and credit, often in association with NGOs that could provide the expertise in implementing the approach. Loans of this type

are generally short-term (4-6 months) with weekly repayment, averaging around \$50-75 but ranging up to several hundred dollars, with compulsory up-front savings of 20% that is retained as security against the loan, complementing group or individual guarantees as the other principal form of security (source: GHAMFIN 2001).

Some RCBs also have tried to develop linkages with *Susu* collectors (source: GHAMFIN 2001) or have served community-based organizations (CBOs) associated with donor programs. RCBs may also use NGOs to perform ancillary services; for example, Nsoatreman Rural Bank paid a 2% commission to an NGO that helped identify, mobilise and educate rural groups on accessing credit through an IFAD program, as well as to assist in loan monitoring and recovery. To facilitate savings collection, some RCBs (such as Akwapem and Lower Pra) have also introduced Mobile Banking, whereby officers visit rural markets on certain days to collect savings and provide loans (whether to groups or individuals with guarantors).

Table 3: Number of RCBs Depositors & Borrowers, 2016-2022

YEAR	NO. OF DEPOSITORS		% OF FEMALE DEPOSITORS	NO. OF BORROWERS		% OF FEMALE BORROWERS
	Male	Female		Male	Female	
2016	621,124	508,192	45	83,595	55,730	40
2017	692,744	494,622	42	91,843	56,428	38
2018	890,518	566,469	39	116,831	77,973	40
2019	1,023,632	697,099	41	122,926	98,892	45
2020	1,124,907	991,521	47	172,809	120,690	41
2021	1,354,404	1,138,600	46	217,496	140,596	39
2022	1,522,252	1,148,366	43	348,195	241,966	41

The Rural Micro Finance Industry

The number of clients reached by Rural Microfinance Institutions (RMFIs) (apart from *susu* collectors) rose from 1.3 million in 2016 to 1.5 million in 2018 (9.5% average annual growth) and then accelerated to reach 3.2 million in 2006 (24% annual growth; of which 2.5 million in RCBs), and deposit mobilization grew even faster. RMFIs now have more outlets than the commercial banking system and reach an estimated 15% of the total population – approximately half as many as are served by commercial banks.

Figure 4: Illustration of competitive trend in micro-finance sector

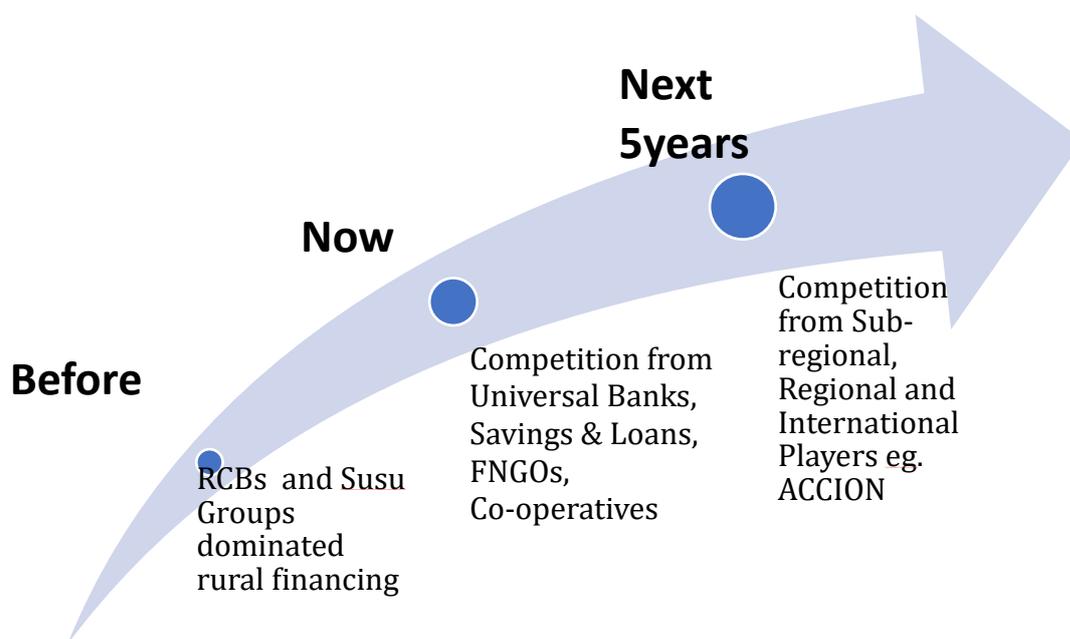
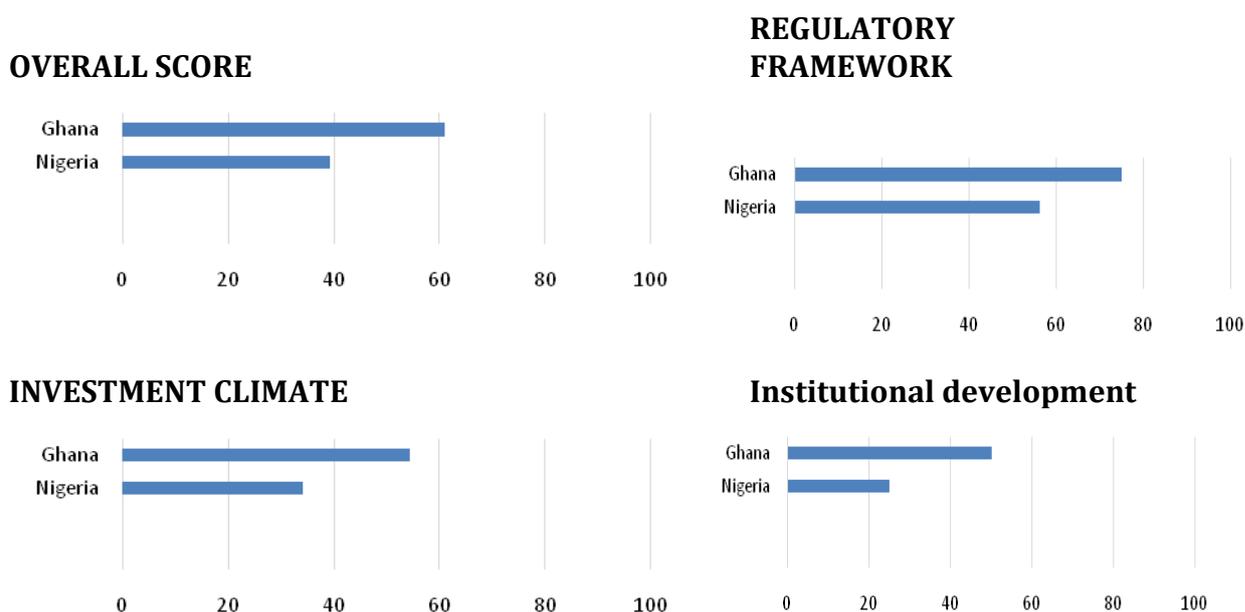
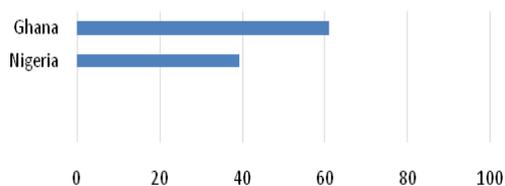


