

Impact of the

1.5%

**Tax on Electronic
Transactions(E-Levy)
on Ghanaians and
Coping Strategies**



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IMANI Digital Financial Services Research Project

Impact of the 1.5% Tax on Electronic Transactions (“e-Levy”) on Ghanaians and Coping Strategies



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Contents

Figures

Tables

Executive Summary

Objective of the Study

Key Findings

1	Introduction	6
1.1	Background	6
1.2	Purpose of the Project	10
1.3	Report Outline	10
2	Methodology	11
2.1	Survey Design	12
2.2	Data Collection, Survey Instrument and Framework	12
2.3	Participant Characteristics	13
3	Findings	16
3.1	Citizens perspectives on the introduction of the e-levy	17
3.1.1	Registration for digital financial services and platforms used	17
3.1.2	Type of transactions carried out	18
3.1.3	Factors underpinning the use of digital financial services before and after e-levy	18
3.1.4	Support of the e-levy and reasons	19
3.2	Impact of the E-Levy on the Use of Digital financial services	21
3.3	Coping Strategies for Using Digital Financial Services	24
4	Conclusions	25
	Appendix Survey Questions for the Digital Financial Services Research Project	26

Figures

Figure 1 Ghana's FinTech Landscape in 2022	8
Figure 2 Registration for digital financial services and platforms used	17
Figure 3 Factors underpinning the use of digital financial services such as mobile money before and after the introduction of the 1.5% tax on electronic transactions	19
Figure 4 Support of the e-levy	20
Figure 5 Willingness to pay the e-levy	21
Figure 6 Regularity of transfer and volume of transactions	22
Figure 7 Burden of transfer	23
Figure 8 Strategic considerations	24

Tables

Table 1 Participant socio-demographics	13
Table 2 Type of transactions typically carried out with digital financial services account	18
Table 3 Reasons for the support or against the e-levy	20
Table 4 Cross-tabulation of the volume of transactions and regularity of transfer for those whose volume of transactions has changed	23

EXECUTIVE SUMMARY

Objective of the Study

Ghana has recently deepened its commitment to promoting digital financial services by developing and taking steps to implement various policies. Some current policies or national plans on digital financial services include the **National Financial Inclusion and Development Strategy (2017-2023)**, the **Digital Financial Services Policy**, the **Cash-Lite Roadmap**, and the **National Payment Systems Strategic Plan (2019-2024)**.

As a developing country with high tax potential but low tax revenues, there are increasing calls for the government to broaden the tax net, remove nuisance taxes and improve its tax effort using tools such as digital financial technologies. Despite the relevance of digital financial services – specifically mobile money for financial inclusion and development–, the government took an unpopular policy decision to introduce a new 1.5% tax handle on mobile money transfers, remittance transactions and bank transfers. Unlike the policies mentioned above, which were built on rigorous nationwide data collection, stakeholder and public engagements with technical support from the international community, the e-levy was introduced without any clear whitepaper or little empirical analysis.

Since its introduction on 1 May 2022, there has been limited research on the impact of the 1.5% tax on electronic transactions ("e-levy") and the coping

strategies being adopted by Ghanaians. We fill this void with a first-of-a-kind survey that assesses attitudes to the e-levy. We hope this study will shape the policy debate on the e-levy and broader digital financial inclusion policies of the government. Specifically, the study aims to address the following questions:

- What are the perspectives of Ghanaians on the introduction of the e-levy?
- What is the impact of the e-levy on the use of digital financial services in Ghana?
- What are the coping strategies for using digital financial services after implementing the e-levy in Ghana?

This study adopts a quantitative survey study design. The questionnaire was administered within a two-and-a-half-week window from 31 May 2022 to 17 June 2022. A total of 1,677 respondents filled out the close-ended questionnaire, translating into a margin of error of ± 2 percentage points at a 95% confidence level for Ghana's population of 31 million. This means that it ensures a wide variability of our sample. Thus, insights and inferences will be relevant for shaping national policy.

Key Findings

1. **A majority (55.3%) of respondents indicated that they used their digital financial services account for personal purposes** such as paying medical bills, school fees, ordering food, and sending money to family, among others. This is followed by **business transactions (32.8%)** such as payment for goods and services, and lastly, **payment for government services (9.4%)**, such as payment of taxes to the Ghana Revenue Authority (GRA), passport, and Driver and Vehicle Licensing Authority (DVLA), among others. **What is interesting to note here is that the ratio of personal use to the combined business transactions is almost 2:1** for the sample population.
2. Prior to the imposition of the e-levy, the respondents prioritised the **convenience (46.5%) of digital financial services**, followed by the **security (27.5%)** that such digital platforms offer and lastly, the fact that **transfer costs (24.8%)** were no more than GHS10 regardless of the amount being transferred. **We, however, see a change in response in the post-e-levy implementation period: transfer cost is now ranked as the second important factor by respondents (36.73%)** despite convenience (44.19%) still retaining the top spot, albeit dropping marginally.
3. **An overwhelming majority of respondents (85.9% or 9 in ten respondents) indicated they were strongly against or somewhat not in support of the e-levy.** Another 13% either strongly supported or somewhat supported the e-levy, while 1.1% remained undecided. **The main reasons for such support were to allow the government to collect more revenues for development purposes (38.9%) and to include those in the informal sector of the economy** in paying their fair share of taxes (widening the tax base; 54.2%). This view has also been shared in various official policy communications regarding the e-levy.
4. **Opposition to the e-levy provided by respondents indicates that the government could take additional expenditure measures by cutting down on waste.** For example, 32% of those not supporting the e-levy indicated that the government could cut down on wasteful expenditures such as Land Cruiser V8 cars, allowances, conferences, and travel. It is apparent here that many citizens (72.6%) feel that the **government already collects enough taxes and should prudently manage the expenditure side of the equation.**
5. **About 83% or 8 in ten respondents indicated that their volume of transactions has changed since the implementation of the e-levy in May 2022.** Of this number, about 47% indicated that they had reduced the number of mobile money transactions by about 51% to 100%. **Our findings suggest that the official 24% attrition rate¹, which the government estimates for the first three to six months following the introduction of the e-levy, is likely to be much higher. This finding implies that the forecasted GHS4.5 billion² (GHS560 per month) e-levy revenue target for 2022 is unlikely to be attained given the strong consumer backlash and people finding alternative means of undertaking financial transactions.** A recent news report quoting the Director of Research and member of the Monetary Policy Committee at the Bank of Ghana indicates that Ghana realised GHS54 million from the e-levy in the first month of its implementation. However, they are unsure if it is to do with changes in consumer behaviour.³ **Our survey indicates a strong demand elasticity or response to the use of digital financial services by the sample population.**
6. **Several respondents indicated they had found alternative means to avoid paying the e-levy.** This included the following measures: carrying physical cash (43.8%), using the mainstream commercial banks (18.1%), and exploiting loopholes in the system by collaborating with mobile money vendors to allow cash out (20.7%), among others.

1 See <https://www.bbc.co.uk/news/world-africa-61248366>

2 The target was initially set by the government at GHS6.9 billion but revised downwards to GHS4.5 billion following the reduction in the rate from 1.75 to 1.5 per cent and delays in the implementation. See <https://www.africanews.com/2022/04/29/ghana-set-to-implement-electronic-levy-e-levy-on-may-1/>

3 See <https://dennislawnews.com/article/about-ghc-54-000-000-realized-in-1st-month-of-e-levy---bog>

INTRODUCTION

"We don't have a trillion-dollar debt because we haven't taxed enough; we have a trillion-dollar debt because we spend too much."

