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FINANCIAL ASPECTS OF COVID-19 IMPACT ON THE ECONOMICS OF REPUBLIC OF GHANA

ФІНАНСОВІ АСПЕКТИ ВПЛИВУ COVID-19 НА ЕКОНОМІКУ РЕСПУБЛІКИ ГАНА

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The purpose of this article is to study existing and emerging trends in financial aspects of the impact of COVID-19 on the economic development of Ghana, which have a significant impact on the national economy of the country. The article examines the costs associated with the coronavirus which have significantly contributed to the increase in government spending. The COVID-19 pandemic has significantly shifted the government's attention from standard regular infrastructure spending to a special fiscal policy that tends to revive the economy. The impact of COVID-19 on various spheres of social and economic development of the Republic of Ghana is gradually being considered. It is noted that the decline in economic activity threatens the economic well-being of citizens and business activity of institutions, organizations, enterprises of various sectors of the economy. The degree of response of state authorities to the solution of the problem related to the pandemic situation was also studied in the article.

Keywords: financial aspects, COVID-19, banking sector, national economy, government spending.

Основною метою зазначеної статті є дослідження існуючих та нових тенденцій у фінансових аспектах впливу пандемії COVID-19 на економічний розвиток Гани, які мають значний вплив на національну економіку країни. У статті розглядаються загальні витрати, пов'язані з коронавірусом, які суттєво сприяли

збільшенню державних витрат. Пандемія COVID-19 суттєво перемістила увагу уряду зі стандартних регулярних витрат на інфраструктуру до спеціальної податково-бюджетної політики, яка має значно сприяти відродженню економіки. Поступово розглядається вплив COVID-19 на різні сфери соціального та економічного розвитку Республіки Гана. Зазначається, що зниження економічної активності загрожує економічному добробуту громадян країни та діловій активності установ, організацій, підприємств різних галузей економіки Республіки Гана. У статті акцентовано увагу на тому, що значна частина населення буде відчувати невизначеність та особистий фінансовий стрес. Висвітлюється теза про те, що майбутнє розвитку потенціалу багатьох регіонів зумовлене розробкою нових особливостей фінансової стратегії в умовах пандемії, і, таким чином, зміни в економічному розвитку країни зводяться до об'єктивної потреби, яка має змінити підхід до фінансування та забезпечити надходження коштів у соціальну сферу. У статті також досліджено ступінь реагування органів державної влади на вирішення проблеми, пов'язаної з пандемією, що відбувається у створенні нових програм розвитку та оновлення економіки. Зроблено висновок про те, що одним із важливих завдань для інтенсивного розвитку національної економіки Республіки Гана є пошук конкурентоспроможних інвестиційно привабливих проектів для нової реальності, в якій зараз перебувають люди всього світу через пандемічну ситуацію. Перспективними інвестиційними нішами зазначаються технології соціального дистанціювання, дистанційного контролю, моніторингу та контролю технологічних процесів та середовища життя людей у країні, регіоні, світі. Автори відокремлюють перелічені напрями як важливі вектори досліджень у процесі подальшого наукового пошуку.

Ключові слова: фінансові аспекти, COVID-19, банківський сектор, національна економіка, урядові витрати.

Formulation of the problem. The Covid-19, affected most countries' economies, but most countries took advantage of this pandemic to experience a positive impact on their economy. Most African countries like Ghana suffered massively due to poor health care in the face of the pandemic. The future of capability building of many regions is stipulated by development of the new features of financial strategy in pandemic conditions. Therefore, the changes in economic development of the country boils down to an objective need that must change the approach to financing and to ensure the flow of funds into the social sphere. All this stipulated the relevance of the chosen research topic.

Analysis of recent research and publications. Various aspects of the introduction of the socio-economic impact of COVID-19 on Ghana's economy: challenges and prospects were covered in their works by Rajamani M. [1], Aduhene, D. T. & Osei-Assibey E. [2], Dickson R. & Yao D. [3] and others. Factors of capital consolidation in the banking sector in the conditions of COVID-19 are described by Hlushchenko Ya. [4], and other scientists. Sneader, K., & Singhal, S. [5] and Voitko S. [6] consider the possibility of creating promising competitive investment-attractive projects for the new reality.

