An Assessment of Covid-19 and Financial Inclusion: A Case of Ghana

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1. Introduction

Several aspects make COVID-19 a very distinctive crisis (Borio, 2020). Even though COVID-19 has caused much havoc, there are certain areas of human lives that have seen some improvement. In the business world, Covid-19 has taught a majority of businesses who do not depend on the internet to use that platform to enlarge their business and earn high patronage (PWC, 2020). In Africa, many businesses work remotely including banking where deposits and withdrawals are done only at the bank. But Covid-19 has made them work with customers through the internet, where customers can do deposits and withdrawals with their mobile phones, tablet, and computer (International Finance Co-operation, 2018). In Ghana, Covid-19 has made many churches use social media and the internet to worship with their members everywhere they find themselves. In governance, it has taught politicians and government officials to use Microsoft Webex, Zoom, and Skype for their meetings. To the banking industry, Covid-19 has taught them to move their working activities remotely to online (PWC (2020).

There are other areas in which assessments of gains or losses have not been carried out. A typical instance is financial inclusion. Financial inclusion has come to refer to not just any form of financial access, but access to financial products and services that are convenient, affordable (taking into account relevant costs and risks), appropriate for the user’s circumstances, and accompanied by legal and supervisory safeguards, including consumer protection, deposit insurance, and regulatory and supervisory frameworks (Iordachi & Ciobu, 2020). Great strides have been made toward financial inclusion and 1.2 billion adults worldwide have gotten access to an account since 2011 (The World

Bank, 2018). Today, 69% of adults have an account. However, close to one-third of adults 1.7 billion are still unbanked, according to the latest Findex data (Magaldi-De-Sousa, 2015). Since 2010, more than 55 countries have made commitments to financial inclusion, and more than 60percent have either launched or are developing a national strategy where Ghana is no exception. According to the 2015 Financial Inclusion Insights (FII) survey, access to formal financial services has increased by 41% since 2010 (Dorofeiev, 2019). As a result, financial exclusion has been nearly halved, falling by 43% in five years, a significant achievement for the country.

The involvement of individuals in the financial sector has seen a continuous increase, especially with the introduction of electronic money services such as mobile money, internet banking, money transfer services, etc (Maurer, 2012). But the main issue has been whether Covid-19 has eroded the gains made in financial inclusion or has rather propelled much inclusiveness. The objective of this study, therefore, was to assess financial inclusion amid Covid-19. Specifically, this study sought to investigate the equality of opportunity to access financial services during Covid, the effects of Covid-19 on the availability of financial services, and consider ways to improve upon gains made due to Covid-19 if any using primary data.

In the past and recent times, an attempt to evaluate the level of financial inclusiveness has been done through secondary data always giving a general picture or macro view; it does not give a micro view. But on the micro level, there are lessons to be learned especially on policies and programs towards financial inclusion. This study, therefore, is undertaken using primary data to focus on the micro effects.

2. Literature Review

Financial inclusion is an integral part of economic inclusion. Moreover, the path to inclusive growth and development of the economy goes through financial inclusion. It is true that among the United Nations' 17 Sustainable Development Goals (SDGs), which should be achieved by humanity through joint efforts by 2030, we do not find financial inclusion explicitly stated, but achieving many of these goals (GOAL 1: No Poverty;

GOAL 2: Zero Hunger; GOAL 3: Good Health and Wellbeing; GOAL 4: Quality Education; GOAL 5: Gender Equality; GOAL 8: Decent Work and Economic Growth; GOAL 10: Reduced Inequality) would be impossible without financial inclusion (United Nations, 2015). UN member states use the Global Financial Inclusion (Global Findex) database to measure progress towards sustainable development goals.

The issue of growing financial inclusion gained a special significance during the COVID-19 pandemic when a large part of the world's population was locked down at home. According to a preliminary assessment by the International Labor Organization (ILO), 25 million people lost their jobs and livelihoods (ILO, 2020). There was still the need for some form of trade because individuals needed to survive. Governments and financial institutions needed to play their part in providing greater access to financial services for poor individuals and households and the necessary support to ensure their survival in these times (Ozili, 2020; Tarek Eldomiaty, 2020). Therefore the issue of equality of access to financial information and services became very important.