– Ronald Reagan, the 39th President of the United States of America

1.1 Background

Historically, taxation has been a vital tool for governments to implement fiscal policy and a source of revenue to drive economic development. In that vein, there are constant debates about how, when, and what to tax and under what conditions specific tax handles should be introduced as an optimal fiscal policy tool.⁴ One aspect of the debate touches on the wastages in the use of government tax revenues. The other facet touches on broadening the tax net and the concerns about including the informal and shadow economies, which are not currently covered by the domestic revenue mobilisation mechanisms, especially in several developing economies.⁵

Along this line are broader discussions that developing countries like Ghana are not taxing their population enough, as evident by the tax-to-GDP ratios compared to the OECD countries, for instance. Ghana's tax-to-GDP was at 13.5% in 2019 and lower than the average of 30 African countries with 16.6%.⁶ However, the tax-to-GDP ratio of OECD countries is averagely about 33.4% which is higher than what is evident in Africa.⁷ Notably, developing African countries like Ghana tend to depend on in-

direct taxes like the sales tax or VAT to raise tax, an approach that can be regarded as an easy means to raise tax revenue.⁸ However, such indirect taxes tend to be regressive and punitive to the poor segments of the population. At the same time, there is an existing global best practice for countries exploiting avenues to use progressive tax handles.⁹

The emergence of the digital economy has impacted every economy and the way government conducts its businesses and the way it raises revenues. Governments in Africa have been trying to introduce new tax handles to raise revenue and foster economic development. Thus, there have been efforts to introduce a wealth tax on High-Net-Worth-Individuals (HNWIs), the gaming industry and the e-commerce sector, and mobile money services and related activities. Mobile money is an electronic wallet service that enables users to receive, store, and send money using their mobile phones, just like banks. This simple, safe, and easy-to-use electronic payment has been evident in driving financial inclusion, creating a synergy in using non-banking financial services and enhancing development.¹⁰

4 Mankiw, N. G., Weinzierl, M., & Yagan, D. (2009). Optimal taxation in theory and practice. *Journal of Economic Perspectives*, 23(4), 147-74. <https://doi.org/10.1257/jep.23.4.147>; Tanzi, M. V., & Zee, M. H. H. (2001). Tax policy for developing countries. International Monetary Fund. <https://www.imf.org/external/pubs/ft/issues/issues27/>

5 Ohnsorge, F., & Yu, S. (2022). The long shadow of informality: Challenges and policies. World Bank Publications. <https://thedocs.worldbank.org/en/doc/37511318c092e6fd4ca3c60f0af0bea3-0350012021/related/Informal-economy-full-report.pdf>

6 <https://www.oecd.org/tax/tax-policy/revenue-statistics-africa-ghana.pdf>

7 <https://www.oecd.org/tax/tax-policy/revenue-statistics-united-states.pdf>

8 IMANI CPE (2021). Taxation and Ghana's Post-Covid Economic Recovery. Briefing Paper. https://imaniafrica.org/wp-content/uploads/2021/09/FINAL-Ghana-Tax-Policy-Paper_edit.pdf

9 <https://taxjustice.net/reports/progressive-tax-measures-to-realize-rights/>

10 Ahmad, A. H., Green, C., & Jiang, F. (2020). Mobile money, financial inclusion and development: A review with reference to African experience. *Journal of Economic Surveys*, 34(4), 753-792. <https://doi.org/10.1111/joes.12372>; Duho, K.C.T. and Quansah,

In Ghana, for instance, access to financial services increased from 41% in 2010 to 58% in 2015, with the current target to increase it further to 83% by 2023.¹¹ Banks contributed 2% of the increase, 7% was from mobile money services only, and the remaining 8% was from mobile money and non-bank financial institutions (NBFIs). However, the growth in financial inclusion and the target of 83% was initiated without considering a scenario where the mobile money services are taxed. As such, introducing any tax handle on especially mobile money services could adversely impact progress.

In recent times, policymakers in Ghana have been developing frameworks to guide the digital financial services, the mobile money and FinTech (financial technology) operations in Ghana. Fintech (financial

technology) is a general term that refers to mobile applications, software and other technologies created to automate and improve traditional financial service offerings. There are notable policy tools that the Ministry of Finance and the Bank of Ghana currently consider when it comes to digital financial services regulation and policy in Ghana. Some of them include the National Financial Inclusion and Development Strategy (2017-2023)¹², the Digital Financial Services Policy¹³, the Cash-Lite Roadmap (Digital Payments Roadmap)¹⁴, and the National Payment Systems Strategic Plan (2019-2024)¹⁵, among others. These interconnected policy documents provide several promising targets that will deepen financial inclusion and accelerate digital transformation in Ghana.

Figure 1 Ghana's FinTech Landscape in 2022

Payments (Mobile & Card Acquiring)	Mobile Money & Agency Bank Tech	Lending & Savings
<ul style="list-style-type: none"> « eTranzact « expressPay « inCharge « interpay « Slydepay « Zeepay « ProfPay « WebSoft Solutions 	<ul style="list-style-type: none"> « Airtel-Tigo Cash « MTN Mobile Money « Vodafone cash « nFortics 	<ul style="list-style-type: none"> « FIDO « Moneyboxx « Lending Square « knoxxi « Jara eba Jarra no « afb « MFS Africa
<p>4. Insurance Tech</p> <ul style="list-style-type: none"> « BIMA « Car Care <p>5. Remittance « SIKA</p> <p>6. Microfinance « gkudi</p>	<p>7. Crowd Funding</p> <ul style="list-style-type: none"> « fundraising- africa.com <p>8. Loyalty « Loystar</p> <p>9. Equity Finance « Smartertree</p>	<p>10. Agric Finance</p> <ul style="list-style-type: none"> « Farmable.me <p>11. Data Analytics</p> <ul style="list-style-type: none"> « Dreamoval <p>12. Bitcoin & Block Chain</p> <ul style="list-style-type: none"> « Bitsokogh « Ghana Dot Com

Source: Based on information from Ghana Cash-Lite (Digital Payments) Roadmap¹⁶

D.N. (2021), "Mobile Money as a Tool for Financial Inclusion in Ghana's Post-COVID-19 Context: Key Developments and Future Trajectory", Dataking Working Paper Series N° WP2021-07-05, Available at SSRN: <https://ssrn.com/abstract=3896369> or <https://euro-pepmc.org/article/ppr/ppr379924>

11 https://mofep.gov.gh/sites/default/files/acts/NFIDs_Report.pdf

12 https://mofep.gov.gh/sites/default/files/acts/NFIDs_Report.pdf

13 https://mofep.gov.gh/sites/default/files/acts/Ghana_DFS_Policy.pdf

14 https://mofep.gov.gh/sites/default/files/acts/Ghana_Cashlite_Roadmap.pdf

15 <https://www.bog.gov.gh/wp-content/uploads/2020/01/National-Payment-Systems-Strategic-Plan-2019-to-2024.pdf>

16 Revised based on information from Ghana Cash-Lite (Digital Payments) Roadmap

There are generally 12 classifications of Fintech service providers in Ghana that continue to provide services to a variety of unbanked and previously excluded populations within the informal sector, the agricultural sector, and the pro-poor within the rural communities (Figure 1). FinTech services encompass payment technologies, mobile money services, lending and savings technologies and insurance technologies, among others. Besides using these technologies, all the 23 Universal Banks have developed various mobile app-based and online banking services to support financial transaction service offerings. A multiplier effect is evident in the use of the services while the mobile money services permeate almost all the service offerings as a springboard. Consequently, the Bank of Ghana has updated its quarterly template for reporting on payment systems data as part of the broader macroeconomic and financial data under the heading of mobile money data and mobile money interoperability. In 2021, it was reported that registered mobile money accounts increased by 60.65%, from 23.95 million in 2017 to 38.47 million in 2021.¹⁷ Also, the total value of transactions increased by 262%, from about GHC155.8 billion in 2017 to about GHC564.16 billion in 2021. These are further indicative of mobile money's relevance in the economic structure.¹⁸

The main tax handle that affected FinTech operations before enacting the E-levy Act is the Communications Services Tax (CST), aside from the corporate income taxes, which could be subject to corporate tax shifting strategies that place the burden on the final consumer. During the pandemic, the CST was reduced from 9% to 5% to support the use of digital services and reduce the burden on the final consumer.¹⁹ The CST is still at the pandemic-adjusted level of 5%.

