

E-Levy

A SURVEY REPORT ON THE PROPOSED ELECTRONIC TRANSACTION LEVY IN GHANA



Authors

Benjamin Amoah (PhD)

Email: benamoah@ug.edu.gh

Department of Finance,

University of Ghana Business School.

Center for Economics Finance and Inequality Studies (CEFIS).

&

Prof. Anthony Amoah (PhD)

School of Sustainable Development,

University of Environment and Sustainable Development.

Center for Economics Finance and Inequality Studies (CEFIS).



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Survey Duration: February 9 to 16, 2022
Total number of respondents: 2810
Date of reporting: February 25, 2022





Disclaimer

The views expressed in this survey are the outcomes of the respondents and those of the authors only. These do not in any way represent the views of the University of Ghana and the University of Environment and Sustainable Development. All errors remain the authors.





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1. Background

In 2021, the World Bank Group¹ reported that Ghana's economy from 2017 to 2019 had grown at an average of 7%. This growth trajectory has significantly been impeded by the devastating impact of the COVID-19 pandemic causing a sharp contraction, rising overall fiscal deficit and rising public debt in 2020. Although Ghana's budget deficit is nothing new, the increasing sovereign debt and its attendant debt servicing effect on the fiscal needs of the country continues to attract attention from all fronts mostly in the management of the country's economy.

In the last quarter of 2021 through the first quarter of 2022, the most topical discussion on the fiscal management of Ghana's economy has emanated from the announcement by the government through the Minister of Finance, Mr. Ken Ofori-Atta, about the intention to introduce an Electronic Transactions Levy (E-Levy) as part of efforts to increase government's revenue. The E-Levy of 1.75% on the value of digital transactions announced in the 2022 Budget Statement on 17 November 2021 generated a heated discussion among Ghanaians across the political divide. The Budget statement indicated that the E-Levy would be on mobile money payments, bank transfers, merchant payments and inward remittances. The E-Levy would be borne by the sender, except inward remittances which will be borne by the recipient. The successful passing of the E-Levy is expected to rake in an estimated \$1.15 billion or Ghs6.96 billion revenue to support government expenditure needs in 2022 and beyond. This translates into an increase of Ghana's Tax to GDP ratio from 13% to about 16%, a ratio marginally lower than the average 16.5% Tax to GDP of sub-Saharan African countries according to the World Bank (2022).²

Experts in the fields of Economics and Finance have expressed divergent views. Unfortunately, some have shared their views without any empirical evidence. To bridge this gap, this survey assesses the views of Ghanaians on the proposed E-Levy. Specifically, this survey was to evaluate the awareness and knowledge of respondents about the E-Levy; discuss the acceptability or otherwise of the E-Levy; identify the revenue options available to the government of Ghana aside the E-Levy; and, finally, gauge the nature of trust that Ghanaians have in the three arms of Government.

1. <https://www.worldbank.org/en/country/ghana/overview#1>

2. World Bank (2022). World Economic Indicators. <https://databank.worldbank.org/source/world-development-indicators>

2. Methodology

This report relied on Google Online Forms as the key instrument for the data collection. All respondents were automatically restricted to only one entry. This was further validated by the email identities provided by the respondents. The survey commenced on February 9 and ended on February 16, 2022 after a pilot survey had been completed. The snowball sampling technique was used, and it yielded a sample size of 2,810 respondents. These Respondents were voluntarily encouraged to complete the survey. Nonetheless, they reserved the right to withdraw or skip a question where necessary. Thus, not all variables received an equal number of responses. The questionnaire was structured to have two main parts namely Section A which had questions of on subject matter under study (E-levy) whiles Section B had questions on the socioeconomic or demographic characteristics of the respondent. This brief Report presents a descriptive analysis of the main findings of an online survey on the E-Levy administered over a period of one-week in Ghana.

Ethically, this social science survey presents no threat to the respondents as most of the questions only probed into their views on E-levy and their demographics. Again, respondents were assured anonymity of information. The authors are academics who declare no conflict of interest regarding the subject under investigation. It is important to acknowledge that this study is devoid of political connotations. Further, no funding was either locally or internationally for the purposes of this study.

3. A BRIEF DISCUSSION

Awareness and Knowledge About E-Levy

The survey sought to measure the objective knowledge of respondents on the E-levy, which brings to the fore the actual knowledge of respondents on what the E-Levy is. This is important because there is the possibility that the respondents can have a different meaning from what the E-Levy is according to the proponents of the policy. Objective knowledge measures whether the respondent has the same meaning as what the proposers of the E-Levy mean.