Various Financial Inclusion Interventions during the pandemic

During the pandemic lockdowns, digital financial services enabled governments/institutions to provide quick and secure financial support to “hard-to-reach” people and businesses. Lockdowns and social distancing are accelerating the use of digital financial services (Ross et al, 2021). Many countries (for example, Liberia, Ghana, Kenya, Kuwait, Myanmar, Paraguay, and Portugal) were supporting this trend with measures such as lowering fees and increasing limits on mobile money transactions (Ross et al, 2021). The pandemic shows that the trend towards greater digitalization of financial services is here to stay. To tap the high potential of digital financial services in the post-COVID era, many factors need to fall into place (Eriksson von Allmen et al, 2020). Equal access to digital infrastructure (access to electricity, mobile and internet coverage, and digital ID); greater financial and digital literacy; and the avoidance of data biases are necessary for a more inclusive recovery (Ross et al, 2021). But the poor suffer disproportionately more during such shocks. Their difficulties are compounded by their lack of access to financial services and they often do not have online bank accounts.

Various financial inclusion interventions happened all over the world. In Malaysia, there was an establishment of digital payment systems and other physical facilities such as Shared Automated Teller Machine (SATM/SAN), Bank to Bank GIRO, and Financial Process Exchange (AFI, 2021). These intervention encouraged policies of social distancing and effective digital payments that were not available before the pandemic. Again, there was a conscious effort to institute and strengthen agent banking activities to facilitate financial transactions even during restrictions in movement. For the first time, rural folks got exposed to ATMs and Mobile ATMs in other to access government support funds. Bank of Negara in Malaysia reported that there were 17million mobile and non-mobile basic transactions in 2020 (Alliance for Financial Inclusion, 2021).

In Fiji and Uganda, the central banks in their respective countries introduced a nationwide payment system that was focused on boosting digital payment transactions and getting unbanked into a form of banking activities (Bank of Fiji Report, 2020; Bank of Uganda Report, 2020). In the Congo Republic, there was an increase in electronic wallets ceiling to 7500 dollars and an increase in the daily transactions to 2500 dollars. The central bank also waived fees for the first five daily transactions temporarily (Bank of Congo Report, 2020). In Togo, about one hundred and eighty thousand people (180,000) representing a seven percent (7%) growth in mobile penetration rate was achieved in 2021. The intervention of improvement in infrastructure for a digital transaction and financial transaction act is not very different from the cases of Papua New Guinea and the Democratic Republic of Congo (Alliance for Financial Inclusion, 2021).

In Ghana, the Bank of Ghana (BOG) reduced primary reserve requirement by 2 percent. Thus from 10 percent to 8 percent. This was done in other to provide more liquidity to banks to give support to the critical sectors of the economy (Opoku-Afari, 2021). Targeted reserves for small and medium enterprises under the Enterprise Credit

Scheme were extended to all critical sectors. A 1.5 percent reduction of Capital Conservation Buffer (CCB) which enabled banks to provide financial support for the economy was realized (Opoku-Afari, 2021). Provisioning for Loans in the “Other Loans Especially Mentioned” (OLEM) category was reduced from 10 percent to 5 percent for all banks and Specialised Deposit-Taking Institutions (SDIs) as a policy response to loans that may experience difficulty in repayments due to a slowdown in economic activity.

These measures saw an upwards trend in remote and digital transactions and some level of financial inclusiveness. Activation of dormant accounts or wallets increased by an average of about 85 percent per week. In actual terms, activation increased from 71,984 per week before the pandemic to 84,025 per week (Bank of Ghana, 2021). Simplified onboarding requirements which leveraged GSM registration data contributed to new KYC accounts of 208,120. Also, average wallet balances increased by about 27% during the intervening period. Furthermore, the number of active merchants recorded a growth of 14 percent and reflected the growing digital payment acceptance by merchants (Bank of Ghana, 2021).