Despite this CST reduction, Ghana's government has introduced a FinTech tax known as the e-levy under the Electronic Transfer Levy Act, 2022 (Act 1075). The e-levy, which applies to mobile money, remittance and bank transfers, is 1.5% of transfers above daily thresholds [for mobile money, above GHC100 (about US\$12.5)].

Ghana's e-levy is charged by mobile money, payment service providers, banks, specialised deposit-taking institutions, and other financial institutions on behalf of the Ghana Revenue Authority that collects the levy. Payments to the government are exempted from the e-levy, but private sector transactions are levied. There are various e-levy types of taxes in other African countries like Cameroon, Uganda, Tanzania, Congo Republic, Zimbabwe, Ivory Coast and Kenya. However, there are some differences in how the levy is applied in other countries, and the percentages differ. For instance, in Ivory Coast, a 0.5% tax is imposed on cash transfers over mobile money services²⁰, while in Tanzania, an excise tax of 10% is levied on mobile money transaction fees

.²¹ Also, Zimbabwe has a US\$0.02 per dollar tax on each mobile money transaction representing 2% after revising it from 5%.²² Cameroon also introduced a 0.2% tax on mobile money transactions, and Uganda introduced a 1% rate on fees for all money transfers except those done by banks. However, the country revised it downwards to 0.5% in July 2018, a month after the introduction, as MoMo transactions dropped by almost a quarter after the introduction.²³ It is clear that the practices are either to levy the tax on the fees or the transaction, but the rate for the former tends to be higher than the latter.

There have been proponents and opponents of the introduction of Ghana's e-levy. For the government, the aim is to "tax industry" to be able to pursue specific developmental agenda, including (1) paying government contractors, (2) supporting entrepreneurship, cyber and digital security, (3) developing road infrastructure, and (4) providing jobs for about 11 million people. The proponents argue that the e-levy is a means to enhance domestic tax mobilisation, expand the tax base and provide an opportunity for everyone to contribute towards national development.

17 <https://www.bog.gov.gh/wp-content/uploads/2022/02/Payment-Systems-Annual-Report-2020.pdf>

18 *ibid.*

19 <https://gra.gov.gh/domestic-tax/tax-types/communication-service-tax/>

20 <https://itweb.africa/content/PmxVEMKlayLqQY85>

21 https://www.gsma.com/publicpolicy/wp-content/uploads/2021/12/spec_tanzania_mm_report_02_22-1.pdf

22 <https://www.theindependent.co.zw/2022/06/01/zim-has-the-highest-mobile-money-tax-in-africa/>

23 *ibid.*

However, there have been various critiques from analysts, civil society and political actors. Some questioned the extent to which the government has developed a whitepaper or policy survey, empirical models, or conducted stakeholder engagements before taking the step to introduce the new tax handle. Others also raise concerns about how the e-levy will wipe the financial inclusion gains, increase unemployment and increase the risk of money laundering and cyber insecurity despite Know Your Customer (KYC) measures like the identity verification across financial service providers.

Some analysts also raised concerns about the inability of the new tax handle to rope in enough tax revenue despite the negative impact, making it a nuisance tax. The critics believe the policy is not well thought through, and full implementation will be detrimental to the economy.

There is a dearth of knowledge about the impact of the e-levy since its implementation. Indeed, a review of the extant literature indicates that it has not been covered much as yet in Ghana's policy arena or academic literature.

1.1 Purpose of the Project

Against the backdrop of limited empirical financial or survey studies to shape policy on the e-levy, this study seeks to provide a detailed nationwide analysis of the impact of the e-levy in Ghana.²⁴ The study uses a survey methodology by developing a three-themed survey instrument to collect responses from 1,677 respondents across the country.

Specifically, the study aims to address the following questions:

- i. What are the perspectives of users of digital financial services on the introduction of the e-levy?
- ii. What is the impact of the e-levy on the use of digital financial services in Ghana?
- iii. What are the coping strategies for using digital financial services after implementing the e-levy in Ghana?

²⁴ The e-levy is currently being implemented in phases and at the point of this study, the government is at the first phase of the implementation.

1.2 Report Outline

The rest of this report is structured as follows: Section 2 discusses the methodology and the framework for the survey instrument. It also captured the characteristics of the participants of the survey and describes the processes for the data collection. Section 3 discusses the findings of the study by focusing on the three key areas, namely citizens' perspectives on the e-levy, the impact of the e-levy on the use of digital financial services and the coping strategies for using digital financial services after the implementation of the e-levy. Finally, section 4 concludes the study and provides relevant insights for practice, policy and academia.

The e-levy, which applies to mobile money, remittance and bank transfers, is 1.5% of transfers above daily thresholds [for mobile money, above GHC100 (about US\$12.5)].



METHODOLOGY

1.1 Survey Design

This study adopts a quantitative survey study design. The questions are objective questions coded to allow respondents to provide their responses while the researchers can model the responses quantitatively to draw insights.²⁵ This specific research design is chosen as it is the most appropriate for large-scale research that primarily relies on closed questions formed as ordinal, dichotomous or multiple choice. This approach is also most appropriate for establishing trends across a population of interest, and the data can be analysed or presented using statistical tools and techniques. This approach is also very useful when there is the need to collect the data on a future date to compare as and when policies are implemented.

The relevance of this type of study to help in shaping policy cannot be undermined as it provides an avenue for researchers to reveal the opinions of the citizenry, which is relevant in exploring ways to further shape, change, withdraw or implement policies. In this context, the survey design is relevant as it is a means to provide post-implementation insights for policymakers, government and the extended users of the information. Furthermore, since the full implementation of the e-levy is yet to be done, the survey provides insights for policymakers to understand the state of mind of the populace, the political temperature, the economic impacts felt, and devise means to adjust and support development.

2.2 Data Collection, Survey Instrument and Framework

The study used a survey instrument designed based on the review of the extant literature, policy documents on the e-levy and similar taxes in other countries and expert advice. Several close-ended questions were developed after a review of the documents. This is followed by a consultation of tax experts from academia, the think tank space and practitioners with many years of experience and expertise in tax and political economy issues.

This is preceded by the pilot study where the questionnaire was administered to a selected number of people to provide opinions about the completeness, flow of the questions, and the use of the online survey tool. The feedback was used to finalise the questionnaire before it was finally administered nationwide. The approach was generally snowballing by sharing the link across the various institutional media outlets and membership databases and also co-sharing at the individual levels among respondents using channels such as social media.

The questionnaire was **administered within a two-and-a-half-week window from 31 May 2022 to 17 June 2022.** This is just one month after the implementation of the e-levy, which took effect on 1 May 2022.

For our survey, 1,677 respondents filled out the close-ended questionnaire, translating into a margin of error of ± 2 percentage points at a 95% confidence level for Ghana's population size of 31 million. This means that ensures a wide variability and potential representativeness of our sample. Thus, insights and inferences will be relevant for shaping national policy.

It also shows that the results will reveal the various perspectives of different groups based on their economic, social, cultural, and political affiliations. **The internet protocol (IP) feature in Smart Survey®, our online survey administering the tool, was used to ensure that only one response per computer or device was allowed – this prevented multiple responses from the same device.**²⁶

The survey questions and the main themes are presented in **Appendix 1.** These reveal the areas of focus of the study in line with the three main objectives of the study. The demographic information also provides some detailed characteristics about the respondents, which can be used for a richer and more detailed analysis of the results.