Figure 5 Ghana's Microfinance Sector Environment (Compared To Nigeria)⁷

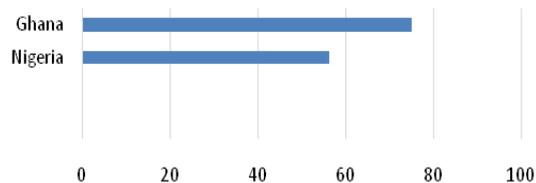


⁷ Data compiled by Economist Intelligence Unit, 2022:
http://www.eiu.com/site_info.asp?info_name=Global_Microscope_2009&page=noads&rf=0

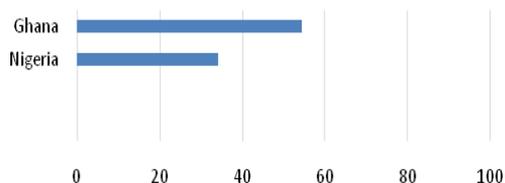
OVERALL SCORE



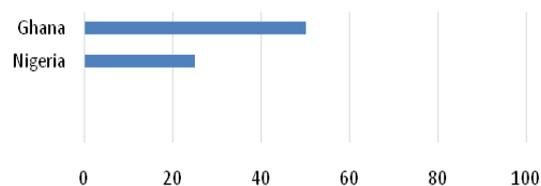
REGULATORY FRAMEWORK



INVESTMENT CLIMATE

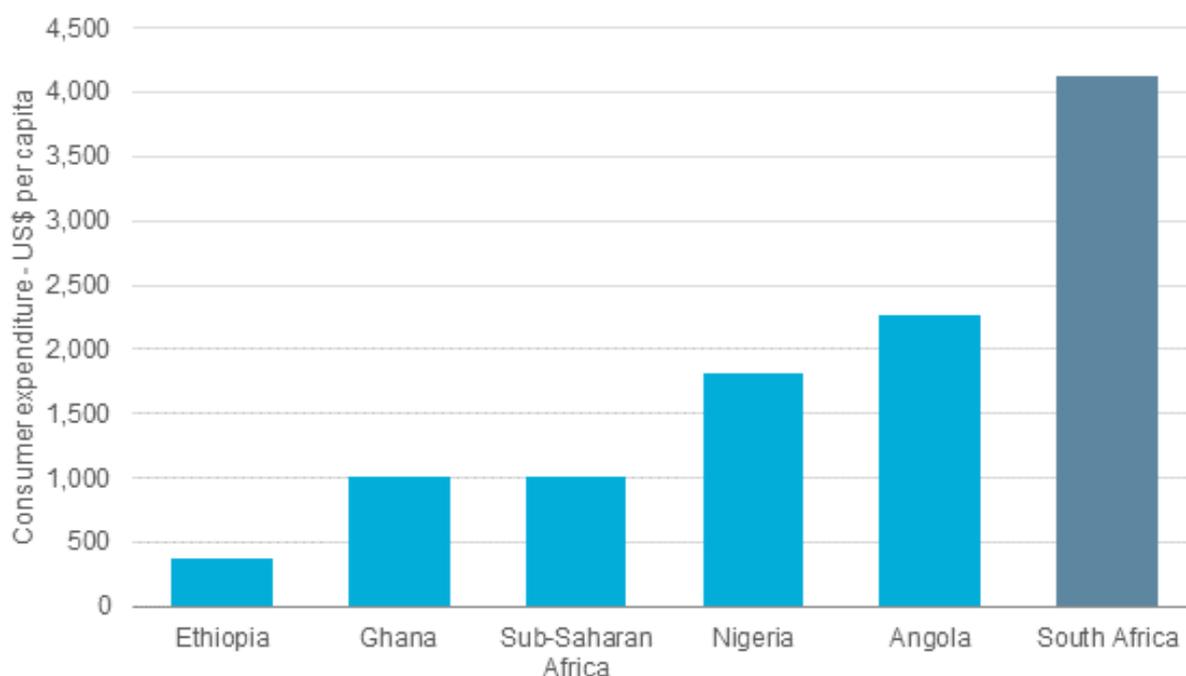


Institutional development



	Ghana	Nigeria
OVERALL SCORE	60.9	39.4
Regulatory framework	75.0	56.3
Regulation of microcredit operations	3.0	2.0
Formation and operation of regulated, specialised MFIs	3.0	3.0
Formation and operation of non-regulated MFIs	4.0	3.0
Regulatory and examination capacity	2.0	1.0
Investment Climate	54.4	34.2
Political stability	2.4	2.0
Capital market development	2.0	1.2
Judicial system	1.7	0.0
Accounting standards	2.0	1.0
Governance standards	2.0	2.0
MFI transparency	3.0	2.0
Institutional development	50.0	25.0
Range of MFI Services	3.0	1.0
Credit bureaus	1.0	1.0
Level of competition	2.0	1.0
MFI clients as % of population	0.845	0.292