Even though these figures throw some light on the possible gain and/or losses that have been an encounter in the financial inclusion agenda during the pandemic, an actual measure has not been undertaken. This work thus seeks to fill the gap in literature by using primary data

3. Methodology

3.1 Research Design and Population

A survey design with quantitative approach was employed. The population of the study comprised SMEs at Bantama in Kumasi, Ghana, and the banking staff of Stanbic Bank, Ghana Commercial Bank, and Cal Bank at Adum in the Ashanti region of Ghana.

3.2 Sample and Sampling Technique

The sample size for the study was five hundred and fifty (550) SMEs at Bantama in Kumasi and forty (40) banking staff of Stanbic Bank, Ghana Commercial Bank, and Cal

Bank at Adum in the Ashanti region of Ghana. In this research, complex sampling technique was employed. An aspect of non-probability sampling technique known as purposive simple random sampling method (Cofie, 2012) was used in attaining the three financial institutions and a simple random sampling technique was finally used in the collection of SMEs. The authors used Bartlett et al (2001), methods of determining the appropriate sample size.

3.3 Source and Data Collection Procedures

This study fell on primary source of data to investigate the effect of Covid-19 on financial inclusion. It was administered to SMEs at Bantama and the banking staff of Stanbic Bank, Ghana Commercial Bank, and Cal Bank at Adum in the Ashanti region of Ghana. The structured questionnaire was sent to the SMEs and staff at the chosen banks. SMEs and the banking staff were given sufficient time to complete the questionnaire. The completed questionnaires were collected for analysis.

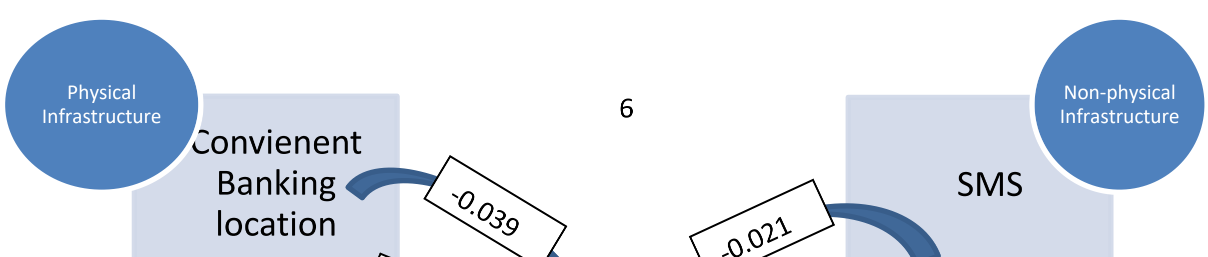
3.4 Data Analysis

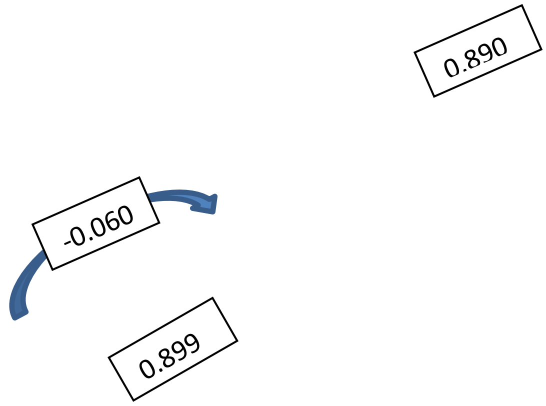
Statistical Package for the Social Sciences (SPSS) version 23.0 was used to evaluate the collected data. In examining the effects of Covid-19 on the equality of opportunities to access financial services the study adopted canonical correlation with some modification thus known as *modified* canonical correlation. The two sets of variables were physical infrastructure access and non-physical access. Variables for physical access were convenient bank branches, reliable ATMs, accessible ATMs and electronic banking. Variables for non-physical access were SMS, Competitive interest rate, charge-free services, and internet banking. In investigating the effects of Covid-19 on the availability of financial services, the study adopted odd ratios as a measure in favor of or against availability.

