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Balance of Payments (BoPs) and Inward Remittances Compilation and Analysis Issues: The Case of Ghana from 2016-2022

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Abstract

Global remittance flows have increased rapidly in recent years and are considered by previous governments in Ghana as being of high policy interest particularly in analyzing their impact on economic development and security. Remittances have grown remarkably during the last two decades, constituting a large source of foreign exchange flows to developing countries. This in turn has excited considerable interest among economists and policymakers seeking to have a clear understanding of the role and importance of remittances. However, to understand fully the impact of these flows, it is important to measure them accurately. Bank of Ghana's Balance of Payments (BOP) has not fully captured the volumes of these flows, evidenced in its current estimation method. Compilation of remittance aggregates had been a very tricky job because no single data item in the balance of payments framework comprehensively captures transactions in remittances. This article intends to take a critical look at some of the issues in compilation and analysis of remittances in the World Bank and Bank of Ghana data for the period 2016-2022. In the process of content analysis, secondary data was used through sources which include text books, journal articles, reports, internet and more importantly, from the library and the websites of Bank of Ghana (BoG); World Bank and Auditor General statement on Bank of Ghana Foreign Exchange Receipts. The findings of the paper revealed that for the seven years BOP data presented, showed that inward remittances have increasing considerably despite the issues that arise from compilation and analysis of remittances, including difficulty in obtaining migration and other statistics, identification of transaction channels, and disparities between the World Bank and Bank of Ghana data on inward remittances.

Keywords

Inward Remittances, Balance of Payments, Ghana, World Bank

1. Introduction/Background

This paper outlines the current practices for the compilation and dissemination of data on remittances in the Ghana's balance of payments framework. It outlines discrepancies in this existing framework as well as the need for additional data from new Money Transfer Companies and Fintech companies to address the anomalies in the identified in the World Bank data on inward remittances and that from Bank of Ghana's data from the 23 authorized dealer commercial banks over the period 2016-2022. This paper also illustrates weaknesses in the country's remittance data compilation issues as against that of the assessment of World Bank's remittance aggregates) and the need for specific practical guidance on data sources and compilation methods. The inadequacy of practical compilation guidance concerns compilers, who, as a result, often produce data that is less credible than other balance of payments components. As defined in the Balance of Payment Manual (IMF (BPM6), 2009a), the balance of payments (BOP) is a statistical statement that systematically summarizes, for a specific time period, the economic transactions of an economy with the rest of the world. The growing importance of remittances flows has given rise to a large literature that analyzes the economic impact of these flows. Several theoretical and empirical studies analyze the impact of remittances on macroeconomic variables, such as consumption, investment and growth in recipient countries, yet the results of these studies remain largely inconclusive. The existing literature is also very diverse on the spillover effects of the increase in remittances, such as the impact on poverty reduction (Ratha, 2003), financial deepening (Giuliano & Ruiz-Arranz, 2009), increases in migration (Taylor, 1999), and institutional development (Catrinescu et al., 2009). There is theoretical evidence that remittances contribute to economic growth, through their positive impact on consumption, savings, investment and current account. The theoretical evidence opined that macro-level impact of remittances on the home country's macroeconomic economic indicators, like economic growth rate of gross domestic product (GDP), exchange rate stability, import and export deficit, etc., has been well documented (Mallick, 2008; Ratha, 2004; Ratha, 2003; Chami et al., 2005). Remittances can also have negative impact on growth in recipient countries by reducing incentives to work, and therefore reducing labor supply or labor force participation. This may cause an appreciation of the real exchange rate in recipient economies and generating a resource reallocation from the tradeable to the non-tradeable sector, or by adversely affecting long-run growth through the Dutch disease. According to World Bank remittance data (2023), remittance flows to Sub-Saharan Africa grew by 6.1% in 2022 to $53 billion. The trend was largely driven by strong remittance growth in Ghana (12%), Kenya (8.5%), Tanzania (25%), Rwanda (21%), and Uganda (17%). Remittances to Nigeria, accounting for around 38% of total remittance inflows to the region, increased by 3.3% to $20.1 billion. Remittance inflows supported the current accounts of several African countries dealing with food insecurity, supply chain disruptions, severe drought (Horn of

Africa), floods (Nigeria, Chad, Niger, Burkina Faso, Mali, and Cameroon), and the spread of debt-servicing difficulties. Nigeria accounted for 38%—US$20.1 billion—of the remittance inflow in the region; the highest, followed by Ghana and Kenya with US$4.7 and US$4.1 billion respectively. Meanwhile, Zimbabwe recorded US$3.1 billion, followed by Senegal, US$2.5 billion, Democratic Republic of Congo, US$1.7 billion; Sudan, US$1.5 billion; Uganda, US$1.3 billion; Mali, US$1.1 billion; and South Africa, US$900 million.