25 Iarossi, G. (2006). The power of survey design: A user's guide for managing surveys, interpreting results, and influencing respondents. Washington, DC: World Bank. <https://openknowledge.worldbank.org/handle/10986/6975>

26 The raw dataset can be made available upon reasonable request to IMANI Ghana.

2.3 Participant Characteristics

Table 1 shows a summary breakdown of the **un-weighted demographic profile for the 1,677 respondents**. There are a few noticeable trends: firstly, a relatively higher proportion of the sample size are males (86.2%) compared to females (13.8%). Also, a greater majority of those who completed the survey were based in the Greater Accra region (54.2%) compared to the country's other regions. One way of overcoming the skew of the sample, especially regarding the gender and region of residence, to generate a nationally representative sample is to use techniques such as **iterative proportional fitting** in an

econometric software package such as STATA. Such an algorithm will adjust the sample based on specified population parameters sourced from Household Surveys to generate a representative sample. Unfortunately, time constraints did not allow us to generate a nationally representative sample, especially regarding the gender. Nevertheless, the other demographics of the respondents, such as the age group, education, industry and income, are **comparable with Ghana's largely urbanised working-class population structure: the formal wage economy**.

Table 1 Participant socio-demographics

Gender (N=1677)	Response Total	Response Percent
Female	231	13.8%
Male	1446	86.2%
Age Group (N=1677)	Response Total	Response Percent
Below 18 years	0	0.0%
18-25 years	51	3.0%
26-35 years	651	38.8%
36-45 years	653	38.9%
46-55 years	207	12.3%
56-65 years	80	4.8%
More than 66 years	35	2.1%
Highest educational qualification (N=1677)	Response Total	Response Percent
No Formal Education	1	0.1%
Primary/BECE/JSS/JHS/Middle School Leaver's Certificate	14	0.8%
Secondary/O/A Level/SSCE/WASCE Certificate	78	4.7%
Diploma/Advanced Diploma	140	8.3%
HND/First Degree	687	41.0%
Masters/PhD	670	40.0%
Professional Certificate	76	4.5%
Other	11	0.7%

Professional Status (N=1677)	Response Total	Response Percent
Employed – working full time	1049	62.6%
Employed – working part time	71	4.2%
Self-employed	307	18.3%
Student	64	3.8%
Retired	58	3.5%
Looking for paid work	102	6.1%
A homemaker	2	0.1%
Other	24	1.4%
Principal industry of your organisation (N=1677)	Response Total	Response Percent
Healthcare	158	9.4%
Tourism, Hotel, Hospitality and Catering	43	2.6%
Manufacturing	56	3.3%
Banking, Financial Services and Insurance	159	9.5%
Retail	79	4.7%
Energy (Upstream, Downstream, Midstream & Power)	53	3.2%
Construction and real estate	89	5.3%
Professional Services (Attorney, Accountant, Consultant, Engineer, etc)	118	7.0%
Non-Profit (CSO, NGO, Think Tank)	97	5.8%
Government/Public Services – i.e., Ministries, Departments and Agencies	227	13.5%
Transportation	31	1.8%
Education	334	19.9%
Media, Technology, Digital & Creative	107	6.4%
Other (please specify):	126	7.5%
Income (N=1655)	Response Total	Response Percent
Less than GHS499 per month	137	8.3%
Between GHS500 and GHS2,499 per month	668	40.4%
Between GHS2,500 and GHS4,999 per month	404	24.4%
Between GHS5,000 and GHS9,999 per month	244	14.7%
Between GHS10,000 and GHS19,999 per month	140	8.5%
More than GHS20,000 per month	62	3.7%

Region of primary residence (N=1677)	Response Total	Response Percent
Ahafo	10	0.6%
Ashanti	160	9.5%
Bono	49	2.9%
Bono East	20	1.2%
Central	69	4.1%
Eastern	65	3.9%
Greater Accra	909	54.2%
North East	13	0.8%
Northern	94	5.6%
Oti	27	1.6%
Savannah	14	0.8%
Upper East	45	2.7%
Upper West	40	2.4%
Volta	109	6.5%
Western	47	2.8%
Western North	6	0.4%
Voter Status (N=1674)	Response Total	Response Percent
Yes	1613	96.4%
No	61	3.6%
Political Affiliation (N=1675)	Response Total	Response Percent
Pro-NDC	317	18.9%
Pro-NPP	218	13.0%
Not affiliated with any other party	801	47.8%
Prefer not to disclose	311	18.6%
Other	28	1.7%

Findings

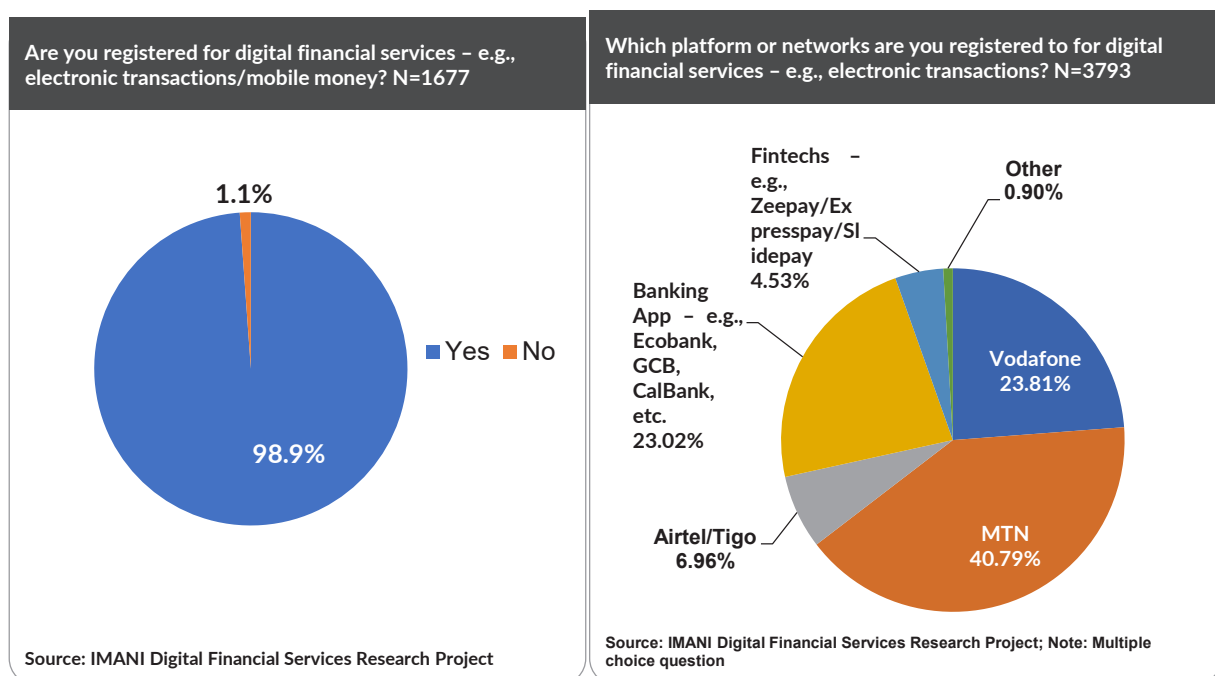
3.1 Citizens perspectives on the introduction of the e-levy

3.1.1 Registration for digital financial services and platforms used

We start our discussion with citizens' perspectives on the introduction of the e-levy. **An overwhelming majority (98.9%) of respondents were registered for digital financial services such as electronic transactions/mobile money** (Figure 2). Regarding the platform or networks used most for digital financial services, MTN was consistently the topmost

used platform with 40.79% of respondents (Figure 2). This was followed by Vodafone with 23.81% and then banking apps such as Ecobank, and Calbank at 23.02.1%, among others. These results indicate the general trend of deepening digitalisation of the financial services ecosystem, which is spearheaded by the mainstream telecommunications companies.

Figure 2 Registration for digital financial services and platforms used



3.1.2 Type of transactions carried out

Table 2 shows the type of transactions typically carried out with respondents' digital financial services accounts. **The data shows that an overwhelming majority (55.3%) of responses indicated that they used their digital financial services account for personal purposes** such as paying medical bills, school fees, ordering food, sending money to family, among others.