4. Results and Discussion

4.1 The Effects of Covid-19 on the Equality of Opportunities to Access Financial Services in Ghana

Figure 1: Modified Canonical Correlation





Source: Researcher's field survey, 2021

The Canonical loading of accessing financial services through convenient branch locations was -0.039. This means Covid-19 will cause a decrease in financial services accessible through convenient branch locations. The loading on reliable ATMs, accessible ATM, and SMS were all negative. This means covid-19 did not bring actual improvements in these variables. Two main reasons can account for such a phenomenon. Firstly, these variables worked effectively even before covid-19. SMS and ATMs functioned almost effectively before and during Covid-19. There was therefore little or no room for improvement even during the pandemic. Another reason is that the conditions for Covid-19 made it almost impossible to construct convenient bank locations and install ATMs. Conditions such as physical distancing, lockdown, and closure of ports and harbors made it virtually impossible to move equipment and engage in such activities.

Canonical loading for four variables namely charges-free services, competitive interest rate, electronic banking, and internet banking had a positive correlation. Competitive interest rate had the highest at 91.5 % followed by electronic banking, internet banking, and charge-free services all having an average of about 89 percent. The reasons for such correlations logically follow from our first explanation that these financial activities were not very much on the front foot. There was therefore more room for improvement and that is what Covid came to expose. Before time, relatively fewer people made use of the internet and electronic banking services. With the pandemic and a continuous need to still engage in financial transactions in one way or the other, people then saw the need to switch to these alternative financial platforms. Financial institutions also saw the need to improve upon these services, and thus give more people equal services.

4.2 The Effects of Covid-19 on the Availability of Financial Services

The odds ratio for the availability of financial services is calculated as follows using the three variables for availability of financial services which are banking service, insurance, and capital market. The odds ratio for banking services was calculated as 1.4. The odds ratio for insurance was calculated as 0.6 and the odds ratio for capital markets was calculated as 0.19

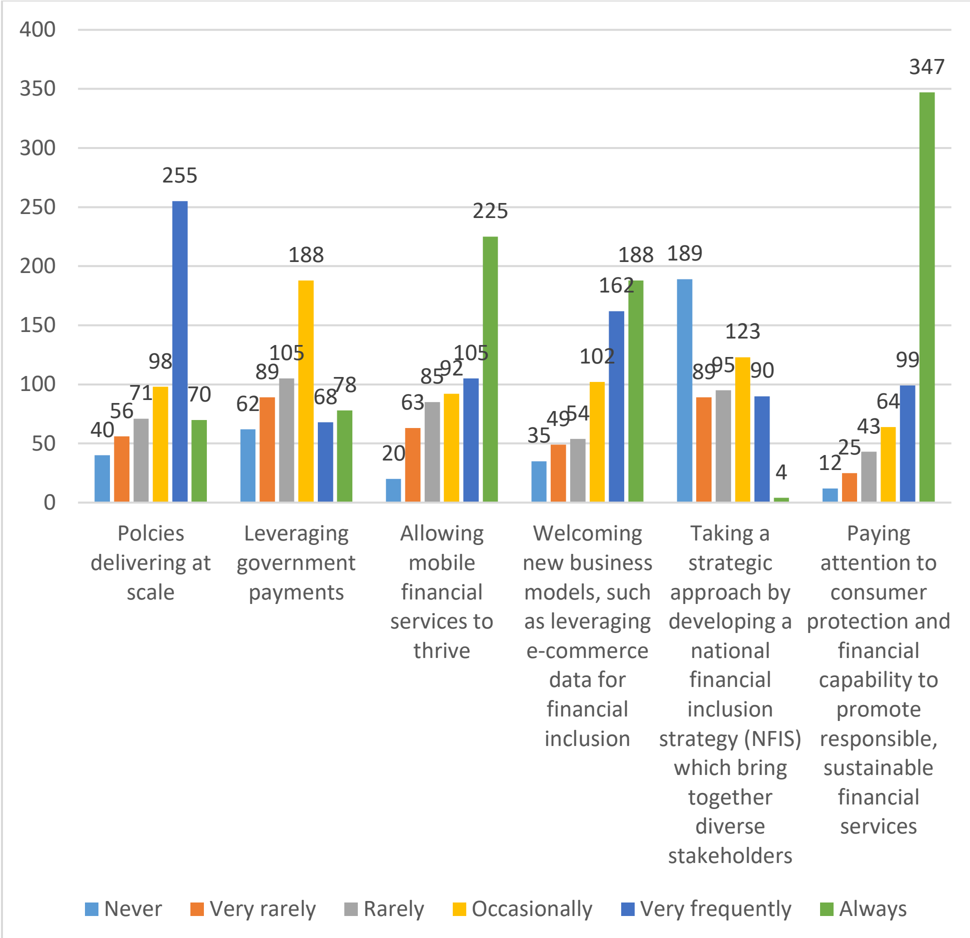
All three measures of availability of financial services showed a positive odd ratio. However, the odd for banking services being 1.4 means that there is a higher tendency for availability of banking services increasing given increasing number of covid-19 cases. Therefore, the higher the number of cases, the more likely people would get financially included. Again, financial institutions would see the need to make banking services more available. Thus, the demand for banking services will drive the supply and financial institutions will respond to it more appropriately. This result can also account for the positive canonical correlation observed in the non-physical infrastructure. This result is in line with Sahay et al. (2020). But the odds for insurance and capital markets indicate 0.639 and 0.247. These odds are less than 1. This means that as the number of covid cases increases, the tendency for availability of insurance and capital markets activities are not closely related. Individuals dealing with financial transactions seem to concentrate on core or basic transactions such as movement of funds for the purchase of goods and payment of services. The idea of involving in further trade to make gain and securitization of risk does not come up.