Previously unsolved parts of the problem. It is of interest to describe the aspects of economics functioning of the Republic of Ghana in the conditions created by the pandemic situation. It is also interesting to consider the financial aspects of the impact of COVID-19 on the development of socio-economic processes in the country. Of particular interest is the need to adapt the development strategy of the state to the current situation.

Purpose statement (setting objectives). The overarching purpose of the article is to analyze the financial aspects of COVID-19 impacts on the national economy of the Republic of Ghana.

The main research material. Ghana has long been seen as a role model for the African world, having a relatively stable past and being the first African nation south of the Sahara to achieve independence from colonial rule. Ghana recorded its first coronavirus on March 14, 2020. In December 2020, 54,771 total cases were recorded. The incidences of infection rose throughout the start of the following year, causing 1,172 deaths by October 25, 2021. However, as of the same date, efforts made by the nation to provide health and medical care to patients infected by the virus led to a total of 126,813 recoveries [7]. The government issued a lockdown in two of its regions in the early stages of the outbreak in Ghana. This lockdown was to be issued in selected cities and specific instructions to be implemented [3]. The government set up an inter-ministerial committee on the response to coronavirus headed by President Nana Addo Dankwa Akufo-Addo in response to this pandemic. The committee concentrated on restricting and preventing the introduction of the virus, controlling its spread; providing adequate treatment to the sick; reducing the social and economic effects of the virus; and encouraging expanded domestic skills and increasing self-reliance [3].

According to Statista, the statistics on the number of lethal cases from COVID-19 in the Republic of Ghana as of January 3, 2022 is 1303 deaths [8]. Recent statistics from the Statista's resource record data on the overall incidence rate, as of January 5, 2022, 876 new confirmed cases of coronavirus (COVID-19) were registered in the Republic of Ghana. In total, statistics for the country on this day are recorded at 148,079 cases as of the same date [7]. Sneader, K., & Singhal, S. are analysed of the factors of the new reality era, which were created by COVID-19 crisis: "The pandemic has metastasized into a burgeoning crisis for the economy and financial system. The acute pullback

in economic activity, necessary to protect public health, is simultaneously jeopardizing the economic well-being of citizens and institutions. The rapid succession of liquidity and solvency challenges hitting multiple industries is proving resistant to the efforts of central banks and governments to keep the financial system functioning. A health crisis is turning into a financial crisis as uncertainty about the size, duration, and shape of the decline in GDP and employment undermines what remains of business confidence" [5].

A McKinsey Global Institute analysis, based on multiple sources, indicates that the shock to our livelihoods from the economic impact of virus suppression efforts could be the biggest in nearly a century (see fig. 1). "In Europe and the United States, this is likely to lead to a decline in economic activity in a single quarter that proves far greater than the loss of income experienced during the Great Depression. In the face of these challenges, resilience is a vital necessity [5]. For the countries of Central and West Africa, these processes are even more influential and even more important. The impact of the pandemic was

catastrophic. Ghana has also been affected by the pandemic and is listed as the fifth country in Africa with the highest reported number of coronavirus cases behind South Africa, Egypt, Nigeria and Morocco [2].

According to the Ghana Statistical Service, the prices of agricultural produce increased between 10-20% during the COVID-19 pandemic era due to the restrictions in the movement of people from one place to the central business districts of the affected areas of the country [2]. Contributing to the rise in government spending were coronavirus-related expenses such as allowances paid to healthcare workers, and nursing and teacher trainees. Furthermore, government tax revenue was also affected [7], reaching a shortfall of 808 million Ghanaian cedis (GHS) (approximately 138 million U.S. dollars) in import duties, and nearly 2.3 billion (around 395 million U.S. dollars) in non-oil tax revenue. The Minister for Finance of Ghana changed the country's projection in the conditions of Coronavirus threat for the economic growth of 6.8% to 1.5% for 2020 downward.