This is followed by business transactions (32.8%) such as payment for goods and services, and lastly, payment of government services (9.4%) such as payment of taxes to GRA, passport, and DVLA, among others. **What is interesting to note here is that the ratio of personal use to the combined business transitions is almost 2:1.**

Table 2 Type of transactions typically carried out with digital financial services account

What type of transactions do you typically carry out with your digital financial services account? N=2839		
Answer Choice	Response Percent	Response Total
Business transactions – e.g., payment for goods and services	32.8%	932
Payment of government services – e.g., pay taxes to GRA, passport, DVLA, etc.	9.4%	268
Personal use – e.g., medical bills, school fees, ordering food, sending money to family, etc.	55.3%	1571
Other	2.4%	68
Respondents who answered		1677

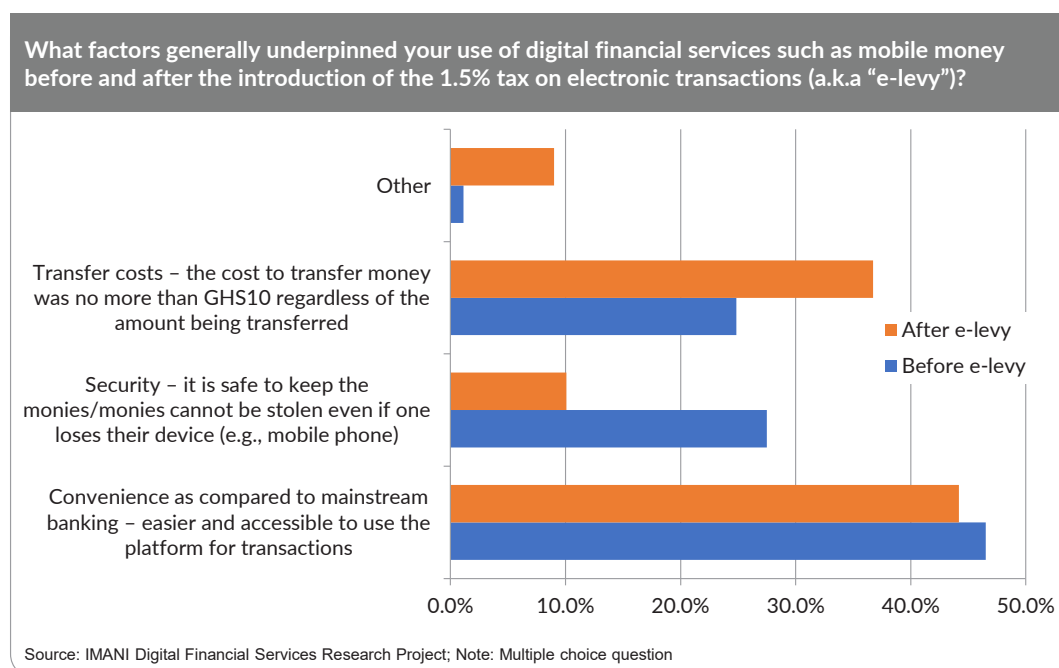
Note: multiple choice question | Source: IMANI Digital Financial Services Research Project

3.1.3 Factors underpinning the use of digital financial services before and after e-levy

Figure 4 presents the factors that underpin respondents' use of digital financial services such as mobile money before and after the introduction of the 1.5% e-levy. Prior to the imposition of the e-levy, respondents prioritised the convenience (46.5%) of digital financial services compared to mainstream banking as the former was much easier and accessible to use for transactions. This was followed by the security (27.5%) that such digital platforms offer (safe to keep the monies/monies cannot be stolen even if

one loses their device. The last consideration was on account of the fact that transfer costs (24.8%) were no more than GHS10 regardless of the amount being transferred. **We, however, see a change in response in the post-e-levy implementation period: transfer cost is now ranked as the second important factor by respondents (36.73%) despite convenience (44.19%) still retaining the top spot, albeit dropping marginally.**

Figure 3 Factors underpinning the use of digital financial services such as mobile money before and after the introduction of the 1.5% tax on electronic transactions



3.1.4 Support of the e-levy and reasons

An overwhelming majority of respondents (85.9% or 9 in ten respondents) indicated they were strongly against or somewhat not in support of the e-levy (Figure 4). Another 13% either strongly supported or somewhat supported the e-levy, while 1.1% remained undecided. Of those who strongly or somewhat supported the e-levy, the main reasons given for such support were to allow the government to collect more revenues for development purposes (38.9%) and include those in the informal sector of the economy into the paying their fair share of taxes (widening the tax base - 54.2%). This view has also been shared in various official policy communications regarding the e-levy. For example, in November 2021, John Kumah, one of Ghana's deputy finance ministers, indicated that

“the e-Levy is expected to formalise transactions that take place in the ‘shadow economy’ where there is not much visibility”

²⁷. Other views were that the e-levy would even allow Ghana to increase its tax-to-GDP ratio from the current 12.5% to 20% by 2024.²⁸ However, others have opposed these views, who have argued that the e-levy will worsen financial inclusion by driving the country's poor further outside of the digital economy and was not tied to any value creation, making a tax grab on people's savings²⁹.

Further confirming the opposition to the e-levy are views provided by respondents who indicated that the government could take additional expenditure measures by cutting down on waste. For example,

27 See <https://www.ghanaweb.com/GhanaHomePage/NewsArchive/E-Levy-to-rescue-Ghana-from-Mahama-s-dumsor-economy-inherited-by-Akufo-Addo-John-Kumah-1406356>

28 See <https://www.ghanaweb.com/GhanaHomePage/business/E-Levy-will-increase-Ghana-s-tax-to-GDP-ratio-GRA-1555628>

29 See <https://www.primenewsghana.com/features/drop-that-obnoxious-e-levy-by-dr-theo-acheampong.html> and <https://www.ghanaweb.com/GhanaHomePage/NewsArchive/Reduce-high-1-75-e-levy-Policy-analyst-to-government-1406269> and <https://techafricanews.com/2022/02/14/e-levy-government-of-ghana-to-introduce-a-new-tax-on-telecom-e-transactions/>

32% of those not supporting the e-levy indicated that the government could cut down on wasteful expenditures such as Land Cruiser V8 cars, allowances, conferences, and travel (Table 3). Another 32% said any monies collected would go into a leaking basket as there is little accountability for using the existing

monies collected. A further 23.5% of respondents who do not support the e-levy said that Ghanaians are already over-taxed given they pay too many indirect taxes such as VAT, NHIL, and Petrol, among others.