4.3 Ways to Improve upon Gains made due to Covid-19

The three main sustainable strategies to be adopted according to the respondents are paying attention to consumer protection and financial capability, allowing mobile financial services to thrive, and welcoming new business models such as leveraging e-commerce data for financial inclusion.

A further interview of respondents to ascertain a deep understanding of these three factors is indicated as follows. On the issue of consumer protection and financial capability, respondents identified three sets of rules of conduct for financial firms in terms of retail customers. These are adequate information to make informed decisions, no deceptive practices, and a clear process for dispute resolution. Respondents acknowledge the need for adequate information and skills to undertake the risk and reward with using a particular financial product and service and all their legal implications. On the issue of allowing mobile financial services to thrive, there was a strong concern for a safe electronic transactions and cyber fraud. Respondents also commented on mobile money fraud, and payment of E-levy on mobile money transactions. On the issue of e-commerce data for financial inclusion respondents emphasized responsible regulation and accountable institutions to make digital technologies work for the poor. The World Development Reports call these *analog complements'* to *digital technologies*, which fall into three categories: regulation, skills, and institutions.

Figure 2: Ways to improve upon gains made or losses made due to Covid-19



Source: Researcher's field survey, 2021

The other two policies which had less prominence according to respondents but still have an important contributions to make are leveraging government payment and developing a National Financial Inclusion Strategy (NFIS). On the issue of NFIS respondents considered factors such as strengthening regulations of financial institutions, strengthening and supervising microfinance companies and rural community banks, developing proper means of managing crises in the financial sector, enhancing the proper management of insurance, pension, and capital market sectors; and strengthen anti-money laundering and counter financing of terrorism efforts. Other comments such as adding up more financial access pay points, expanding digital financial services, and promoting diverse and low-cost products and services for consumers also came up strongly.

5. Conclusion

This study set out to find out the effects of Covid-19 on financial inclusion in Ghana using primary data. Such studies have been conducted using secondary data. Specifically, this study sought to investigate the equality of opportunity to access financial services during Covid-19, the effects of Covid-19 on the availability of financial services, investigate the gain and loss of financial inclusion processes as a result of the pandemic. Using 550 respondents, the results found that convenient banking location, reliable ATM, accessible ATM, and SMS all showed negative correlation whiles electronic banking, charge-free services, competitive interest rate, and internet banking showed a positive correlation. Concerning the availability of financial services, the odd ratio favored banking services while the ratio did not favor insurance and the capital market. In terms of improvement in gains made, the study recommends paying attention to consumer protection and financial capability, allowing mobile financial services to thrive, and welcoming new business models such as leveraging e-commerce data for financial inclusion

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