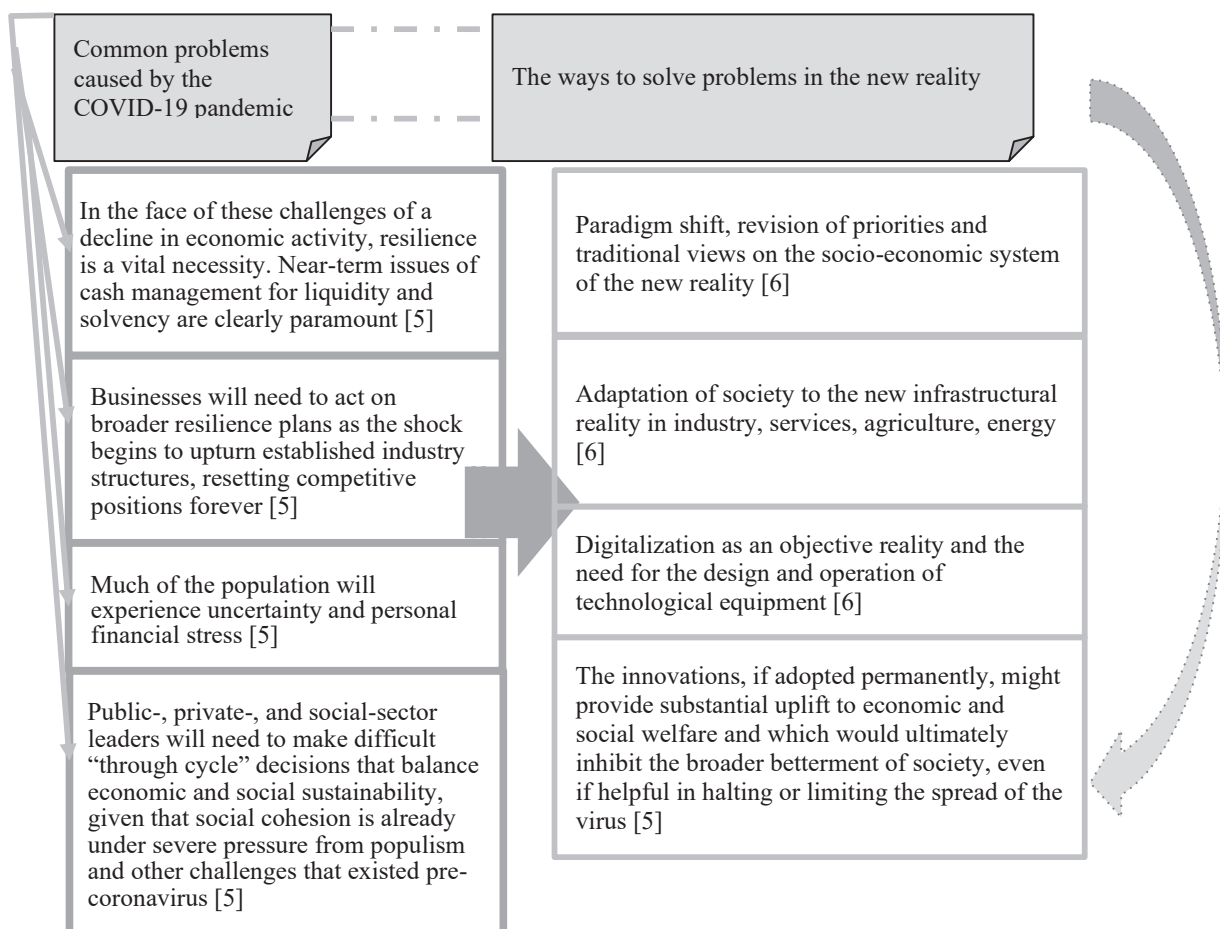


Fig. 1. Common problems caused by the COVID-19 pandemic and ways to solve them in the new reality

Source: compiled by the authors on the basis of data [5; 6]

About 770,000 workers (25.7% of the total workforce) had their wages reduced and about 42,000 employees were laid off during the country's COVID-19 partial lockdown. The pandemic also led to reduction in working hours for close to 700,000 workers [3]. The COVID-19 pandemic significantly shifted government's attention from the usual spending on infrastructure to ad hoc financial policies that tend to revive the economy.