Table 1 Descriptive Statistics of Objective Knowledge

E-Levy Knowledge with Evidence	Frequency	Percent	Cumulative Frequency
Yes	1,679	63.36	63.36
No	971	36.64	100
Total	2,650	100	

Source: Authors’ construct with field data

The results summarized in Table 1 show that about 63.36% have basic objective knowledge about the E-Levy. Although this is relatively high, what is striking is the percentage that cannot demonstrate actual knowledge about the E-Levy. This implies that much education needs to be done to increase public knowledge and understanding about the E-Levy. At least at the knowledge level, what E-Levy is to the consumer of the electronic financial transactions should mean the same to the policymaker.

When Should the E-Levy be Passed?

The survey further sought the views of respondents about when they expected the E-Levy to be passed into law and implemented. It came out that 81.6% of respondents are of the opinion that the E-Levy be cancelled and never be introduced per the result in Table 2. Another 13.5% hold the view that it should be passed in the year 2022. Those who hold the opinion that the levy should be passed after the year 2022 constitute 4.9% of the respondents.

Table 2: Time to Introduce E-Levy in Ghana

RESPONSE	PERCENT
In the Year 2022	13.5
After the Year 2022	4.9
Cancelled and Never Introduced	81.6
Total	100

Source: Authors' construct with field data

Fiscal Stance of Ghana Government Revenue

The survey assessed the nation's fiscal position concerns. From Figure 1, on government revenue, it came out that 64.6% were categorical that Ghana needs more revenue. Those who hold a contrary view make up 25.9% with the position that there is no need to increase government revenue. The remaining 9.6% were uncertain regarding the need for Ghana to increase its revenue.

2,777 responses

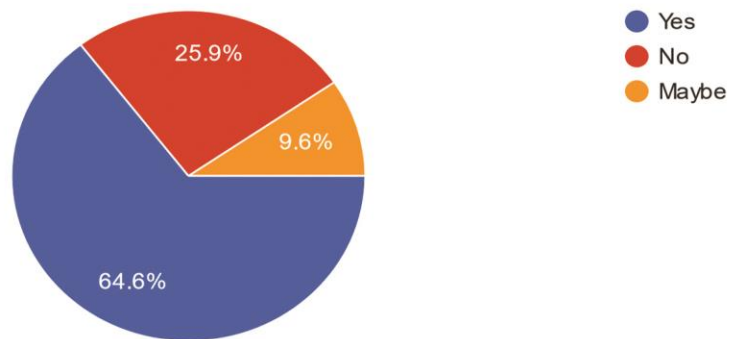


Figure 1: Ghana's Revenue Stance

Ghana's Rising Debt

On the rising debt levels, it came out that 91.8% of respondents are concerned about the increasing debt of the country, with only 8.2% indicating otherwise.

2,780 responses

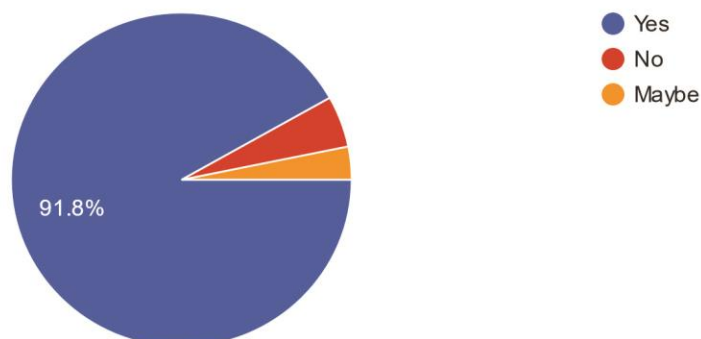


Figure 2: Ghana's Debt Stance

From the fiscal stance in Figures 1 and 2, it is evident that the respondents are concerned about Ghana's rising debt and the need for additional revenue to meet the expenditures.

Substitutes for E-Levy

Holding the view that government needs to mobilize revenue, the survey sought for preferable substitutes for the E-Levy. From Figure 3, about 54.3% indicate a cut down or reduction in unproductive government expenditures as an alternate to the E-Levy. A further 37.7% direct the managers of the economy to block corrupt channels that are leakages in the revenue bucket. The other sources of revenue preferable to the E-Levy include enforcement of property rates with a score of 3.9%. Tax on Treasury Investment Income is preferred by 1.1% of respondents. The unmentioned source of government revenue in place of the E-Levy was selected by 3.1% of the respondents.

2,620 responses



Figure 3: Alternates to E-Levy

E-Levy Rate Preference

Assuming the E-Levy is passed, when asked what rate or how much will the respondents be willing to pay, it came out that 46% prefer a zero rate while the non-zero constitute 54%. For the non-zeros, those who prefer a levy of 1.7% are 0.2% of our sample. We report that 3.2% of respondents support a 1.5% levy per transaction. The survey also finds that 21.1% will support a 0.5% levy. From the results captured in Figure 4, a further 10.4% prefer a 1% levy per transaction. The study further reveals that 10% will prefer Ghs5 per month on all transactions above Ghs100.

