Summer March 9, 2011

The Banks in Ghana Reported Huge Increase in Profit

George E Ekeha

Available at: https://works.bepress.com/george_ekeha/8/
The Banks In Ghana Reported Huge Increase In Profit

The past few months ago, we have been inundated by news about the banks’ profit. If we take a glance at their published accounts in the dailies, we could see how most of them had a jump in their profits over the years. Some had as much as 900% rise in their profit. Amazing, isn’t it? We have heard the officials of these banks tried to justify the huge spread in their lending and the borrowing rates, blaming it on various issues like non-performing loans and overhead costs and many others, refer to my previous article. They claimed they cannot survive if their lending rates are reduced. But looking at few of their financial statements in the dailies and reading some of their reports it is very clear that these banks in Ghana are really up to rip the poor Ghanaian off.

Never be surprise that the banks are making such a huge amount in profit year after year (and believe it or not this will continue for long until something is done about it). Remember that the interest rates in Ghanaian banks are among the highest in the African Sub-region. Remember also that the country is striving very hard to develop its Micro, Small and Medium Enterprises (MMSEs) to enable us achieve our developmental goals. Remember also that Financial Sector Adjustment Program (FINSAP) of 1988 and the Financial Sector Strategic Plan (FINSSP) of 2003 have liberalised the activities of the banks in Ghana and the government or the Bank of Ghana have little or no control over the activities of these banks. Also remember that with the influx of many other well established banks from neighbour countries, competition have become very keen among the banks and all of them are doing everything on the airwaves to woo unsuspecting customers for “Easy Loans”. And these are very tantalising indeed. Who no like money? So if the bank tells you that you can come for some few hundreds or thousands of Ghanaian cedis without any collateral, ahh why won’t you jump at the opportunity to get some few cedis in your pocket to spend for a while? Finally remember that Ghanaians have become spendthrifts and everybody just wants to spend money lavishly. Even when it is outside our capabilities, we just want to have those luxuries because our neighbour or friends have it. Any such tantalising offers from the banks become very juicy such that we cannot but jump at the offer in order to satisfy our amorous desires for these luxuries. All the above contribute immensely to the huge profit being made by these banks. And I would say it again, this will definitely continue until you and I change some few things about our habits and behaviours (will talk about those later).

Let me tell you a little bit about how the banks make these huge profits and then you tell me whether you are not part of those who contribute to those huge profits in your own volition. Supposed you deposit GH¢5,000 with a bank in Ghana, may be in a fixed deposit or saving account for the whole year. At the end of the year the bank would pay you an interest of about 5% to may be 12%. In fact the highest you can get on such amount is about 12.4% from one of the new banks. At the end of the year therefore, your bank would pay you GH¢620 on you investment if you are with this bank that I am talking about. If you are with some other banks who are paying 5% on such investment, then you would only get GH¢250 at the end of the year.
However, the bank would give your money to some consuming customer, who wants the money to spend on something “Very Important” or some poor MSME operator at the rate of 6% per month. This would rake in about GH¢3,600 to the bank at the end of the year. Wow, that is a kind of profit. So you see, while the bank pays you only GH¢620 (if you are lucky) on the money you are keeping with them, she would make a whooping GH¢3,600 on your money leaving her with GH¢2,980. This is just from one customer and multiply this amount with the million such customers who will be doing the same over the year and your guess is good as mine. This is very huge and the banks will make sure they get you into this trap of making them money at your own will whiles they are telling you that the want to help you. Are they really helping you?

I know by now you are asking yourself a very big question concerning where to put your money. I am not on any propaganda against the operations of the banks rather just that I believe their operation could be in the interest of both customers and the bankers for a consensus building for a better Ghana. I strongly believe that the banks in the country have just been sitting down and not chasing the bulk of moneys in the hands of individuals. They are rather taking advantage of the very poor people in the country and the few who want to engage in meaningful business to rip them off their hard earned currencies. If you go to Makola market, Agbogbloshie market or Kaneshie market and speak to the market women, who command a very huge bulk of money circulation, about their interest in keeping money with the banks and you will be amazed on their responses. We have about 80% of cash in the hands of individuals in the country. This is a huge amount that could help the banks make bigger profit if they encourage more individuals to keep their moneys with them. Many people would very happy to keep their money with the banks if they are sure of getting good returns on their savings at the end of a particular period. Many would do so if they are assured of having access to their money 24/7 without any hindrances. The innovations in the banks are always tailored to the collection of huge interest from the unsuspecting borrowers – enticing the borrower with some quick services to get access to loans. Very serious mistakes that keep customers waiting for long before getting access to their moneys are explained as “normal” by the managers on the banking halls. Despite the liberalisation with the FINSSP, banks are still being selective in dealing with their customers. All customers are not treated equally. Spend just about 30 minutes in a particular banking hall to speak with some few customers in queues about their impression on the banking practice and their satisfaction and your guess is good as mine about the answers you get.

But all hopes are not loss. We can make it with other available financial operational activities in the country. Many of us do not look for good and effective mechanisms to make our moneys grow into unbelievable amount in the future. I have written very few articles on some of these mechanisms some weeks ago and I hope you had some interesting reading. But if you do not have the opportunity to read some of those articles, never mind because I will be coming your way with detailed analysis of some of those instruments. These instruments are the mutual funds. There are several mutual funds instruments available in the country and I seriously believe that
this is the mechanism that would help us build a better Ghana. The mutual fund activities have
the potential to build us some wealth for future business activities or other future investment.
There are some of these mutual funds which are earning 40% interest for investors. So my dear
reader, if you get some money to invest in order to build your future, then make sure you put it in
a mutual fund. Remember that consistent savings into mutual funds and the ability to leave such
investment for a long time would definitely build you a better future. In fact any amount of
money that is left in an investment instrument and yielding an average interest of 15% per annum
would double after every 5 years. Also make sure to you get some advice from the experts in
order not to waste your money or worst off loose it. There are several of these fund managers
who are not making any reasonable returns for their investors. So getting advice should not scare
you at all but rather a motivating factor to help you make money. Remember not to help the
banks report the heavy profits but rather be smart to help yourself build a better financial future
for yourself. Thank you.

By Mr George Ekegey Ekeha

Senior Lecturer @ Regent University College of Science & Technology
Email: ekegey24ge@yahoo.co.uk Tel: 0249 529947
P O Box WJ853, Weija Accra