

A New Levy on Mobile Money Payments in Ghana: Impact on the Financial Digitalization Process



Introduction

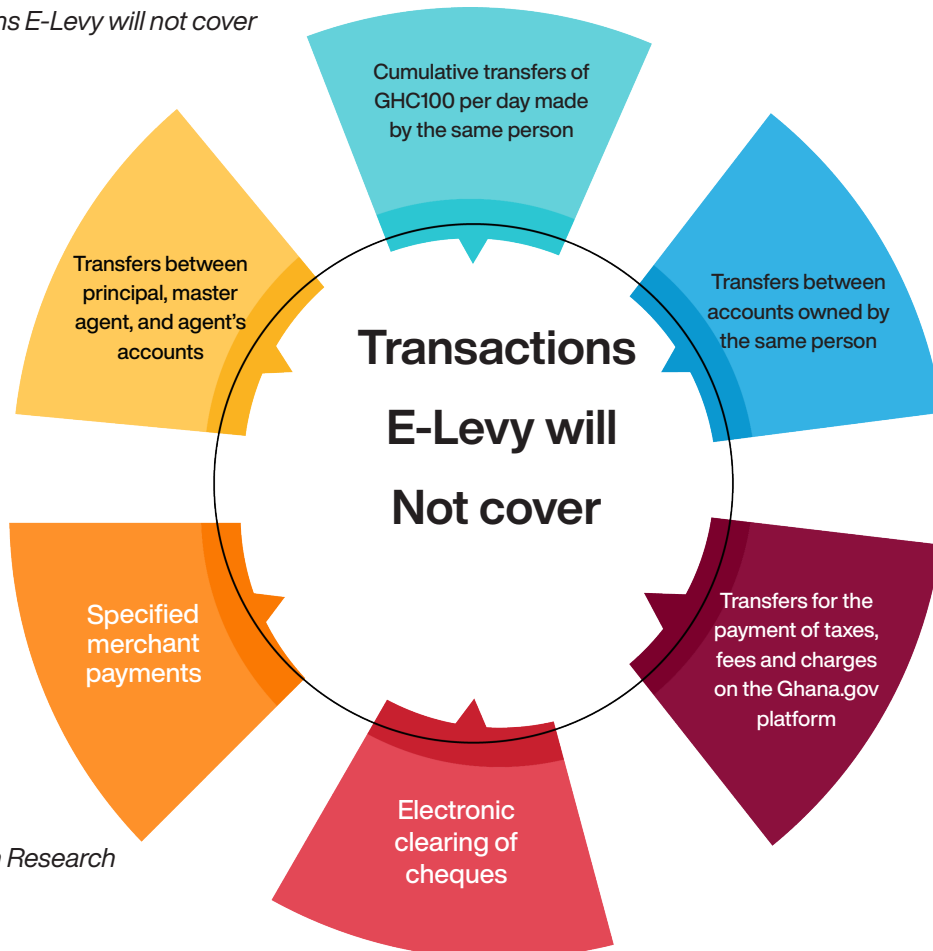
The Electronic Transaction Levy (e-levy) introduced on mobile money transactions has raised several arguments by scholars and policy-makers in Ghana. Despite the criticisms, the e-levy has been passed into a bill and gazette on 31 March 2022 as Electronic Transfer Levy Act 2022 (Act 1075). The Bill was adopted at a reduced rate of 1.5% from the initial 1.75%. The levy aims to widen the tax net and rope in the informal sector. The levy shall be charged on an electronic transfer at the time of transfer by the entities, electronic money issuers, payment service providers, banks, specialized deposit-taking institutions, and other financial institutions authorized by the act. The tax, which has become a subject of debate among Ghanaians, is expected to rake in close to ₵6 billion in tax revenue for the country. According to Ghana's Finance Minister, a portion of the proceeds from the E-Levy will be used to support entrepreneurship, youth employment, cyber security and digital and road infrastructure, among others.

Figure 1: Transactions E-Levy will cover



Source: Agpaytech Research

Figure 2: Transactions E-Levy will not cover



Source: Agpaytech Research

Application of E-levy and telecommunication charges

The implementation of e-levy means that mobile money transfers will comprise both e-levy (1.5%) and telecommunication charges (0.75%). Agpaytech provided examples of e-levy and telecom charges on mobile transfers from the date of implementation (1st May 2022).