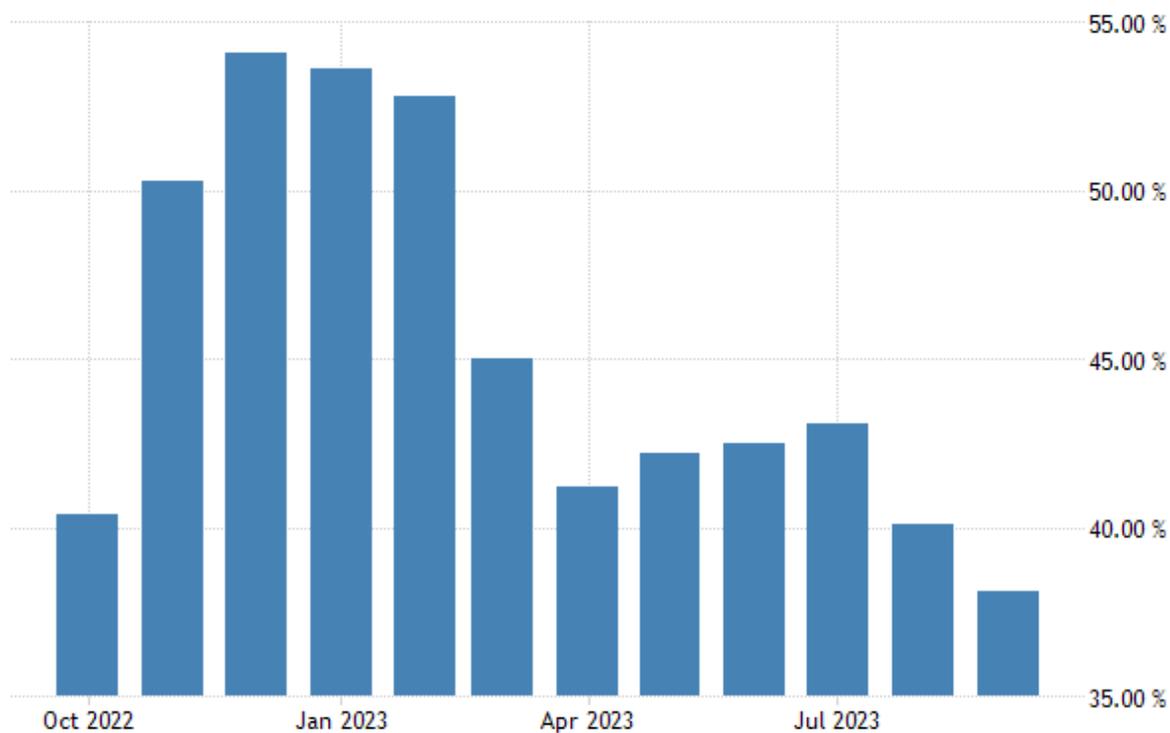
Figure 6: The Top 5 Economies in Sub-Sharan Africa in 2023



Economic Factors

Ghana's annual inflation rate fell for the fourth month to 41.2% in April 2023, down from 45% in the prior month and a more than two-decade high of 54.1% in December. It marks the lowest reading in six months amid the relative stability in the cedi since January, due in part to expectations that a final deal with the International Monetary Fund (IMF) or a \$3 billion bailout is imminent. Food inflation eased to 48.7% in April from 50.8% in March and non-food price growth decelerated to 35.4% from 40.6% in the prior month. On a monthly basis, consumer prices surged by 2.4% in April, the most in four months, after a 1.2% fall in the prior month.

Figure 6: Current Inflation Trends in Ghana (2022 to 2023)



source: Ghana Statistical Service 2023

KORSAN's Existing Markets⁸

Geographically, KORSAN's existing markets are Kasoa and Borteiman. A survey was carried out in these markets to assess target borrowers' attitudes and behaviour with respect to banking and borrowing as well as assess market opportunities and threats. Target borrowers were defined as artisans, tradesmen, traders and other entrepreneurs starting up small businesses in industries such as fashion designing, hairdressing, textiles, fitting or welding workshops etc. Penetration of micro-credit services to these target groups is estimated to be less than 25%. The following findings were also made:

- There is generally a banking culture among target customers in the existing markets with almost 90% of respondents having current accounts with formal banks and more than a quarter of respondents having a savings account. There was a split of 60% respondents banking with Universal Banks and 40% banking with Savings & Loan companies and/or Rural Banks. 40% of total respondents had some exposure to Microfinance Institutions (MFIs). 10% of respondents did not have bank accounts at all and were only engaged in 'susu' schemes.
- However, less than 30% of respondents had borrowed money from their respective financial institutions. Respondents who had borrowed from their respective institutions had a good recollection of interest rates charged, meaning they were in positions to assess whether interest rates of various financial institutions were competitive or not. 98% of those who had obtained loans from their respective institutions said that it had been a fairly easy process to obtain the loan and loan processing had not taken too long a time.
- Respondents were reported as earning GHC200 a month on average and as saving less than GHC50 a month. However, the attitude towards banking was good and 95% of respondents said they wouldn't have difficulties running a current account or maintaining a savings account if they signed up for them.
- There is a general dislike and fear of 'susu' schemes in the two markets; close to 95% of respondents interviewed said they fear to be defrauded and about 45% claim they had already had bad experiences with 'susu' schemes. On the contrary, a significant

⁸ Findings based on a survey carried out in December 2017 by the Data Research in Kasoa and Borteiman and involving 200 respondents.

number of respondents (95%) had confidence in the formal banks and would bank with them.

