

Approaches to the Payment of Interest on E-Money/Mobile Money Case Study: Ghana*

The value and volume of mobile money transactions in Ghana have been rising exponentially for many years now. Mobile money growth has contributed towards the share of Ghanaians who were financially excluded falling by half (to 25 per cent of the population) from between 2010 to 2015.¹ It is estimated that around 40 per cent of the population currently have *active* mobile money accounts – more than the share of adults with bank accounts.² Registered accounts numbers are double that of active accounts, at 22 million.³

The volume of mobile money transactions in 2016 was seven times greater than back in 2012.⁴ In line with this growth in volumes, the value of transactions has also shown astronomical growth. In 2014 the three telecom operators (Airtel, Tigo and MTN) engaged in mobile money processed combined transactions worth about GH11.2billion across the country.⁵ In 2015, the value of mobile money transactions was GH35.4billion, an increase of

¹ Central Intelligence Agency, “The World Factbook - Africa - Ghana” (last updated April 2 2018), <https://www.cia.gov/library/publications/the-world-factbook/geos/gh.html> - Total population of 27.49 million (July 2017)

² Lyman, Timothy, “The Era of Electronic Payments: Opportunity or Threat for Banks OR Digital Financial Services: Opportunities for Strategic Banks and Non-banks Alike” (lecture at the 60th Anniversary Celebration of Bank of Ghana), August 18 2017, <http://www.cgap.org/sites/default/files/CGAP%20Remarks%2060th%20Anniversary%20of%20Bank%20of%20Ghana.pdf>.

³ MyJoyOnline, “Mobile Money Transactions reach GH¢109 billion - BoG”, November 1 2017 <https://www.myjoyonline.com/business/2017/November-1st/mobile-money-transactions-reach-gh109-billion-bog.php>.

⁴ Bank of Ghana, “Impact of Mobile Money on the Payment System in Ghana: An Econometric Analysis” (August 2017) https://www.bog.gov.gh/privatecontent/Public_Notices/Impact%20of%20Mobile%20Money%20on%20the%20Payment%20Systems%20in%20Ghana.pdfhttps://www.bog.gov.gh/privatecontent/Public_Notices/Impact%20of%20Mobile%20Money%20on%20the%20Payment%20Systems%20in%20Ghana.pdf

⁵ RawAfrica, “Mobile Money Transactions in Ghana Hit GH¢35.4bn (\$9.3bn)”, October 16 2016,

more than 200 percent over the previous year and just GH5.85 billion shy of the total deposit liabilities of the 29 banks as at the end of 2015.⁶ By September 2017, the total value of mobile money transactions had reached GH109 billion.⁷ This level has surpassed the total deposit liabilities of banks which were GH55.83 billion at around the same time (this deposit liabilities figure is as at October 2017 as reported by Bank of Tanzania.⁸).

The total mobile money float has also enjoyed similar exceptional growth. The total float was \$400 million (GH 1.586 billion) in March 2017, representing a growth of 75 times since 2012 when it was around \$5 million.⁹

The number of MM agents at end-December 2016 was 107,415; with MTN mobile money contributing 54.0 per cent, TIGO Cash 24.9 per cent, Airtel Money 11.0 per cent and Vodafone Cash 10.1 per cent.¹⁰

In Ghana, interest was allowed to be paid from September 2016. Total interest paid to holders of electronic money wallets in 2016 amounted to GH¢24.79 million.¹¹

Like for Tanzania, it is not possible to conclude whether the increase in usage of mobile money is attributable to interest payments. Our research has not come across any thorough investigations on this hypothesis.

Unlike Tanzania, however, Ghana's central bank approached the matter of interest payments on mobile money using a much more prescriptive approach. In Tanzania's case, Bank of Tanzania (BOT) invited the mobile money providers to submit suggestions on how they would distribute the interest to benefit customers, and BOT assessed these suggestions. In Ghana, the central bank *mandated* how the providers would distribute interest earnings on the float. From 2008 to 2015, providers were not allowed to benefit from the interest which

<https://therawafrika.com/mobile-money-transactions-in-ghana-hit-gh%C2%A235-4bn-9-3bn/>
(New mobile money provider Vodafone Cash entered the market in 2016.)

⁶ [Ibid.](#)

⁷ MyJoyOnline, "Mobile Money Transactions reach GH¢109 billion", above n 3.

⁸ Bank of Ghana, *Banking Sector Report Vo. 2.4*, (November 2017)

https://www.bog.gov.gh/privatecontent/MPC_Press_Releases/Banking%20Sector%20Report_November%202017.pdf

⁹ Lyman, Timothy, "The Era of Electronic Payments: Opportunity or Threat for Banks", above n 2.

¹⁰ Ibrahim, Abubakar, "MTN Reiterates Commitment to Pay Interest on Mobile Money", MyJoyOnline, April 16 2017, <https://www.myjoyonline.com/business/2017/april-16th/mtn-reiterates-commitment-to-pay-interest-on-mobile-money.php>; Bank of Ghana, "Impact of Mobile Money on the Payment System in Ghana", above n 4.

¹¹ Bank of Ghana, "Impact of Mobile Money on the Payment System in Ghana", above n 4.

banks were earning on the providers' customers' mobile money float kept in trust accounts. However, as the total float grew to more substantial amounts, the Bank of Ghana decided that the banks should pay interest on these float accounts, in a similar way to what banks did with other accounts. The beneficiaries of this interest payment, providers, were then instructed by the Bank of Ghana to pass not less than 80 per cent of the interest accrued on the trust accounts to the mobile money customers.¹² However, as CGAP authors, Buddy Buruku and Stefan Staschen, explained in their blog post, *How Ghana Set Its Rules on Interest Payment on e-Money Accounts*, this process of passing on the 80 per cent of mandated interest payments was far from simple, as the banks and the providers entered into a "very public and often contentious debate in the industry, with the Bank of Ghana in the middle, and no interest being paid".¹³ The banks disputed what was a fair interest payment to make on trust fund accounts, and the providers would not accept the banks' offers. The Bank of Ghana intervened and essentially set the interest rate to be paid.¹⁴

In Ghana, some customers have subsequently requested to opt-out of receiving interest for religious reasons.¹⁵

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¹² *E-Money Guidelines of 2015* (Ghana) s 10(10).

¹³ Buddy Buruku and Stefan Staschen, *How Ghana Set Its Rules on Interest Payment on e-Money Accounts* (29 June 2016) CGAP <http://www.cgap.org/blog/how-ghana-set-its-rules-interest-payment-e-money-accounts>.

¹⁴ *Ibid.*

¹⁵ MTN added this opt-out feature to its products in response to customer requests which MTN understood to be based on religious beliefs restricting some customers from taking interest. Ibrahim, Abubakar, "MTN Reiterates Commitment to Pay Interest on Mobile Money", above n 10.