Table 1: Sample of e-levy and telecom charges on MoMo (Value in GH¢)

MoMo Value	Telcom Charges	E-Levy Charges	Total Charges
	0.75%	1.50%	
100	0.75%	0	0.75
200	1.5	3	4.5
300	2.25	4.5	6.75
400	3	6	9
500	3.75	7.5	11.25
600	4.5	9	13.5
700	5.25	10.5	15.75
800	6	12	18
900	6.75	13.5	20.25
1000	7.5	15	22.5

Source: Agpaytech Research

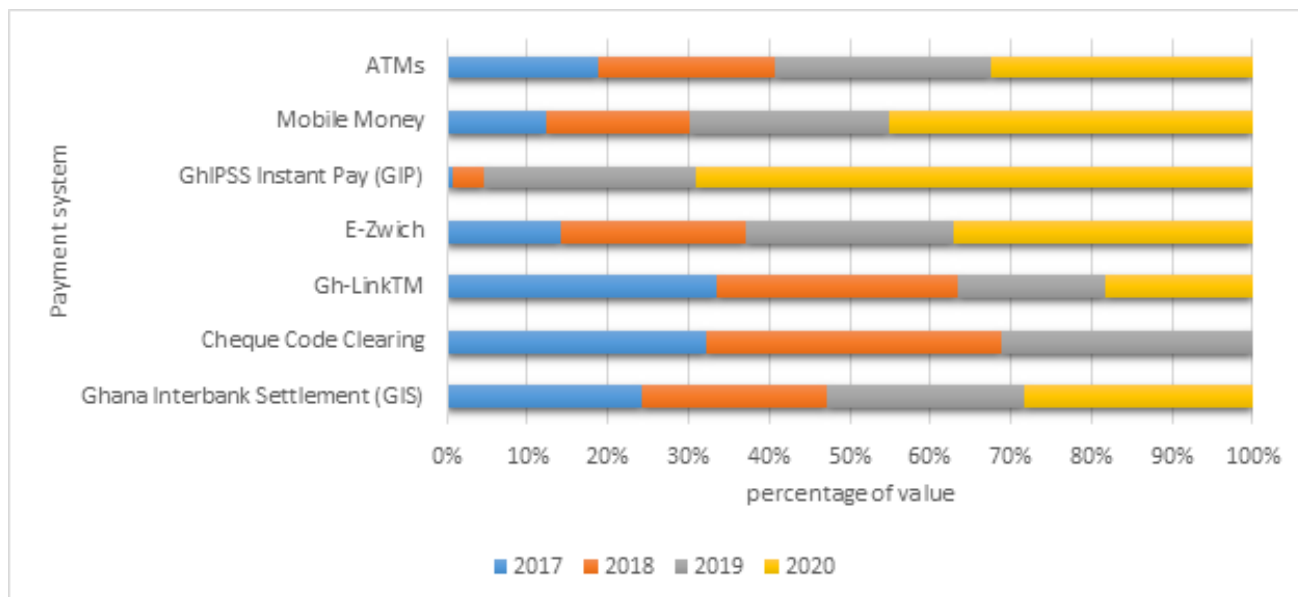
An Overview of Ghana's Payment Sector

Ghana's payment system has undergone many developmental transitions from the era of barter trade to digitalization. Among some of the remarkable financial transformations includes the implementation of the Ghana Interbank Settlement (GIS) system, which is one of the first few Real Time Gross Settlement (RTGS) system, Ghana Interbank Payment and Settlement Systems (GhIPSS), Automated Clearing House (ACH) system and the Cheque Codeline Clearing with truncation (CCC) system. Currently, mobile money and ATMs play a vital role in the paperless transaction system in Ghana.

In 2020 GhIPSS Instant Pay (GIP) recorded a growth of 62.2%. The total volume of transactions was 6,804,754, with a value of GH¢ 9.15 billion, compared with 1,905,267

and GH¢ 3.46 billion, respectively, in 2019. Ghana Inter-bank Settlement (GIS) system transactions increased by 4.8 % from 1,376,094 in 2019 to 1,442,182 in end-December 2020. ATM transactions continued to dominate Gh-link™ platform transactions and constituted more than 99.0 % of the total transactions.

Figure 3: Comparative Payment System Statistics, 2017-2020



Source: Bank of Ghana

Mobile Money Payment

Mobile Money has shown considerable early success in driving the digitization of payments in Ghana’s cash-dominated economy (GSMA Report, 2020). Interestingly, the Bank of Ghana Financial and Economic Data Report (2020) asserted that the total registered mobile money accounts stood at 32.7 million, whereas the total transactions value of GH¢ 30.1 billion as of February 2020. Moreover, Statista Data (2022) showed that as of January 2021, 38.9% of the population aged 15 years and older had a mobile money account in Ghana. The total value of mobile money transactions grew by 82.4 % over the 2019 value to GH¢564.16 billion by the end of December 2020. Similarly, Stanbic Bank Team Report (2021) indicated that MM transactions have emerged as Ghana’s most preferred digital payment method. According to the report, mobile money subscribers increased by 15% in 2020, with an estimated value of transactions at GH¢589 billion.