- 84% of respondents who were doing 'susu' schemes said they would not feel comfortable guaranteeing loans within a group scheme even if it was made up of family members and close friends. Close to 10% said they had already had negative experiences with guaranteeing loans in group schemes.

KORSAN's Potential Markets⁹

As the core of the strategic plan to extend its footprints to other attractive districts in the southern and middle belt of the country, Directors of KORSAN also engaged its Marketing Consultant to research the prospects of some selected district capitals. Below is a brief about the economy and demographics of those areas found attractive:

Agona Swedru

Agona Swedru is the capital of the Agona West Municipal District. This district can be found in the Eastern side of the Central region of Ghana. It has a population of 160,000. The location of this district makes it a commercial center of the entire Central Region and a nodal point from which roads radiate to the rich cocoa growing countryside. The area has a working population of about 48%.

Agriculture is the primary occupation of the people of this area followed by whole sale and retail trading, hotels and small scale manufacturing enterprises. Crops that are cultivated in the area include cocoa, citrus, oil palm, maize and an assortment of vegetables and upon harvest, these crops are supplied to major markets nearby. Mining of sand and granite for the production of quarry stone and other construction materials also occurs in the area.

⁹ Findings based on a survey carried out in December 2009 by the Bureau of Market & Social Research in the aforementioned districts

The Agona Swedru area is home to a number of 3-star hotels and second cycle institutions. The area is also well served by major trunk roads and health facilities. There are a number of financial institutions in the area namely Agona Rural Bank, Nyakrom Rural Bank, Akyempim Rural Bank, and East Gomoa Rural Bank.

Asamankese

Asamankese is the capital of the Akyem district, located in the Eastern Region of Ghana. The area has a population of about 200,000 with about 57.5% of this number falling within the potential labour force. The main sources of household incomes in the area are crop farming, livestock farming, fisheries, trading, manufacturing, food processing and remittances.

Asamankese is the center of most of the Eastern Region's economic and commercial activities. There are two markets in the area which trade in both food stuffs from all over the district's hinter land and beyond and manufactured goods like textiles, plastic wares and clothing. In this area there are also large tracts of diamond and gold rich lands waiting to be exploited.

Asamankese has three main banks namely the Ghana Commercial Bank (Asamankese Branch), South Akim Rural Bank and the Akim Bosome Rural Bank.

Assin Fosu

Assin Fosu is an area in the Assin North Municipal District of the Central Region of Ghana. The area has a population of about 120,000 and has an annual population growth rate of 2.9% which is higher than Ghana's population growth rate of 2.1%. Vibrant economic activities and relatively fertile farmlands which support the cultivation of diverse food and cash crops serve as an attraction contributing to high in-migration which in turn contributes to the high population growth rates.

The major occupation in the area is Agriculture which employs about 69.4% of the labor force. About 52 % of those engaged in other occupations still take up Agriculture as a minor occupation. The second highest occupation is Commerce. It employs about 19.1 per cent of the working population. This indicates a very strong commercial set up in the district. Timber, mining and quarrying are also performed on a large scale in the area.

There are four major banks in the area namely Ghana Commercial Bank, Agricultural Development Bank, Assinman Rural Bank and Akoti Rural Bank. These banks offer advice, mobilise savings and credit to small-scale entrepreneurs.

Nkawkaw

Nkawkaw is the capital of the Kwahu West Municipal District of the Eastern Region of Ghana. The area has a population of about 250,000 with an average household size of 4.6. The area has about 57.5% of its population falling within the potential labour force (15-64)

The predominant occupations in the area are agriculture, trade and commerce, artisanal labour and public service. The main sources of household income in the area are business trading, crop farming, livestock farming, fisheries, family workers salaries, manufacturing, food processing and remittances.

Universal banking institutions in the area are Ghana Commercial Bank and Agricultural Rural Development Bank. There are also a number of Rural Banks namely Mponua Rural Bank, Kwahu Rural Bank and Odwen Anomah Rural Bank.

Nsawam

Nsawam is the District Capital of the Akuapim South Municipal District and is located just 23 km from Accra, the national capital. Demographical data on the area is difficult to come by. However, it is estimated that the area has a population of about 32,950.

Agricultural activities in the area centre mainly on non-traditional crops, such as pineapples, pepper, garden eggs and sunflower, which are cultivated mainly for export.

Pineapple, the leading crop produced in the area accounts for some 60% of total national pineapple export earnings. The district also produces about 55% of the total quantity of pawpaw exported out of the country.

There are a lot of industrial activities going on in the area. These cover a diversified range, from pharmaceuticals and fruit processing involving the use of high technology equipment, to artefacts' and other craftworks which are produced using just a few tools.

Currently, several businesses are profitably engaged in the production of items ranging from timber boards, paper products and beverages, through food products and mineral water, to drugs, disinfectants, polish and quarry products.

One of the area's greatest competitive advantages is its proximity to Accra itself. Thus, investors can combine the advantages of setting up establishments outside a main municipality (such as tax incentives, and cheaper production costs), with the advantages of being within easy reach of the country's largest metropolis, such as large size consumer market, access to regulatory authorities and proximity to Ghana's largest seaport. There are 3 main financial institutions in the area namely Ghana Commercial Bank, Barclays Bank and the Akuapem Rural bank.

Marketing

- i. **Products:** KORSAN's current products have been developed through engagement with its target market and loan acquisition process is relatively faster and easier than competing offers. Average loan processing time is seven days.
- ii. **Pricing:** KORSAN's interest rates are relatively lower compared to that of other micro-credit interest rates in its target locations and have a ceiling of 6% per month.
- iii. **Promotion:** KORSAN has not undertaken major advertising of its product, services or the organisation.
- iv. **Place:** KORSAN's current outreach is currently limited, as it currently operates only in Kasoa, Borteiman and Agona Swedru.
- v. **Research:** KORSAN retains the services of a Marketing Consulting/Research Firm, Bureau of Market & Social Research Ltd (www.marketresearch-ghana.com) that undertakes its product development research and evaluates its marketing performance on a quarterly basis; unlike with other NBFIs, marketing research drives KORSAN's strategies and tactics.