Many measures were put in place to cut expenditure costs by the government and ensure economic growth in the country. The Government also introduced the following fiscal steps to reduce the company and household effects of the pandemic such as exemption from duties on defined contributions from third-tier pension funds and grants of the income tax deduction for contributions from the private sector, and grants to counter the COVID-19 pandemic [3]. The Government of the Republic of Ghana in its fight against the COVID-19 announced the establishment of 110 district hospitals to consolidate the major healthcare facilities in the country [3]. Apart from the support given to health care, small and medium enterprises weren't left out but were also supported.

The financial sector has now shifted his shares and treasury bills to the mining sectors, as due this

period, most people preferred to buy gold rather than buy shares from businesses and this has really contributed greatly to the mining sectors. The reductions in the imports of goods and services which were projected to reduce demand for Forex products and services for importation had a positive effect on the level of foreign exchange and net international reserves and this offered opportunities for import replacement, thereby boosting local products and services production. The COVID-19 boosted the skills and talent of Ghanaian diagnostic firm, Incas Diagnostics and in collaboration with Kwame Nkrumah University of Science and Technology created a COVID-19 test kit that delivers fast results [3].

Also, most banking systems started to collaborate with mobile money vendors for clients who want to open bank accounts but can't come to the bank due to the restriction to open bank accounts with them and this boosted the business of mobile money vendors and created more employment for the citizens to enter into this business. Lastly, the private sector contributed immensely toward the establishment of a 100-bed health facility within three months through crowd funding and donations from the private individuals [10]. This made it possible and clear for the government to invest more in

