



## **ASSOCIATION OF RURAL BANKS-GHANA(ARB)**

*January 11, 2023*

*Our Ref: ARB/ADM-135/11/01/23/CO*

**THE HON. MINISTER OF FINANCE  
MINISTRY OF FINANCE  
P. O. BOX M40  
ACCRA**

Dear Sir,

### **REQUEST TO EXEMPT RURAL AND COMMUNITY BANKS FROM DOMESTIC DEBT EXCHANGE PROGRAMME**

#### **(1) INTRODUCTION**

As a prelude to a request for the exemption of RCBs from the Government's Domestic Debt Exchange Programme, it is worthwhile to give a brief background to the Rural Banking industry in Ghana.

Rural Banking business started in 1976 with the first of its kind established at Agona Nyakrom in the Central Region. The motivation by the Bank of Ghana to introduce Rural Banking in Ghana resulted from the reluctance of High Street Banks to extend their financial services to the remote and rural communities in the country. Thus, those engaged in the agricultural and commercial activities had little or no access to credit facilities to enhance the businesses in which they are engaged.

It is worthy to note that the establishment of Rural and Community Banks had greatly led to the mobilization of rural savings, promotion of financial literacy and extension of credit facilities to people engaged in farming activities which is the back bone of Ghana's economy.

#### **(2) ESTABLISHMENT OF ASSOCIATION OF RURAL BANKS (ARB) – GHANA AND ARB APEX BANK PLC**

As a further step towards strengthening and promoting the aims of RCBs, ARB – Ghana was established in 1981. ARB Apex Bank PLC was later established in 2002, by ARB – Ghana with the support of Bank of Ghana and the World Bank. Whiles ARB – Ghana was to provide advocacy services and to seek avenues through which RCBs could perform creditably and

contribute effectively to the development of agriculture, commerce and industry in the areas in which they operate.

ARB Apex Bank PLC was to serve as the secondary and regulatory agency of RCBs by providing the needed guidelines for their efficient and satisfactory performance.

### **(3) REASONS FOR REQUEST FOR THE EXEMPTION**

Following from the above, and considering the financial services provided by RCBs in the Rural Communities and the contribution they make to the economy of Ghana especially providing over fifteen thousand (15,000) direct employment to the youth who are all Ghanaians. It has become imperative, important and as a matter of principle to request Government to exempt the Rural and Community Banks from the proposed Domestic Debt Exchange Programme.

**The following are the main reasons for this request:**

- a) The RCBs still have significant proportion of their funds amounting to GHS460 million locked up with various Fund Management Companies after the completion of the financial sector reforms. All efforts to get the Securities and Exchange Commission (SEC) and other regulators to intervene to get the funds released to the RCBs have so far not yielded any positive results.
- b) The increase in corporate income tax from the previous eight (8%) percent to the current twenty-five (25%) percent negatively affected the capital accumulation potential of the RCBs. Several representations have been made to the relevant agencies for a special dispensation to be made for the rural banks, but the pleas have not received any favourable response. The Domestic Debt Exchange Programme will adversely affect their income generation potential and worsen the solvency position of the banks.
- c) The RCBs have almost 40 percent of their total liquid assets in Government bonds amounting to GHS753 million and this is considered as very significant. Any haircut or unilateral rescheduling of coupon payments would therefore, significantly affect the operations of the rural banks. It will mostly affect their liquidity and solvency positions especially when these banks are already reeling under the current precarious economic situation facing the country.
- d) The rural banks are Unit Banks, as they are founded, owned, supported, and operated by individuals in the communities in which they operate. They do not enjoy any direct investments in terms of funds from Government for on-lending to their customers.



Much as we are excited about some key interventions by Government through development partners to enhance the operations of the banks, they cannot afford to lose significant portions of their investments held in bonds with the Government.

- e) It is very worrying that Government did not directly engage and or consult the stakeholders in the rural banking industry prior to coming up with the Domestic Exchange Programme.
- f) Non-exemption of the RCBs from the Domestic Debt Exchange Programme, would frustrate rural development and stall the expanding financial inclusion drive in the rural areas of the country.
- g) It is worthy to note that it has taken a lot of efforts and hard work to build a robust rural banking industry in Ghana. The Government's action would have huge negative implications which will not inure to the growth and benefit of the rural banks and their over five (5) million customers and shareholders.

We believe that the above issues forming the basis of our request to the Government to exempt all Rural and Community Bank Bonds from the proposed Domestic Debt Exchange Programme would be considered as reasonable. Anything contrary to this will harm the Rural Banking Industry which have provided vital micro credit for businesses and individual rural entrepreneurs.

Submitted for your kind consideration.

Yours faithfully,

  
**ASSOCIATION OF RURAL BANKS  
GHANA**  
KWAME OWUSU SEKYERE, ESQ.  
(PRESIDENT) **PRESIDENT**

CC: THE CHAIRMAN  
COUNCIL OF STATE  
ACCRA

THE HON MINISTER  
MINISTRY OF EMPLOYMENT & LABOUR  
ACCRA.

THE CHAIRMAN, PALIAMENTARY SELECT COMMITTEE ON FINANCE  
PARLIAMENT HOUSE  
ACCRA

**THE GOVERNOR  
BANK OF GHANA  
ACCRA**

**THE PRESIDENT  
NATIONAL HOUSE OF CHIEFS  
KUMASI**

**THE BOARD CHAIRMAN  
ARB APEX BANK PLC  
ACCRA**

**THE HON. MINISTER  
MINISTRY OF JUSTICE & ATTORNEY GENERAL  
ACCRA**

**THE HON. MINISTER  
MINISTRY OF NATIONAL SECURITY  
ACCRA**

**GENERAL SECRETARY  
INDUSTRIAL & COMMERCIAL WORKERS UNION (ICU)  
ACCRA**

**THE MANAGING DIRECTOR  
ARB APEX BANK PLC  
ACCRA.**

**ALL CHAPTER PRESIDENTS  
ASSOCIATION OF RURAL BANKS – GHANA**

**THE PRESIDENT  
NATIONAL ASSOCIATION OF RCBs CEOs  
ACCRA**