Table 2: KORSAN Products

Information On KORSAN Small Loan(JSL) Product	
Target Clients:	Market traders, mini retail shops, food vendors and rural service providers Purpose: Working Capital Loan
Gender Distribution Ratio	90% women, 10% men
Loan Amount	GH¢100 - GH¢1,000
Interest Rate	4-6% per month
Term of loan	4-12 months
Collateral	1. Personal Guarantee and/or 2. Pledge of Stocks and/or 3. Pledge of household items
Conditions for Loan	Daily savings for 31 days
Method of Loan Repayment	Daily savings
Information On KORSAN Rural Credit Program	
Target Clients:	Agro-processors in rural communities, rural traders in farm produce and food vendors in rural communities; Purpose: Working capital
Gender Distribution Ratio	80% women, 20% men
Loan Amount	first cycle:GH¢50; Second cycle:GH¢100; Third Cycle:GH¢150; Fourth cycle: GH¢200
Interest Rate	5%

Term of loan	First Cycle:16 weeks; Second cycle:20 weeks; Third cycle:24 weeks; Fourth cycle: 6-9mths
Collateral	Group Guarantee and personal guarantee
Conditions for Loan	20% contribution of loan amount.
Method of Loan Repayment	Weekly repayments
Total number of visits to customers	Weekly Group meetings
Information On KORSAN Start-up Credit (NEW PRODUCT - 2010 LAUNCH)	
Target Clients:	Hairdressers/beauticians and Seamstress/ Fashion designers Purpose: Help them set up shop, buy sewing machines, dryers etc
Gender Distribution Ratio	95% women, 5% men
Loan Amount	Approx. GHC1,500
Interest Rate	5%
Term of loan	6-24 months
Collateral	None Required
Conditions for Loan	Client to contribute 20% of cost of project. Client owns shop only after full payment
Method of Loan Repayment	Weekly repayments. Work and pay
Number of Clients	NEW PRODUCT – INFORMATION NOT AVAILABLE
Total Loan Disbursed	NEW PRODUCT – INFORMATION NOT AVAILABLE

Korsan's Operations

- KORSAN has low operational costs, utilising an operations model that requires few field officers to reach out to a large target market. All field officers have bicycles to enhance mobility at a lower cost. The ratio of Field Officers to Clients is 1:100 and the ratio of Credit Officers to Field Officers is 1:4.
- KORSAN's Swedru Office boasts of its large market base as compared to other branch locations with 4 Credit Officers fully at post although market penetration has been challenging due to limited funds.
- KORSAN has an average loan recovery rate of ninety-six percent (96%) and makes about GHC50,000 worth of loans each month to an average number of 150 people.
- KORSAN has operated profitably for the past two years (see P&L for 2016 and 2017 financial performance).
- Current capitalisation limited only to equity financing and debt financing (from family and friends); subsequently low capitalisation that limits extent of market outreach.

Human Resources

- KORSAN currently employs field officers who are relatively more qualified as compared to that of competitors. Minimum educational qualification is Diploma Level.
- Employee attrition is extremely low as employee remuneration and rewards exceed what is available in the market. There was no voluntary attrition in the 2022 year.
- Field officer numbers are low and there is little exploitation of Mobile Banking approach.

Korsan's Financial State

The financial projections provided in this document depict the market penetration strategy to be adopted by the Directors of KORSAN for the next 5 years ending 2024. The annual figures of the financial model can be seen in the appendix; however a detailed model (showing monthly, quarterly and annual financials for the 5 year period) can be accessed through the attached Microsoft excel sheet attached to this information memorandum.

Operations

The company currently operates 3 branches which were opened on the following dates:

- Kasoaa Branch – 1st February 2020
- Borteiman Branch – 1st April 2021
- Swedru Branch – 1st February 2022

From a branch network of 3, the company is looking to achieve a total branch network of 10 by the end of 2014 by establishing branches in aforementioned district capitals starting from May 2011. This plan would be facilitated by the debt finance currently being pursued by the company.

Financial Performance

The key drivers to the revenue projections are the amount of funds disbursed per period, repayment rate charged, interest rate incurred and operational expenditure incurred in a period. Net profits in 2020 declined as the KORSAN discontinued its Business Loan product due to insufficient funds and the need to reach out to a number of clients.

The first half of 2022, saw the company plunge into a loss position of GHC27,511 from 2 profitable years. This is because the company decided to expand its footprints into a very attractive area, Swedru and had to borrow from its lenders to make up for additional staff,

infrastructure and overhead cost. KORSAN however expects this position to decline to a projected loss position of GHC6,959. The company is expected to payback GHC40,000 of the funds borrowed from the expansion phase by the end of the year and the rest paid by the first half of 2011. The interest rate on this facility is at 33% per annum.

