



**GHANA ASSOCIATION OF SAVINGS AND LOANS COMPANIES**

**THEME: 'DRIVING FINANCIAL INCLUSION THROUGH DIGITALISATION:  
ROLE OF SAVINGS & LOANS COMPANIES'**

**REMARKS BY**

**MRS. ELSIE ADDO AWADZI  
SECOND DEPUTY GOVERNOR  
BANK OF GHANA**

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**TOMREIK HOTEL, ACCRA**

**The Council Executives, and CEO of the Ghana Association of Savings and Loans Companies (GHASALC)**

**Chief Executive Officers and Managing Directors of member institutions**

**Invited Guests**

**Distinguished Guests, Ladies, and Gentlemen**

1. I am honoured to address you today as Guest of Honour for this 12<sup>th</sup> Annual General Meeting (AGM) of GHASALC. I bring you warm greetings from the Management and staff of the Bank of Ghana. We recognise the consistency and resoluteness GHASALC has displayed over the years to promote the interests of the savings and loans (S&L) industry as well as to strengthen standards of practice among its members.
2. This AGM is happening at a crucial era in the global economy as well as in our Ghanaian economy, with the fallout from the COVID-19 pandemic and the recent Russia-Ukraine war. Against the backdrop of a slowdown in global economic growth, fiscal and monetary stimulus, we have seen high rates of inflation, high interest rates, and tighter financing conditions all around the world. For our domestic economy, the clientele of S&L companies have been some of the hardest hit by the pandemic and its aftermath. This has implications for credit risk and overall financial performance of the industry.
3. The role of the S&L industry in our economy has been significant, providing critical financial services to the MSME sector, the informal sector, and households. At the end of the first quarter 2022, total assets of the specialised deposit-taking institutions sector exceeded GHS16.0 billion, of which the Savings and Loans sub-sector contributed 35.1%. Savings and Loans companies disbursed a total of GHS3.4 billion in net loans to private enterprises and businesses in the first quarter of 2022 alone.

4. Undoubtedly, the S&L industry is at a critical juncture and some strategic rethinking is required by key stakeholders to reposition the industry to unleash its full potential to serve low-medium income households and the micro, small, and medium-sized business sector which is the main driver of socio-economic growth for our economy. The theme for today's forum "Driving Financial Inclusion through Digitalisation: The Role of Savings and Loans Companies" could therefore not have been more timely.
5. All around the world, technology is fast disrupting traditional business models for delivering finance all around the world and is redefining financial services as we knew them with immense benefits and some risks too.
6. Digitization is changing the way financial institutions store and analyse data, relying on cloud-based infrastructure which offers among others, cost reduction, processing speed, integrated security, improved scalability, flexibility, and improved risk management. The growth of digital financial services has been accelerated in the last couple of years due to the implementation of the mobile money interoperability framework and the Covid-19 pandemic, and the pace of growth will be higher going forward. Universal banks in Ghana have rolled out impressive digital financial services that reach the rank and file of our population some of whom were traditionally clients of the S&L industry.
7. In this context, financial institutions that have not already designed, adopted, and implemented a digital transformation strategy are already behind the curve. The S&L sector risks becoming a dinosaur as more banks reach the informal sector and MSME sector with their innovative digital financial services. There is therefore, the urgent need for the S&L sector to take steps to reposition itself by leveraging emerging technologies to modernise their business models to meet the fast-changing needs of their customers' needs and to remain relevant to the segment of the economy that was traditionally served by the sector.

8. Digitalisation comes along with its own complexities and risks, including cyber security risks, third and fourth party/outsourcing risk, data privacy breaches, technology failure risk, increased AML/CFT risks, and consumer protection risk among others. Needless to say, a lot is required by way of strong governance and risk management systems to help mitigate these risks as financial institutions exploit the benefits of digitalisation. S&Ls will therefore need to augment their capital base in order to digitise and deploy more sophisticated systems to help mitigate attendant risks.
9. Over the last five years, BoG has augmented the risk management framework for banks and SDIs in tandem with increased digitization. These include the Cyber and Information Security Directive issued in 2018 which is currently under review, enhanced anti-money laundering and countering of financing (AML/CFT) rules, and consumer protection rules. The Corporate Governance Directive requires that the Board of each covered regulated institution sets up a Risk Committee that advises the full Board on the overall risk framework, and the appointment of a Chief Risk Officer who helps to manage overall risks. Risk management requirements are in place for payment service providers like fintechs, including minimum technical, governance, data protection, and transaction monitoring and fraud detection and mitigation tools.
10. We will continue to monitor the rapid evolution of risks in the digital financial services ecosystem and recalibrate our rules and supervisory approaches and tools to help mitigate them, while ensuring that regulated institutions effectively manage the risks that their businesses and actions or inactions pose to the entire system.
11. Distinguished ladies and gentlemen, one of the important considerations of this AGM is to launch the Association's Code of Ethics and Conduct for the Association. This is aimed at ensuring the continued commitment to adhering to best practices and ethical standards

that would engender public trust and confidence in the activities of the savings and loans sub-sector.

12. The importance of having a Code of Ethics and Professional Conduct for the sub-sector cannot be over emphasised. We all saw how widespread incidence of mismanagement, fraud, non-compliance with rules and high standards of ethics contributed to the collapse of 420 financial institutions regulated by the Bank of Ghana, including 15 savings and loans companies. A code of Ethics and Conduct has the potential to improve confidence and trust in the S&L sector and help to boost its fortunes.
13. Let me stress however that, a Code of Ethics and Professional Conduct by itself cannot work any magic without the conscious observance of its provisions and strict enforcement by the Association. It will require a strong commitment to the values enshrined in the Code by all member institutions and their shareholders, Board, and staff. It will require peer vigilance and co-enforcement by members against each other.
14. The Bank of Ghana endorses the Code, following our extensive review of earlier drafts, and commit to continuing to support the development of a vibrant and modern S&L sector based on values and cultures that promote trust and confidence and help to strengthen the stability of the financial system.
15. Distinguished Ladies and Gentlemen, in conclusion, the potential of the S&L sector to advance and promote financial inclusion through digitalisation has been clearly demonstrated on the continent. The Bank of Ghana has adopted a forward-looking approach to regulation and we encourage the sector to follow suit in pursuit of the advancement and development of our economy as a whole.

16. Once again, congratulations to the leadership and the membership of the GHASALC. I wish you successful deliberations. With this, I declare the Code of Ethics and Conduct for the Members of Ghana Association of Savings and Loans Companies duly launched.

Thank you.

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