



GCR Commentary: Ghana's 5% Financial Sector clean-up levy set to moderate bank profitability

Summary

21 April 2021 - GCR Ratings ("GCR") has published a Research Report on the potential impact of introduction of a 5% Financial Sector clean-up levy on the Ghanaian banking sector.

The report is available for download at: <http://gcrresearch.com/reports/house/industry-reports/>.

Key highlights of the research are:

The 2021 budget statement presented to the Ghanaian parliament on 12 March proposed the introduction of a financial sector clean-up levy of 5% of banks' profit before tax, intended to help defray outstanding commitments in the sector. The levy will be reviewed in 2024.

Meanwhile, on 31 March 2021, the Ghanaian president signed into law five other taxation laws and amendments affecting the general economy which were in-line with various measures introduced by the Government of Ghana in the 2021 Budget to rebuild Ghana's public finances.

GCR believes Ghanaian banks are well-positioned to absorb the initial impact of the increased tax cost from the 5% Financial Sector clean-up levy. However, increased asset quality risk from borrowers further pressured by the new tax initiatives in addition to the economic effects of the coronavirus pandemic may strain the financial sector. Return on Assets (after tax) was 2.8% at December 2020, we forecast a moderation to 2.6% at 31 December 2021.

GCR will periodically provide insights on key sectors/industries across different territories in which various rated entities are domiciled, encompassing changes in the operating environment, performance trends and its view of the impact of an evolution in market dynamics on the credit risk profiles of rated entities in selected industries.

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Related Criteria and Research



Criteria for the GCR Ratings Framework, May 2019
Criteria for Rating Financial Institutions, May 2019
GCR Ratings Scales, Symbols & Definitions, May 2019
GCR Country Risk Scores, March 2021
GCR Financial Institution Sector Risk Scores, February 2021