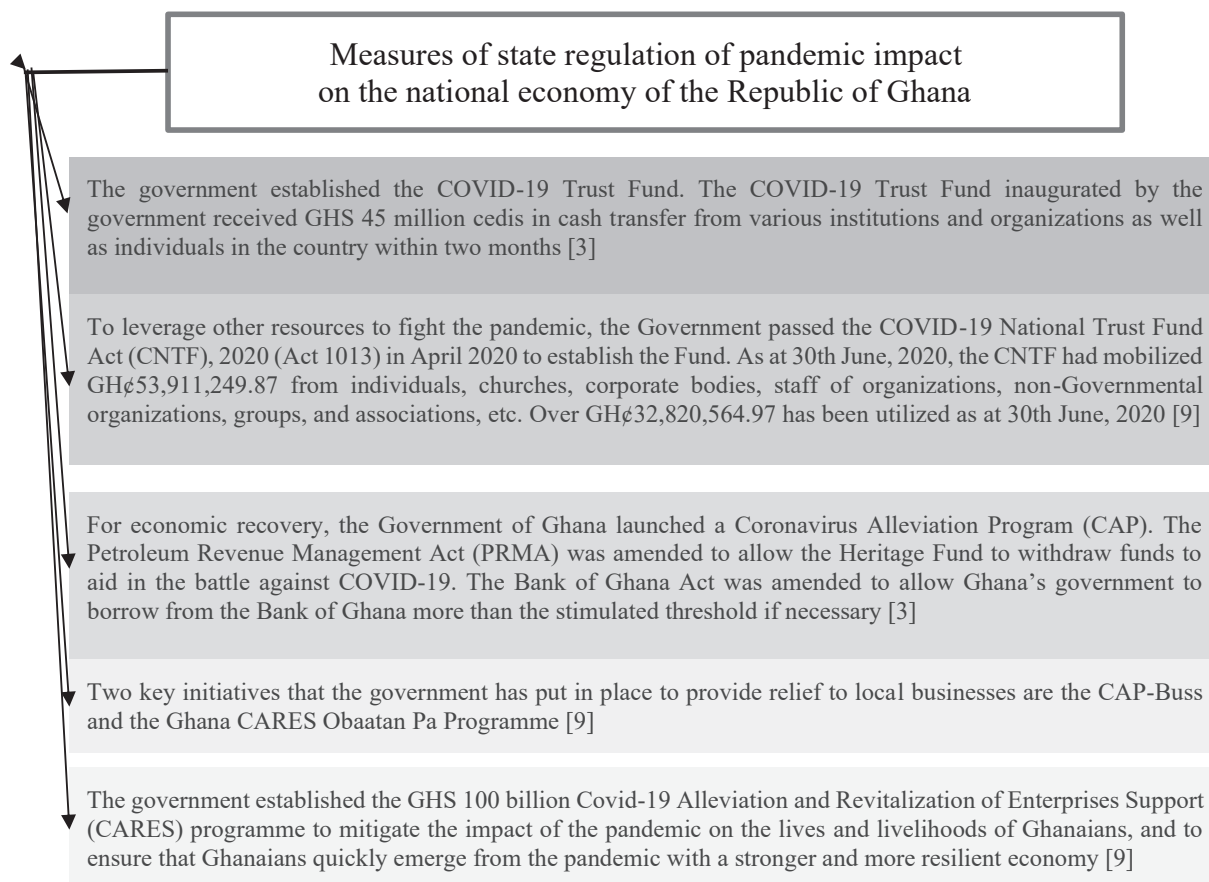


Fig. 2. The measures of state regulation of pandemic impact on the national economy of the Republic of Ghana

Source: compiled by the authors on the basis of data [3; 9]

the training of health professionals to deliver quality healthcare services to the citizens of the Republic of Ghana. Nevertheless, the salary of professional healthcare workers was increased by 50% from their basic salaries [10].

In programs of economic development, such as the Republic of Ghana country strategy paper (CSP) 2019-2023, the country is positioned as a regional hub for financial services [11]. As noted by Maxwell Opoku-Afari, the First Deputy Governor of the Bank of Ghana, "A trip down memory lane to 2001, Bank of Ghana had commenced in earnest implementation of interbank payment infrastructures aimed at modernising the banking sector and guided by a strategy that is focused on banks. In an era when the word "FinTech" was alien to the library of finance vocabulary and the thought of technology companies providing financial services would have been considered sacrilegious, IT Consortium was established. With unusual appreciation of Bank of Ghana's direction of financial sector development, IT Consortium has competently supported the digital transformation agenda of the Ghanaian financial services industry with digital solutions relevant to our developmental needs. A stellar example is the chango crowdfunding product, the first of its kind by a licensed institution in Ghana. IT Consortium is one of the first few FinTechs to be licensed by the Bank of Ghana as an enhanced payment service provider. Remarkably, as a wholly-owned Ghanaian company and staffed by persons trained and worked in Ghana, the company has demonstrated fidelity to the digital transformation agenda of the Ghanaian economy. Its contribution to the conceptualisation, designing and implementation of the flagship Ghana.Gov platform which is at the core of the digital economy project is laudable. Indeed, the successes of the company in the Ghanaian digital financial services ecosystem signifies the capacity of the Ghanaian to deal with the challenges confronting a country" [12].

In conclusion, the COVID-19 made most countries prepare for uncertainty not only in the future

but at any time to avoid economic reduction and decline. COVID-19 started in China, and Ghana as an any country wasn't prepared for this pandemic and this really affected the economy. As a result, the media such as social media bloggers, television and radio presenters shouldn't only provide information about the country but what is happening in the world both in the urban or rural area. If this was done, this could have reduced the death cases in the countries.

The challenge for the intensive development of the country is to find competitive investment-attractive projects for the new reality. Promising investment niches can be technologies for social distancing, remote control, monitoring and control of technological processes and the environment of human life. As it noted in [5] "The aftermath of the pandemic will also provide an opportunity to learn from a plethora of social innovations and experiments, ranging from working from home to large-scale surveillance".

Conclusion. Despite the crisis, strategic planning has already contributed to building a solid foundation for Ghana's industrialization, helping to remove several development constraints in the energy, education and financial sectors of the economy. Given the deteriorating financial situation and the budget deficit, which has been distorted by the pandemic factor, the leadership of the Republic of Ghana must find new methods of governance, guided by the principles of the new reality.

Aside from the financial aspects of COVID-19's impact on Ghanaian national economy, this article also explored the other angles of world challenges and changes which should be explored further to better reconsider the socio-economic goals on strategy of Ghana development in this new pandemic stage in the history of humanity. Taking as a whole, the authors of this paper are to continue their study research on the financial impact of pandemic factors on the national economy development. These issues will be considered by the authors in further research.

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