Figure 4 Support of the e-levy

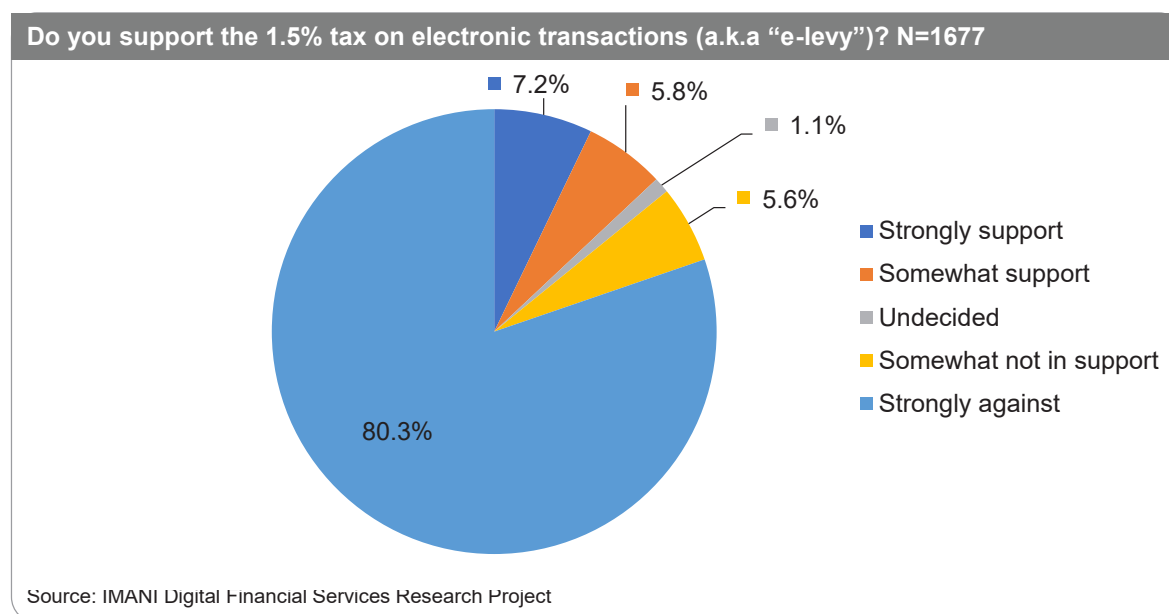


Table 3 Reasons for the support or against the e-levy

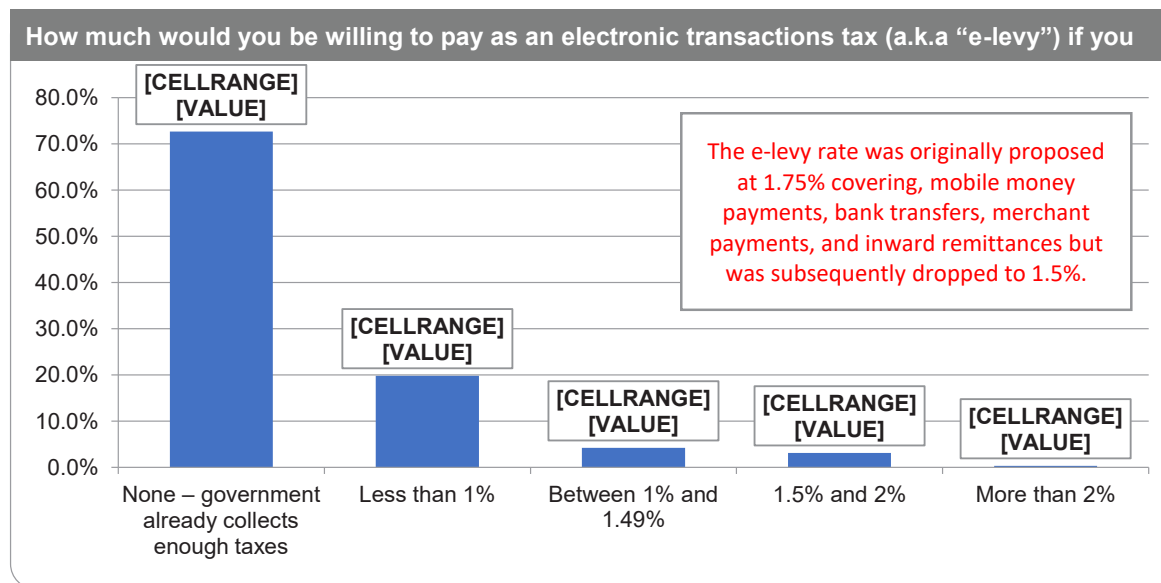
If strongly support or somewhat support, what is your main reason for supporting the e-levy?		
Answer Choice	Response Percent	Response Total
Allow the government to collect more revenues for development purposes	38.9%	84
Include those in the informal sector of the economy into the paying their fair share of taxes (widening the tax base)	54.2%	117
Other	6.9%	15
answered		216
If not in support, what is your main reason for not supporting the e-levy?		
Answer Choice	Response Percent	Response Total
Government can cut down on wasteful expenditure – e.g., V8s., allowances, conferences, travel	32.0%	458
Government can implement other new revenue measures like property taxes	3.4%	48
Any monies collected will go into a leaking basket – there is little accountability for the use of the existing monies collected anyway	32.2%	461
Ghanaians are already over-taxed (we pay too many indirect taxes such as VAT, NHIL, Petrol, among others)	23.5%	337
Other	8.9%	127
answered		1431

Source: IMANI Digital Financial Services Research Project

Figure 5 shows the willingness to pay the e-levy if citizens had their way. **It is also apparent here that many citizens (72.6%) feel that the government already collects enough taxes and should prudently manage the expenditure side of the equation.** Suffice it to say that for those willing to pay the e-levy, 19.8% of respondents indicated they would be willing to pay less than 1% as the e-levy rate, while an-

other 4.2% said they would pay between 1%-1.49% as the rate. Only 3.4% indicated they would be willing to pay more than 1.5% for the e-levy. The e-levy was initially proposed in the 2022 budget to be taxed at 1.75%, covering mobile money payments, bank transfers, merchant payments, and inward remittances but was subsequently dropped to 1.5%.

Figure 5 Willingness to pay the e-levy



3.2 Impact of the E-Levy on the Use of Digital financial services

To assess the impact of the e-levy on the use of digital financial services, we first assessed how often people use digital financial services accounts (such as mobile money) in a typical week and then asked further questions on how it has affected the volume of mobile money transactions they make. The results are reported in [Figure 6](#) and [Table 4](#). The regularity of transfers was evenly split, with about 31% of respondents indicating that they make between 1-2, 3-5 or more than five transfers per week.

About 83% or 8 in ten respondents indicated that their volume of transactions has changed since the implementation of the e-levy in May 2022. Of this number, about 47% indicated that they had reduced the number of mobile money transactions by about 51% to 100%. Another 25% indicated that they had reduced their transactions by about 10% to 50%. Only about 1.6% of respondents indicated that their transaction volumes have stayed or increased their volume.