Appendix

6.1 INCOME STATEMENT (2016 - 2022)

DETAILS	2016	2017	2018	2019	2020	2021	2022
Interest Income	32,240	74,783	32,608	59,040	676,590	1,849,667	4,953,490
Interest Expense	-4,230	-14,806	-20,164	-31,215	-201,368	-224,130	-133,521
Net Interest Income	28,010	59,977	12,444	27,825	475,222	1,625,537	4,819,969
Fees and Commissions Income	2,875	7,068	4,888	11,747	98,025	420,379	1,125,793
Fees and Commissions Expense	0	0	0	0	0	0	0
Net Fees and Commission	2,875	7,068	4,888	11,747	98,025	420,379	1,125,793
Net Trading Income	30,885	67,045	17,332	30,479	573,247	2,045,915	5,945,762
Other Operating Income	0	0	0	213	0	0	0
Net Operating Income	30,885	67,045	17,332	30,692	573,247	2,045,915	5,945,762
Staff Salaries & Cost	-6,470	-33,907	-24,928	-27,607	-109,951	-211,817	-296,957
Admin & General Expenses	-11,141	-21,274	-15,176	-2,700	-192,031	-754,509	-2,065,740
Provision for bad debts	-715	-417	-598	-2,494	-5,780	-180,880	-463,397
Depreciation	-2,091	-7,100	-4,141	-3,624	-8,818	-16,351	-22,559
Total Operating Expenses	-20,417	-62,698	-44,843	-36,425	-316,580	-1,163,557	-2,848,653
Profit before Tax	10,468	4,347	-27,511	-5,733	256,667	882,358	3,097,109
Taxes	-2,617	-1,087	0	-1,085	-88,165	-289,163	-987,093
Net Profit after tax	7,851	3,260	-27,511	-6,818	168,502	593,195	2,110,016

1.2 BALANCE SHEET (2016 – 2022)

DETAILS	2016	2017	2018	2019	2020	2021	2022
Assets							
Cash and Cash balances with other financial Institutions	1,101	2,832	13,549	41,616	364,849	156,086	229,543
Investments	0	0	7,100	7,100	0	0	0
Loans & Advances to Customers	70,777	112,029	162,806	289,676	1,468,841	4,754,643	13,556,210
Deferred tax assets	0	0	0	930	2,459	4,409	6,068
Total Curret Assets	71,878	114,861	183,455	339,322	1,836,149	4,915,138	13,791,821
Fixed Assets							
Property and equipment	6,007	1,283	2,232	1,333	1,540	1,333	1,540
Other Assets	2,163	3,221	3,243	1,775	2,494	1,775	2,494
Total Assets	80,048	119,365	188,930	342,429	1,840,183	4,918,245	13,795,855
Liabilities and Stockholders Equity							
Accruals and Other Liabilities	4,447	27,075	17,487	2,130	15,287	37,429	106,486
Customer Deposit	1,360	19,758	44,080	151,280	930,085	3,488,746	10,045,436
Due to Other Financial Institions	0	0	0	0	0	0	0
Deffered tax liability	0	0	0	0	0	0	0
Total Cuurent Assets	5,807	46,833	61,567	153,410	945,372	3,526,175	10,151,922
Non-Current Liabilities							
Long term debt	42,800	52,400	162,298	218,867	765,907	529,919	246,313
Total Liabilities	48,607	99,233	223,865	372,277	1,711,279	4,056,094	10,398,235
Equity							
Common Stock	23,590	23,590	23,590	23,590	23,590	23,590	23,590
Retained Earnings	7,851	11,111	-16,400	-23,359	145,319	738,514	2,848,528
Directors' Current Account	0	0	0	0	0	0	0
Total Stockholders Equity	31,441	34,701	7,190	231	168,909	762,104	2,872,118
Total Liabilities and Stockholders' Equity	80,048	133,934	231,055	372,508	1,880,188	4,818,198	13,270,353

1.3 CASH FLOW STATEMENT (2016 - 2022)

DETAILS	2016	2017	2018	2019	2020	2021	2022
Cash flows from Operating Activities							
Operating Profit	10,468	4,346	(27,511.00)	(34,470.00)	168,679	757,485	2,550,094
Adjustments to reconcile net income to nest cash							
Depreciation	2,901	7,100	4,141	7,765	8,818	16,351	22,559
Deferred taxes	0	0	0	0	0	0	0
Changes in Operating Assets and Liabilities							
Change in Investments	0	0	0	0	0	0	0
Change in Loans & Advances in Customers	(76,519)	(41,615)	(66,284)	(193,154)	(1,179,165)	(3,285,802)	(8,801,567)
Change in Accruals & Other Liabilities	6,770						
Total Adjustments	(69,749)	(41,615)	(66,284)	(193,154)	(1,179,165)	(3,285,802)	(8,801,567)
Net Cash Provided by Operating Activities	(57,190)	11,274	(85,009)	(124,301)	32,059	1,046,262	4,850,703
Cash Flows from Investing Activities							
Acquistion of Capital Equipment	(8,099)	(19,143)	(14,172)	(3,382)	(19,671)	(39,662)	(38,110)
Net Cash used in investing activities	(8,099)	(19,143)	(14,172)	(3,382)	(19,671)	(39,662)	(38,110)
Cash Flows from Financing Activities							
Net Proceeds from medim & Long-term borrowing	42,800	9,600	109,898	223,386	885,215	0	0
Payments on Long-term Debt	0	0	0	(56,919)	(338,177)	(235,990)	(283,612)

Repurchase of Equity/Increase in Direct Loan	0	0	0	0	0	0	0
Sale of Common Stock and Warrnats	23,590	0	0	0	0	0	0
Net cash provide by Financing Activities	66,390	9,600	109,898	166,467	310,884	(1,215,363)	(4,739,135)
Net Increase in Cash and Cash Equivalents	1,101	1,731	10,717	38,784	323,233	(208,763)	73,458
Cash and Cash Equivalentents at beging of period	0	1,101	2,832	2,832	41,616	364,849	156,086
Cash and Cash Equivalentent at the end of Period	1,101	2,832	13,549	41,616	364,849	156,086	229,543

APPENDIX 1

Ghana's financial services sector is comprised mainly of the banking sector, insurance, and capital markets. The sector is regulated by four major regulatory bodies. Namely the Bank of Ghana (BoG), the National Pensions Regulatory Authority (NPRA), the National Insurance Commission (NIC) and, the Security and Exchange Commission (SEC). The financial sector in Ghana plays an important role in the functioning of the economy through intermediation and provision of credit support to other sectors.