The payment brings several benefits to the user, including convenience, speed, flexibility, and affordability (GSMA, 2013). MM may be described as electronic cash backed by an equivalent amount of the Bank of Ghana notes and coins stored using the Subscriber Identification Module (SIM) in a mobile phone as an identifier. MM is issued by Mobile Money operators (MMOs) who keep the electronic account on the SIM in the mobile phone for the users of MM.

- One unique feature of the MMPS is the offline capability and interoperability in Ghana. This means a person on network A can directly transfer money to others on the same network A or network B, thus interoperability.
- In Ghana, the mobile money wallet is mainly used to transfer value from one person to another person (P2P) for payment of goods and services such as buying airtime, paying utility bills, Gold and DSTV bills, salaries of some workers, taxi fares, micro-credit, savings, and micro-insurance.

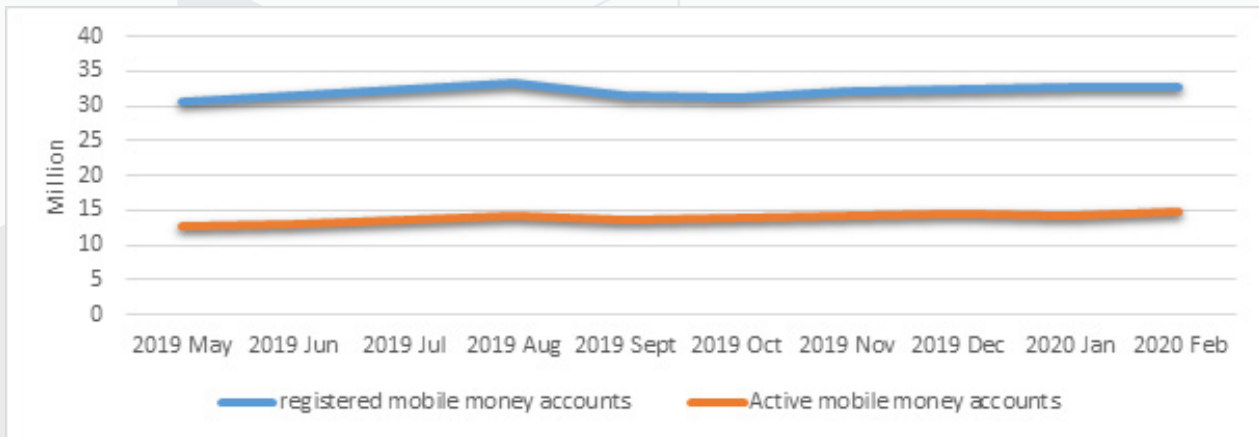
Figure 4 : Mobile money features



Source: Agpaytech Research

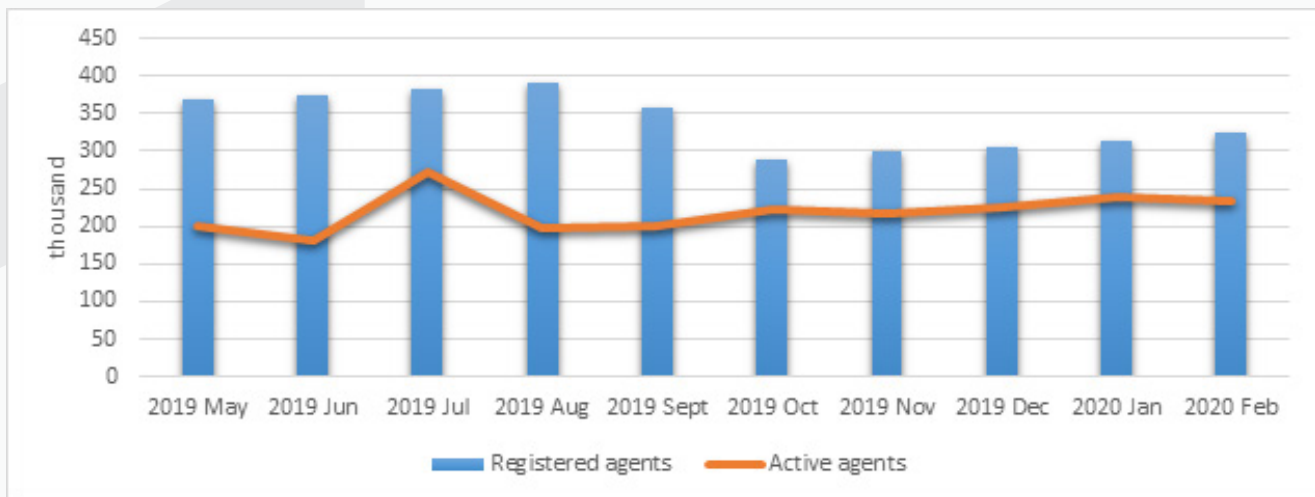
According to the Bank of Ghana (2020), the total number of registered mobile money agents as of February 2020 was 324 000. This denotes that mobile money is creating massive employment for many people.