Figure 6 Regularity of transfer and volume of transactions

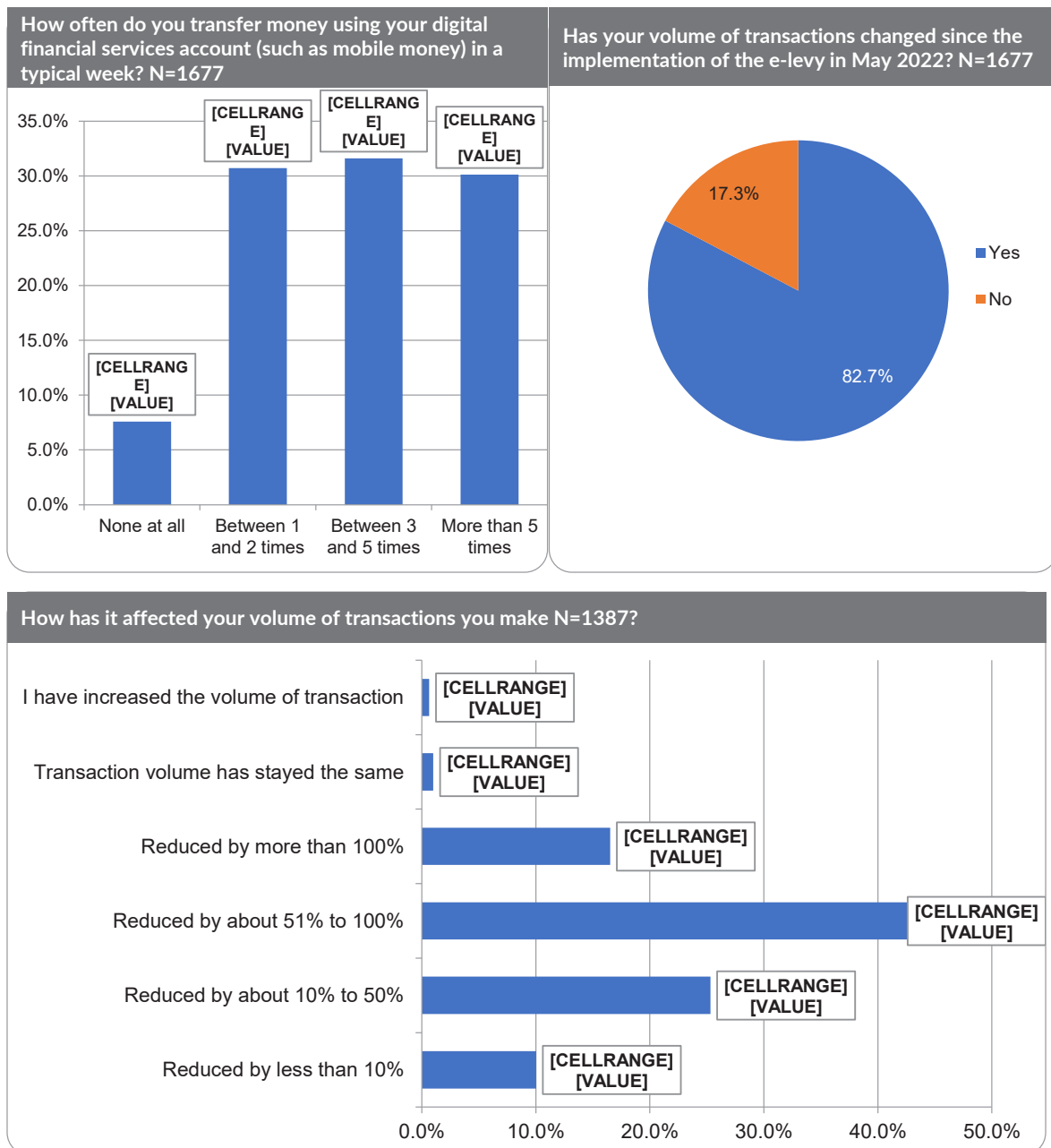
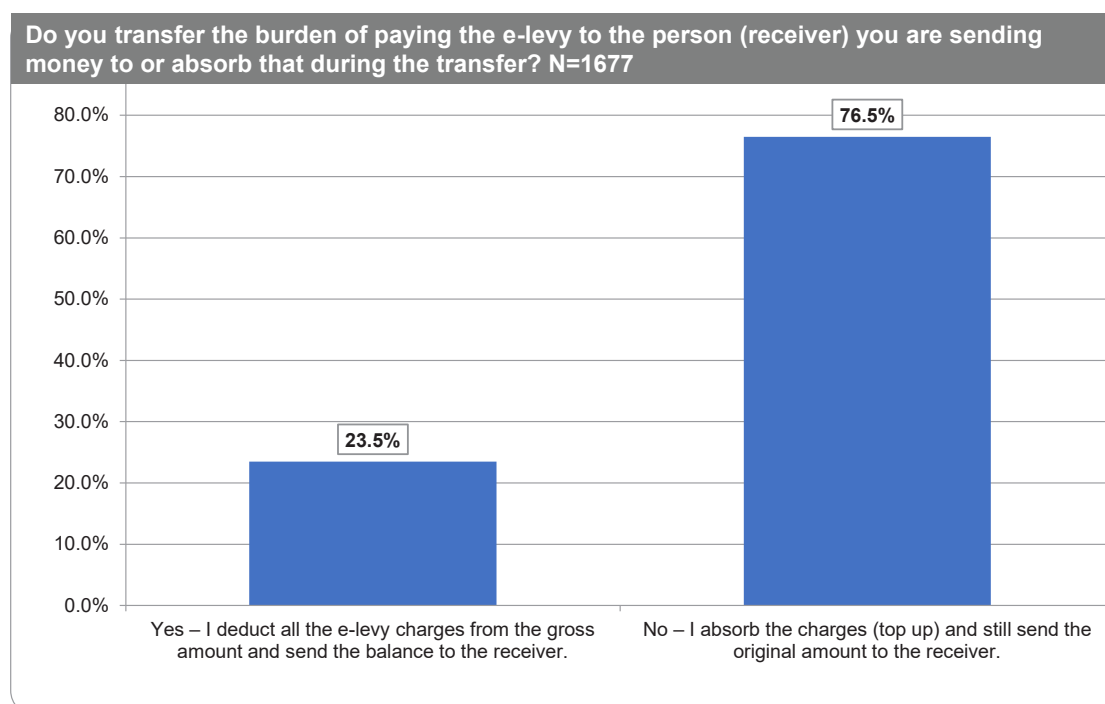


Table 4 Cross-tabulation of the volume of transactions and regularity of transfer for those whose volume of transactions has changed

[Q17] How has it affected the volume of mobile money transactions you make?								
[Q15] How often do you transfer money using your digital financial services account (such as mobile money) in a typical week?		Reduced by less than 10%	Reduced by about 10% to 50%	Reduced by about 51% to 100%	Reduced by more than 100%	Transaction volume has stayed the same	I have increased the volume of transactions	Row Totals
	None at all	16	5	42	48	0	0	111
	Between 1 and 2 times	50	106	194	65	7	4	426
	Between 3 and 5 times	35	128	213	50	5	1	432
	More than 5 times	38	112	196	66	2	4	418
	Column Totals	139	351	645	229	14	9	1387

Source: IMANI Digital Financial Services Research Project

Regarding the transfer burden, most respondents (76.5%) indicated that they absorb the charges and still send the original amount to the receiver (Figure 7). This indicates that these levies eat into already challenging consumer pockets.

Figure 7 Burden of transfer

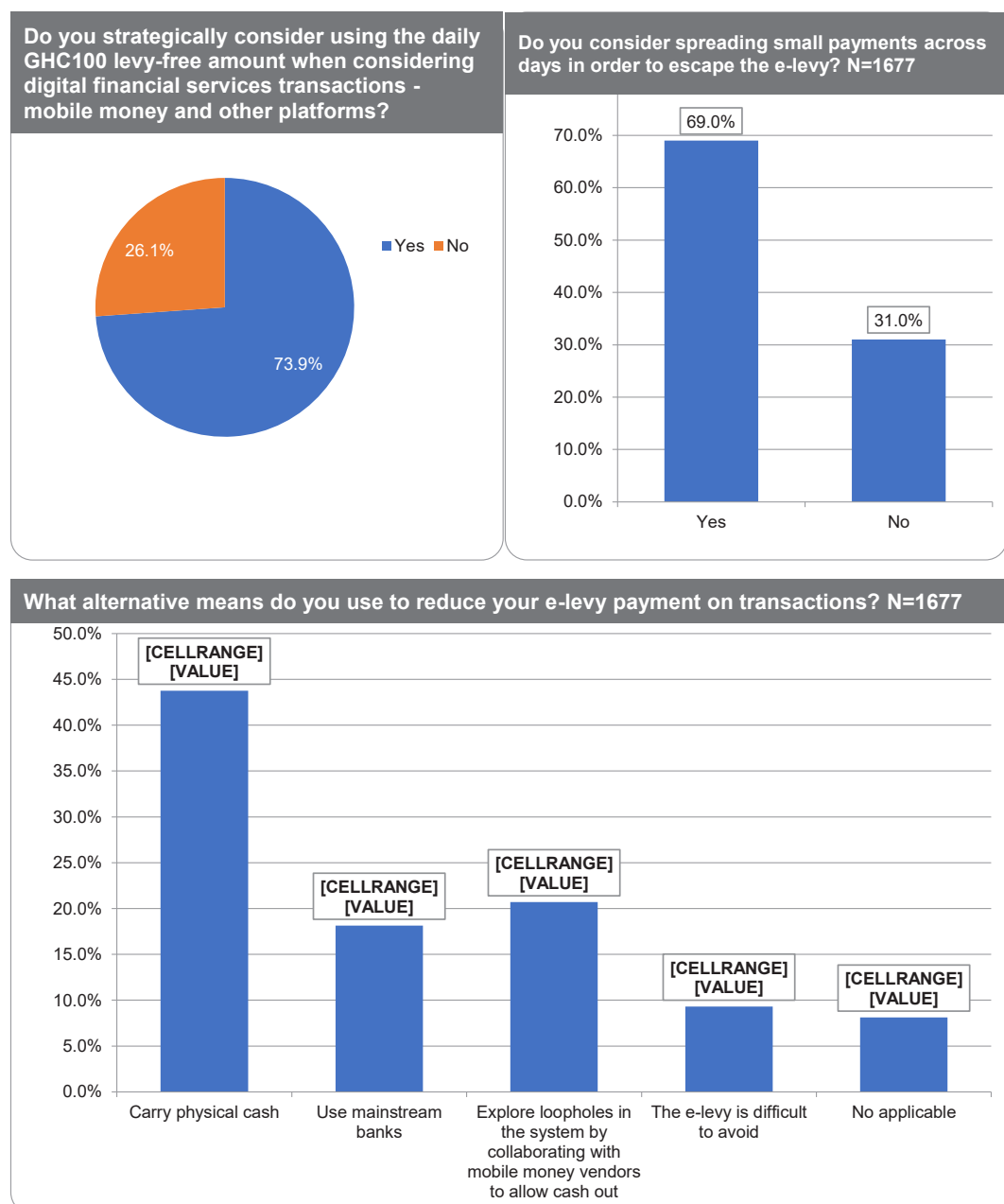
Source: IMANI Digital Financial Services Research Project