Ghana's financial sector is dominated by banks. The banking sector is well-structured by the Bank of Ghana, and it has been developing steadily alongside reforms within the sector. The banking sector performed well in 2021, with continued increase in assets, deposits, and investments, according to the Bank of Ghana. According to Dr. Ernest Addison, the Governor of Bank of Ghana, the COVID-19 regulatory policy measures were maintained in 2021, assisting banks in lending activities. A total of GHS36.4 billion new loans have been given by commercial banks to the economy, representing a 6.8% increase over new advances of GH34.1 billion extended in 2020.

During 2021, Ghanaian banks' total assets increased by 20.4%, reaching GH179.8 billion in December. The Non-Performing Loans (NPL) ratio fell to 15.2% at the end of December 2021 from a high of 17.3 percent in August 2021. In comparison, the NPL ratio in December 2020 was 14.8%. The bank of Ghana further maintained the monetary policy rate at 14.5% for 2022.

Generally, the sector remained well-capitalized, liquid, and profitable with strong buffers to withstand adverse shocks and support economic recovery efforts. Banks have expressed their willingness to incorporate remote working into their work practices and are therefore looking to invest in technology, partnerships, and training.

With a strong demand of financial technology (FinTech) in the Ghanaian market and the Government's Digital Ghana Agenda, the Bank of Ghana has announced the piloting of the digital Cedi, or 'e-Cedi,' intended to supplement and serve as a digital alternative to physical cash, driving the Ghanaian cash lite agenda by promoting diverse digital payments and ensuring a secure and robust payment infrastructure in Ghana. It also aims to make payments possible without the use of bank account, contract, or smartphone, thereby increasing the use of digital services and financial inclusion across all demographic groups.

Source: (www.gipc.gh)

APPENDIX 2

STATE OF THE FINANCIAL SECTOR IN GHANA **Statement from Bank of Ghana Governor**

Introduction

1. Ladies and Gentlemen, as you will all recall, I assumed the position of Governor in April 2017. At the time the financial sector had been in a considerable state of turmoil with the DKM crisis in 2016 and nine banks already identified as undercapitalized after the Asset Quality Review (AQR) exercise undertaken by the Bank of Ghana. We immediately began work and tasked the undercapitalized banks to submit recapitalization plans and worked to implement same. In the process we also resolved two Banks through a Purchase and Assumption transaction with GCB Bank. This was a necessary action taken to ring-fence the troubled banks, and also to prevent spillovers to the rest of the banks and the economy as a whole. Following these undertakings, we have conducted a comprehensive assessment of developments in the financial sector including the conclusion of an investigative report that sought to outline the underlying causes of the failure of the two banks. These developments have paved the way for us to outline a comprehensive set of measures which when implemented will address the legacy problems in the sector and ensure sustainable reforms needed to solidly position the financial sector as a major growth driver to support the country's inclusive broad-based and inclusive growth agenda.
2. Before I proceed further, let me first recount a series of events and policies that has brought us where we are now. The background is important as it should help us understand what got us here and how we move forward. Ladies and Gentlemen, Ghana's financial sector liberalization policies sought to deepen intermediation to support economic growth and integrate the domestic economy with global financial markets. As a result, a number of key reforms were introduced in the early 2000s which resulted in the entry of several new banks with the expectation of stimulating competition and innovation, especially in financial products and services and drive financial inclusion to promote economic growth.

3. While these set of reforms promoted growth in the banking sector and some level of competition and production and innovation, the Ghanaian economy was faced with a confluence of shocks and severe macro headwinds from both domestic and external sources. 2 Starting from 2012 in particular, the economy was characterized by large fiscal and current account deficits, high and volatile exchange rate developments, and high inflation but low real GDP growth, all of which exerted significant pressures on the banking system. At the same time, the governance challenges in the banking system spilled over and significantly weakened financial sector supervision and regulation, while corporate governance structures were completely disregarded—a situation which exerted undue influence on risk systems and credit delivery in most banks. It is therefore not surprising that most banks' balance sheets deteriorated with large non-performing loans and significant capital erosion.

4. A comprehensive Asset Quality Review (AQR) conducted by the Bank of Ghana in 2016 showed severe deterioration in asset quality in the banking sector. The AQR results also showed substantial provisioning shortfalls in a subset of banks (with a combined capital needs of around 1.6% of GDP). These toxic balance sheets of banks contributed to a decline in credit to the private sector and higher lending rates and spreads, undermining the transmission of monetary policy rate to the economy through market rates. In addition, there was unusual forbearance by the Bank of Ghana, which resulted in the extension of significant amounts of Emergency Liquidity Assistance (ELA) to these ailing banks, some of which were uncollateralized with accompanying risks to both the Bank of Ghana, in terms resources to conduct monetary policy operations and reputation risks, and also to the banks themselves. This official liquidity injection, together with banks' reluctance to extend new credit, further increased excess liquidity in the economy, which became extremely expensive for the Bank of Ghana to mop in order to support the disinflation process.

5. It was also clear from BOG's banking supervisory reports that some banks and deposit taking institutions lacked good corporate governance structures and more worryingly, was the co-mingling of board and management responsibilities which

significantly undermined credit and risk management policies. In fact, there were several owner/management conflicts in a number of banks, in addition to connected lending practices without due processes laid down to guide such practices. These owner/CEOs and related Executive and Non-Executive Directors were largely responsible for credit extension and consistently breached related party transaction limits by extending credits to themselves and relations, and in some cases approved fictitious placements with related and connected companies. Unfortunately, these activities were usually rubber-stamped and sanctioned by the boards and board chairs.