In Ghana, over the past two decade remittances have constituted an important component of balance of payments accounts, which is, usually, recorded as receipts under the capital account section by the Bank of Ghana. Ghana's remittance receipts, in recent times, have assumed an increasing trend. The micro- and macro-economic impact of remittances has been widely documented in the various World Bank country's reports. According to World Bank data on inward remittance, Ghana has witnessed a substantial rise in remittances inflow from US$2 billion in 2014, US$5 billion in 2015, US$3 billion in 2016, US$3.5 billion in 2017 to US$4.5 billion in 2021 and further to US$4.7 billion in 2022 (World Banks' Country Reports on Ghana's Inward Remittances (2016-2022)), while according to the Auditor-General's Report on the Consolidated Statements of Foreign Exchange Receipts: Schedule of earnings from 23 authorized dealer commercial banks at the period between 2016 to 2022: Transfers—Inward Remittances US$ 1,837,506,014.80 in 2016, US$ 3,766,037,529.00 in 2017, US$1,021,916,059.59 in 2018;US$2,005,542,497.90 in 2019 US$2,310,586,691.47 in 2020 US$ 2,110,512,179.69 in 2021) US$2,121,081,266.78 in 2022) showing a marked discrepancies between the World Bank's data on inward remittances and that of the Bank of Ghana's data over the period between 2016-2022 (Bank of Ghana, 2016-2022). The available data on the inward remittances in Ghana obtained from the World Bank reports specifically unveiled that though inward remittances somehow fluctuated between the periods of 2010 to 2015, with the country having recorded US$ 0.14 billion or 0.8% of GDP in 2010, US$2.1 billion or 10.8% of GDP in 2011, US $ 2.2 billion or 10.3% of GDP in 2012, US$1.9 billion or 5.9% of GDP in 2013, US$2 billion or 7.6% of GDP in 2014 and US$5 billion or 20.3% of GDP but however it recorded a consistent growth from 2016 to 2022 (World Banks' Country Reports on Ghana's Inward Remittances (2010-2015)).

It is against this background that this study reviewed the current estimates in order to adopt an approach for the collection and compilation of remittances flows by both World Bank and Bank of Ghana. Bank of Ghana's Consolidated Statement of Foreign Exchange Receipts on the Balance of Payments suggested that remittances place first ahead cocoa and gold respectively in terms of resource inflow from 2016 to 2022 but over the same period World Bank country's inward remittance showed that Ghana has been receiving averagely US$ 3.9 billion per annum over the past seven years while Ghana's Balance of Payment showed an average of US$2.1 billion over the past seven years (Bank of Ghana, 2016-2022). The study is expected to address the discrepancies between the World Bank data on inward remittances and actual remittances recorded by Bank of Ghana in the Consolidated Statement of Foreign Exchange Receipts and to enable the country to track and trace inward remittances could particularly be improved the country's current account deficits as well as improving the stability of the local currency (Cedi). Inward remittances are estimated to be bigger and more stable than the traditional exports Cocoa and Gold over the past seven years. This is consistent with findings in the literature that in the developing economies like Ghana, remittances now surpass cocoa and gold according to the Bank of Ghana's Balance of Payment records over the period 2016-2022.

2. Balance of Payment Definition of Remittance

The sixth edition of the International Monetary Fund's balance of payments and international investment position manual (IMF (BPM6), 2009a) serves as the standard framework for statistics on the transactions and positions between economy and rest of the world. The main objectives of this Manual are as follows: (a) To provide and explain concepts, definitions, classifications, and conventions for balance of payments and international investment position statistics; (b) To enhance international comparability of data through the promotion of guidelines adopted internationally; (c) To show the links of balance of payments and international investment position statistics to other macroeconomic statistics and promote consistency between different data sets; and (d) To provide a brief introduction to uses of data on balance of payments, other changes in financial assets and liabilities, and international investment position, as the international accounts of an economy.

Based on the sixth edition of the Balance of Payments and International Investment Position Manual (IMF (BPM6), 2009a), we define remittances as the monetary link between migrants and their families left behind in the country of origin. Temporary or permanent movement of people to other countries allows the creation of income which is transferred fully or partially back to the home economies. These transfers may happen through more formal channels like electronic recordable systems, or through informal channels, such as the help of trustworthy friends that carry cash from the senders to the receiving families. Despite the large interest in remittances from monetary institutions, the problem of the reliability of data is still evident, such that the gap between the amounts sent and received has been growing in recent years, proving the strong inconsistency of remittances data.