3.3 Coping Strategies for Using Digital Financial Services

Several respondents indicated that they strategically considered using the daily GHC100 levy-free amount when considering digital financial services transactions and spreading transactions into smaller units across days to escape the e-levy (Figure 8). Perhaps it was also telling that several respondents indicat-

ed they had found alternative means to avoid paying the e-levy. This included the following measures: carrying physical cash (43.8%), using the mainstream commercial banks (18.1%), and exploiting loopholes in the system by collaborating with mobile money vendors to allow cash out (20.7%), among others.

Figure 8 Strategic considerations



Source: IMANI Digital Financial Services Research Project

CONCLUSIONS

The increased availability of technological devices — such as smartphones, tablets, and laptops—, new digital models —such as cloud computing and digital platforms—, and increased data usage is reshaping business models and economic activity. The increase in digital financial services, especially mobile money (MoMo) transactions and e-commerce, is noteworthy in many African countries, including Ghana.

In this regard, several governments, including Ghana, have contemplated and implemented means of taxing this budding industry. The main arguments often made for taxing digital financial services are to collect more revenues for development purposes and include those in the informal sector of the economy in paying their fair share of taxes (widening the tax base). However, ineffective implementation of these taxes could serve the opposite effect by killing off financial innovation and inclusion.

Indeed, as our survey shows, the majority of respondents indicated that they used their digital financial services account for personal purposes or business transactions and even payment for government services such as payment of taxes. This is due primarily to the convenience of digital financial services, the security that such digital platforms offer and relatively lower transfer costs (often capped at some limit). However, see a change in response in the post-e-levy implementation period: transfer cost is now ranked as the second important factor by respondents (36.73%) despite convenience (44.19%) still retaining the top spot, albeit dropping marginally. Also, an

overwhelming majority of respondents (85.9% or 9 in ten respondents) indicated they were strongly against or somewhat not in support of the e-levy.

Opposition to the e-levy provided by respondents indicates that the government could take additional expenditure measures by cutting down on waste. Furthermore, about 83% or 8 in ten respondents indicated that their volume of transactions has changed since the implementation of the e-levy in May 2022. Our findings suggest that the official 24% attrition rate³⁰, which the government estimates for the first three to six months following the introduction of the e-levy, is likely to be much higher. This finding implies that the forecasted GHS4.5 billion³¹ (GHS560 per month) e-levy revenue target for 2022 is unlikely to be attained, given intense consumer backlash and people finding alternative means of undertaking financial transactions.

The digital economy is expected to grow faster than the traditional economy, and therefore, Ghana must recognise this uniqueness and institutionalise the necessary measures from policy to practice. The imperativeness of putting the right policies and regulations cannot be overemphasised in improving the country's business and investment climate. Digitalisation has come to stay, and one does not need a prophet to underscore this since it has now become part of the larger economic, business, and investment context.

30 See <https://www.bbc.co.uk/news/world-africa-61248366>

31 The target was initially set by the government at GHS6.9 billion but revised downwards to GHS4.5 billion following the reduction in the rate from 1.75 to 1.5 per cent and delays in the implementation. See <https://www.africanews.com/2022/04/29/ghana-set-to-implement-electronic-levy-e-levy-on-may-1/>

Appendix Survey Questions for the Digital Financial Services Research Project

Main Theme	Questions
Electronic Consent	1. If you do not wish to participate in the research study, please decline participation by clicking on the "disagree" button. *
Part 1: Citizens' perspectives on the introduction of the e-levy	<p>2. Are you registered for digital financial services – e.g., electronic transactions/mobile money? *</p> <p>3. Which platform or networks are you registered to for digital financial services – e.g., electronic transactions? *</p> <p>4. What type of transactions do you typically carry out with your digital financial services account? *</p> <p>5. What factors generally underpinned your use of digital financial services such as mobile money before the introduction of the 1.5% tax on electronic transactions (a.k.a "e-levy")? *</p> <p>6. Do you support the 1.5% tax on electronic transactions (a.k.a "e-levy")? *</p> <p>7. If strongly support or somewhat support, what is your main reason for supporting the e-levy?</p> <p>8. If undecided, not in support, what is your main reason for not supporting the e-levy?</p> <p>9. What factors will generally underpin your use of digital financial services such as mobile money after the introduction of the 1.5% tax on electronic transactions (a.k.a "e-levy")? *</p> <p>10. How much would you be willing to pay as an electronic transactions tax (a.k.a "e-levy") if you had your way? *</p> <p>11. How would you rate the current state of the Ghanaian economy? *</p> <p>12. In general, do you think things in Ghana are heading in the right direction or the wrong direction? *</p> <p>13. How would you describe your personal economic situation - would you say that you are better off or worse off financially than you were a year ago? *</p> <p>14. Now looking ahead - do you think that a year from now you will be better off financially, worse off financially, or just about the same as now? *</p>

Part 2: Impact of the E-Levy on the Use of Digital financial services	<p>15. How often do you transfer money using your digital financial services account (such as mobile money) in a typical week? *</p> <p>16. Has your volume of transactions changed since the implementation of the e-levy in May 2022? *</p> <p>17. How has it affected your volume of mobile money transaction you make? *</p> <p>18. Do you transfer the burden of paying the e-levy to the person (receiver) you are sending money to or absorb that during the transfer? *</p>
Part 3: Coping Strategies for Using Digital financial services after Implementation of E-Levy	<p>19. Do you strategically consider using the daily GHC100 levy-free amount when considering digital financial services transactions - mobile money and other platforms? *</p> <p>20. Do you consider spreading small payments across days in order to escape the e-levy? *</p> <p>21. For small value transactions (GHS100), do you consider sending your money through different mobile money numbers with the intention of minimising the payment of the e-levy? *</p> <p>22. What alternative means do you use to reduce your e-levy payment on transactions?</p>
Part 4: Demographic Information	<p>23. What is your gender? *</p> <p>24. What is your age group? *</p> <p>25. What is your highest educational qualification? *</p> <p>26. What is your professional status? *</p> <p>27. Which of the following best describes the principal industry of your organisation?</p> <p>28. How much do you typically earn a month, not including any taxes you may pay?</p> <p>29. Which region are you predominantly based – that is, where you are mostly resident now? *</p> <p>30. Are you a registered voter?</p> <p>31. Did you vote in the last (December 2020 presidential election)?</p> <p>32. Broadly speaking, how would you describe your political affiliation?</p>

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