6. The problems in the financial sector were also reflected in the Microfinance or MFI subsector comprising MFCs, MLCs and FNGOs, and RCBs and the extent of distress in this subsector was characterized by severely impaired capital; inability to meet regulatory capital adequacy requirement; generally low asset quality; and liquidity crises. These have culminated in threats to depositors' funds thus eroding public confidence and undermining efforts to promote financial inclusion. Of the total number of 566 licensed MFIs in 2018, 211 are active but distressed or folded up. Also, out of the total number of 141 RCBs, 37 are active but distressed or folded up. In total, it is estimated that 272 out of the 707 institutions in the subsector, representing 38.5% are at risk. This indicates that approximately GH¢740.5 million is owed to an estimated 705,396 depositors of the distressed or folded up MFIs and RCBs. In terms of significance, the deposits under distress form 8.81% and 52.49% of industry total deposits of RCBs and MFIs respectively. BOG Roadmap to Streamline the Banking Sector

7. Ladies and Gentlemen, as you would realize by now, poor banking practices, coupled with weak supervision and regulation by the Bank of Ghana has significantly undermined the stability of the banking and other non-bank financial institutions and we all know some of the consequences by now—revocation of licenses of two banks while other banks were placed under comprehensive capital restoration plans.

8. The financial sector cleanup has started but not completed and we have managed to keep a few weak banks in operation since August 2017. Today, we announce the continuation of the cleanup of the sector with the appointment of an administrator for UniBank by the Bank of Ghana. The Bank of Ghana has put uniBank under Official Administration to protect the stability of the financial sector. The official administrator will assume the responsibility of management and direction of the bank in a manner that contributes to the stability of the bank and the safety of depositors' funds. Broadly, the role of the Official Administrator will include the following:

- take management control over the institution, with powers that replace those of the shareholders, board of directors, and senior management.
- be responsible for preserving the assets and liabilities of the bank, preparing a final resolution plan, and restructuring the bank under the oversight of Bank of Ghana.
- granted a specific time frame (six months as prescribed by the BSDI Act) in which to thoroughly analyze the bank's condition and prepare a feasible rehabilitation plan.
- handle all contacts with the media after the intervention period
- ensure that the bank remains open to maintain confidence in the banking system by allowing depositors access to their funds and other banking services.

9. In taking this decision, we wish to note that UniBank Ghana Limited has been faced with severe insolvency and liquidity challenges over the past two years, with persistent clearing deficits resulting in extensive reliance on the Bank of Ghana's Emergency Liquidity Assistance (ELA) instrument since 2015. As a result, BOG is heavily exposed to UniBank to the tune of GH¢2.2 billion, of which GH¢1.6 billion is unsecured. The bank also faces a significant capital shortfall. On March 20th, 2017, BOG's directed uniBank, per a letter, to submit a capital plan and resolve its significant undercapitalization within one hundred and eighty (180) days from the date of the letter in accordance with Section 106(1) of the Banks and SDIs Act, 2016 (Act 930). Since then, uniBank's Capital Adequacy Ratio (CAR) has rather deteriorated into the negatives from September 2017, and in a much more

distressed condition with CAR of negative 24.02% and capital deficit of GH¢1.18 billion as of December 2017. This notwithstanding, the bank has continued to increase its asset base (granting new loans to clients) to GH¢6.1 billion in December 2017 from GH¢4.9 billion in September — amidst increasingly poor loan asset quality. The bank’s gross loans increased by GH¢760.67 million within the same period. As a result, its non-performing loans (NPLs) have remained high, further eroding the capital base of the bank and presenting liquidity challenges. The reserve ratio (a measure of liquidity) has remained consistently below 1.0 percent since October 2017 compared to the regulatory minimum of 10 percent, resulting in a constant liquidity shortfall, and continued reliance on the BOG’s Emergency Liquidity Assistance facility. In line with these developments, BOG’s Banking Supervision Department has reached the conclusion that uniBank is currently insolvent under Section 123 (4) of the Banks and SDIs Act, 2016 (Act 930), and in breach of all its key prudential regulatory requirements. Despite persistent pleas for extension over the past year, the shareholders have failed to restore the bank to regulatory capital and liquidity levels. The bank’s current situation reflects its poor corporate governance and risk management practices that rendered the bank vulnerable to macroeconomic shocks.

2018 and Beyond – Improving the Supervisory and Regulatory Environment

10. While several important steps have been taken thus far, a lot remains to be done to restore safety, soundness and stability in the financial sector. Going forward, the BOG will continue to strengthen its regulatory and supervisory framework, and promote confidence in the financial system through the:

- Introduction of the Basel Regulatory Capital Requirement Directive.
- Review of guidelines, directives and regulations to the industry in line with the new Banks and Specialized Deposit-taking Institutions Act, 2016 (Act 930).
- Roll-out of the Basel II/III supervisory framework, and ensure implementation of IFRS 9 by banks;
- Full implementation of the new minimum capital requirements for banks by end December 2018 deadline. To this end, the BOG will issue guidelines to the industry on compliance with the capital increase directive of 2017 and strictly monitor compliance;

- Address specific risks from high NPLs, poor corporate governance and poor risk management systems. To this end, we will issue directives on corporate governance, risk management (including cyber and information security-related risks);
 - Strictly enforce Fit and Proper Guidelines for Shareholders, Directors and Key Management Personnel of Banks and SDIs as well as other supervised Non-Bank Financial Institutions to ensure bad behavior is not recycled within the financial sector;
 - Strengthen the capacity and resources of the Banking and Supervision Department, undertake a comprehensive review and improvement of all supervisory processes, and ensure strong enforcement of prudential and conduct regulatory requirements;
 - Strengthen overall financial stability risk assessments and establish adequate measures to promote stability of the financial system;
 - Roll out implementation of the deposit insurance scheme established under the Ghana Deposit Protection Act, 2016 (Act 931),
 - Introduce Banking Sector Cyber and Information Security Guidelines to protect consumers and create a safer environment for online and e-payments products in line with the government's interoperability objective, and finally
 - Improve collaboration with other regulatory bodies to prevent regulatory arbitrage;
- Conclusion

11. The outlook for the financial sector is positive and BOG remains committed to promoting strong, viable and stable banks, SDIs, RCBs, and MFIs to support the country's growth and development process. In the months ahead, we will engage with stakeholders as we design specific measures to strengthen systems and processes that would improve the industry.



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