2,712 responses

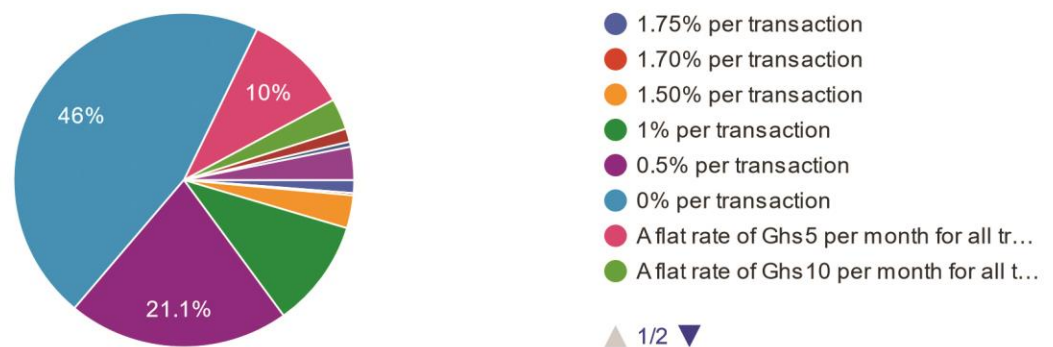


Figure 4: E-Levy Rates

Those who prefer to pay Ghs10 per month on all transaction above Ghs100 make up 3% of the sample. Furthermore, there is a 1.3% preference for a flat rate above Ghs5 for all transactions per month. The remaining 3.2% of the sample supports other types of rate or charges. From this result, a majority are willing to pay for the E-Levy once it becomes a law, but they have some reservations regarding the magnitude of the rate.

Behavioral Intention

From Figure 5, it came out that 46.8% of respondents are of the position that they will stop using MoMo should the E-Levy be passed into law. Another 41.4% revealed that they would reduce their MoMo transaction should the E-Levy be passed. Those who will continue to use MoMo if the current bill is passed make up 10.7%. Finally, 1.2% of respondents are of the view that they will increase their mobile money transactions if the E-Levy is implemented.

2,741 responses

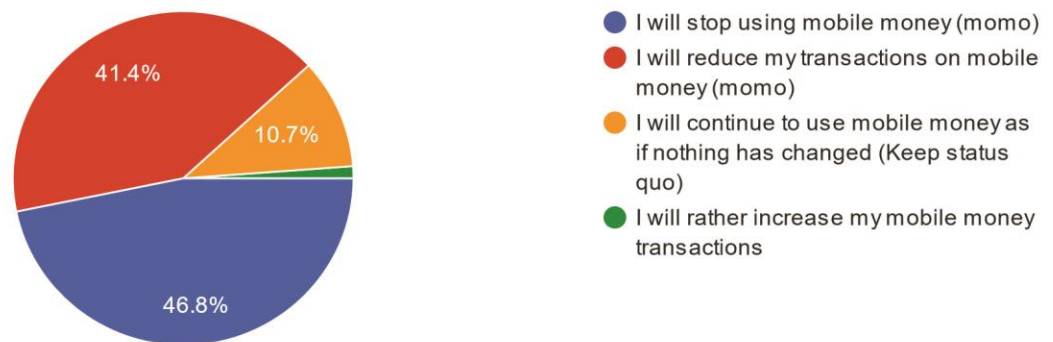


Figure 5: Usage of MoMo after E-Levy Implementation

Trust in the Arms of Government

The trust of respondents in the arms of governments is presented in Table 3. Our findings are that 75.3%, 62.8% and 58.4% of respondents do not trust the Executive (Presidency and Ministers), Parliament and the Judiciary, respectively. On the other hand, the percentage of respondents who trust these institutions are 17.8% for the Judiciary, 13.6% for the Legislature and 10.3% for the Executive. Those who are uncertain constitute 27.7% for the Legislature, 23.8% for the Judiciary and 14.4% for the Executive.

Table 3: Respondents' Trust in the Three Arms of Government

Do you trust in	Parliament	Executive (Presidency and Ministers)	Judiciary
Yes (%)	13.6	10.3	17.8
No (%)	62.8	75.3	58.4
Uncertain (%)	23.6	14.4	23.8
Total	100	100	100
Observations	2,763	2,762	2,765

Source: Authors' construct with field data

Conclusion

From our survey, a large number of Ghanaians are aware and know what exactly the E-Levy is. There is evidence in this Report that a majority of Ghanaians are against the legislation of the E-Levy. In place of the E-Levy respondents opined that the government should cut down on unproductive expenditure, block existing corrupt channels, as well as tax property and treasury income. With regard to the anticipated E-Levy revenue, there exists a high probability that the government of Ghana may not achieve its E-Levy revenue target. This is because there is a high percentage of respondents intending to quit MoMo or reduce their usage of mobile money and other applicable electronic money transactions targeted by the E-Levy. Finally, this survey report provides evidence that Ghanaians largely do not trust the three arms of Government.