Figure 5: Registered vs active mobile money account



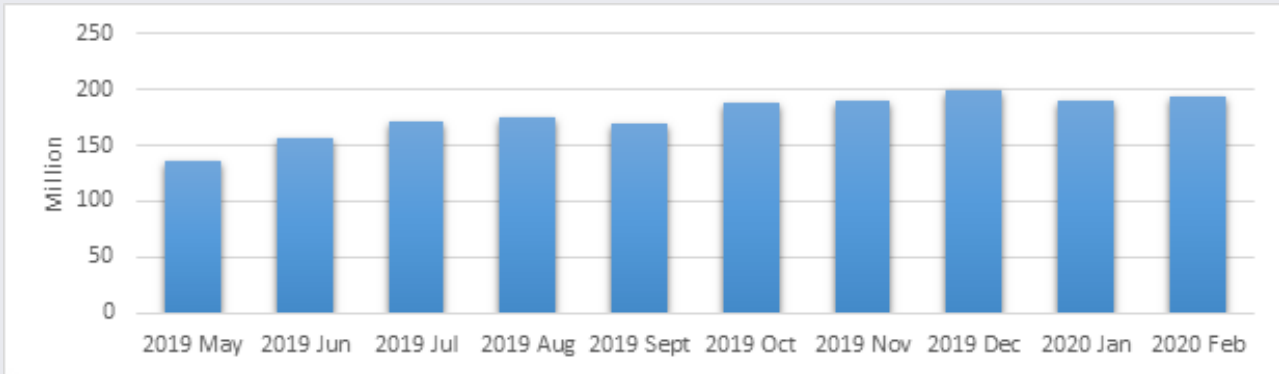
Source: Agpaytech [Data, BoG Economic Data Report, 2021]

Figure 6: Registered and active agents



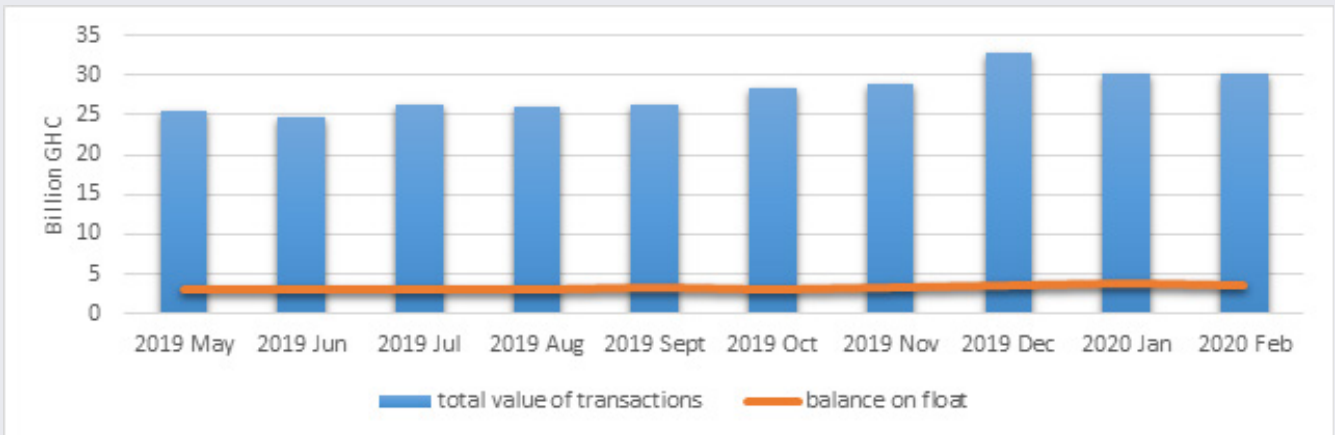
Source: Agpaytech [Data, BoG Economic Data Report, 2021]

Figure 7: Total number of transactions



Source: Agpaytech [Data, BoG Economic Data Report, 2021]

Figure 8: Total value of transactions and balance on the float



Source: Agpaytech [Data, BoG Economic Data Report, 2021]

Conclusion

The mobile money users and agents have raised concerns about mass withdrawals as a result of e-levy implementation due on 1st May 2022. While others are concerned that the e-levy will discourage users from patronizing the mobile money services, thereby having a negative impact on actors. Generally, the e-levy has sparked widespread anger among a section of Ghanaians because this could impact people's income, and reduce the use of mobile money payment. In a triple effect, the low-level income group is likely to return to the cash system as a way to overcome e-levy.

In the quest for Ghana's preparation toward digital currency (eCedi), a tax on electronic payment will daunt the motivation and campaign for it according to Agpaytech Research Team. However, a proper public sensitization of the need for revenue to fund infrastructural projects, and a couple of community and stakeholders' engagement would probably control the levy implications.



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