INSTANT AND INCLUSIVE PAYMENTS

Ghana’s Journey

Archie Hesse / 04-10-2023
Cash is King in Africa. 90% of transactions made in Africa are cash based. Sub-saharan Africa accounts for one of the lowest credit and debit card penetration rates with 3.4% and 20% respectively. (Statista / World Bank 2021)

Africa is also experiencing a digital revolution in financial services led by the mobile phone. Ghana has 135% Mobile Phone penetration

Africa had a mobile money transaction value of $495 billion in 2020 almost two-thirds of the global value of $767 billion, according to the GSMA.

Kenya and Ghana leading digital payment adoption – BCG. Transactions made via mobile wallets were equivalent to 87% of the GDP in Kenya and 82% in Ghana in 2021.
STATE OF FINANCIAL INCLUSION - GHANA
(Ghana Demand Side Survey, 2021)

**Overlaps (%)**

2010

- Banked: 15.2%
- Informal: 15.3%
- Other formal (non-bank): 3.6%
- Excluded: 4.3%

In 2021:

- 95% use a combination of formal and informal mechanisms to manage their financial needs, from 40.7% in 2010;
- Only 0.6% of adults rely exclusively on banking services from 15.2% in 2010; and
- 1% of the adult population ONLY rely on informal mechanisms up from 15.3% in 2010, this due to the Mobile Money impact.
Evolution of GhIPSS Services

- **2008**: e-zwich
- **2009**: Cheque Codeline Clearing with Cheque Truncation
- **2011**: ACH Direct Credit/Debit
- **2012**: gh-link
- **2015**: GhIPSS Instant Pay (GIP)
- **2018**: Mobile Money Interoperability
- **2020**: Ghana's Universal Quick Response Code (GhQR)
- **2022**: GhanaPay Mobile Money

Introduction and Market Context
Instant Payments: WHY?

If a digital alternative to cash is to be successful, it must closely mimic its characteristics.

### Market Indicators

1. **Growth in Express Cheque Processing**
2. **Growth in Express ACH direct credit**
3. **The emergence and popularity of closed wallet schemes**
4. **Observation of Faster Payment trends globally and in Africa (UK FPS & NIBSS NIP etc)**
Key Principles

- Leverage existing Infrastructure
  - ISO Switch
  - ISO8583 protocol
  - Web Service protocol - SOAP

- Define standard protocols

- Minimize development work and cost on the part of Banks
Instant Payments: PROGRESS

01 ORIGINAL USE CASE
- Funds Transfer – account – to – account

02 ADDITIONAL RAILS
- Wallet – to – account
- Account – to – wallet
- Card-to-wallet / wallet-to-card

03 OVERLAYS
- Purchase – QR code
- Purchase – eCommerce
- Proxy Payments
- Request-to-Pay
Instant Payments: PROGRESS

SENDING PARTICIPANTS
- Universal Banks
- Savings & Loans
- Rural Banks
- Mobile Money Operators
- PSP /EMIs
- Biometric Card Platform (e-zwich®)

RECEIVING PARTICIPANTS
- Universal Banks
- Savings & Loans
- Rural Banks
- Mobile Money Operators
- EMIs
- Biometric Card Platform (e-zwich®)

Settlement

Switching
Clearing
Insights on Fostering Ubiquity & Inclusion

- No one must be left behind

- **Interoperability Objective**: Building the payment rails that provide universal participation. (Cross domain) Eg. Interconnecting three independent interoperable Ecosystem (Financial Inclusion Triangle)

- **Pricing** models that promote affordability for the poor and sustainability for participants

- **Effective & Proportionate Regulation**: (that allows participation of various financial service ecosystem participants to play various roles with different models to serve the last mile)

- **Risk based** flexible **KYC** framework to allow mass participation
Insights on Fostering Ubiquity & Inclusion

Financial Inclusion Triangle

FIT
Financial Inclusion Triangle

Bank Accounts

Mobile Accounts

e-zwich Smart Card Accounts

Ghana Interbank Payment and Settlement Systems
Lessons learned

- Use of more open architecture and technology for interoperability
- Financial Inclusion goals can be reached faster with Fintechs not banks
- Creating the digital payment rails/infrastructure is not enough to achieve digital & financial inclusion
- Financial education and transfer of digital skills necessary to engender habitual use of digital services
- Addition of more tailored use cases helps growth and adoption
Thank you