BOP account definitions of remittances are somewhat broader than those resulting from movement of persons because they are not based on the concepts of migration, employment or family relationships. They consist of funds and non-cash items sent by individuals who have migrated to a new economy and become residents there as well as the net compensation of border, seasonal or other short-term workers who are employed in an economy in which they are not resident. Remittances could also be compensation of workers employed by non-resident employers in the home country of origin. According to Levitt (1998), remittances are not only money but ideas, identities, practices, and social capital that flow from receiving to sending countries. They make up a significant part of international capital flows in a country and could be a life wire to the beneficiaries who often need it for their sustenance. International remittances are cross-border earnings, goods, or funds transferred by migrants to their relatives, friends or acquaintances in their home countries. They represent household income from foreign economies arising mainly from the temporary or permanent movement of people to those economies. Remittances are an integral part of one of the major macroeconomic accounts called the Balance of Payment (BOP). The BOP is an account that records transactions between residents of a country with residents of other countries. The main factor that determines if a transaction is captured in the BOP is the issue of residency. If it is established that the transaction is between a resident and a non-resident, then the transaction is recorded in the BOP. The BOP is divided into three different accounts namely the current, capital and financial accounts. The current account records import and export of goods and services between residents and non-residents.

3. Balance of Payments Effect of Remittances

The impact of remittances on private consumption, saving and investments is only part of the story about the contribution of remittances to the growth and development of source countries. Remittances are an addition not only to the domestic household income but also to the receipt side of the balance of payments. Remittances offset chronic balance of payments deficits, by reducing the shortage of foreign exchange. These transfers can help to ease the often crucial restraint imposed on the economic development of the migrants' home countries by balance of payments deficits. They have a more positive impact on the balance of payments than other monetary inflows (such as financial aid, direct investment or loans), because their use is not tied to particular investment projects with high import content, bear no interest and do not have to be repaid. In addition, remittances are a much more stable source of foreign exchange than other private capital flows and for certain countries they exhibit an anti-cyclical character. Developing countries quickly recognized this obvious and clearly estimable positive balance of payments effect of remittances, and measures were taken to increase such inflows of foreign exchange. But such measures must be implemented with care, because apart from the positive balance of payments effects, remittances have an impact on the economic activity in the home country. Depending on how they are spent or invested, their effects on production, inflation and imports will be different. A crucial factor in this respect is the extent to which the additional demand induced by remittances can be met by expanding domestic output. The flexibility with which domestic supply reacts to extra demand will determine whether remittances will have positive employment effects or adverse inflation effects, and whether additional imports will be necessary. One of the negative effects of remittances on the current account is the "boomerang effect". This occurs when remittances induce an increase of imports and trade balance deficits in the remittance-receiving country. However, most scholars disagree that it is the remittance-induced imports that cause these trade balance problems. The propensity to import can also increase as a consequence of the general development of the economy, of a structural change in the production of consumer or investment goods, or of the international division of labour. Another negative effect can be produced where remittances generate demand greater than the economy's capacity to produce. When this demand falls on tradable goods, remittances can induce an appreciation of the real exchange rate. The overvalued exchange rate reduces the competitiveness of the domestic industries in the foreign markets (by expensive exports), in the home markets (by cheap imports), and shifts resources from the tradable sector into the non-tradable sector, so-called Dutch Disease effect. This may further lead to balance of payments pressure, a slower growth of employment opportunities, and consequently to a further increase in the incentive to emigrate. A possible reason for an insignificant Dutch disease effect of remittances is that the additional import of cheap capital goods may increase productivity and therefore improve the competitiveness of domestic products. Moreover, the imported capital goods may be used to substitute other imports and/or to produce exportable goods. Further, in a system based on non-convertible domestic currency, the privilege of holding foreign currency in corroboration with inflationary tensions may have adverse consequences in monetary terms.

4. Literature Review

Theoretical literature has shown that remittance inflows could increase economic stability by increasing foreign reserves through exchange of monies. One major impact of remittances is its effect on the current account of the BOP. Remittances help in raising national income by providing foreign exchange and raising national savings and investment as well as by providing hard currency to finance essential imports thereby curtailing any BOP crisis (Adelman & Taylor, 1990, Durand et al., 1996, Claudia et al., 2002). Remittances sent in foreign currencies typically require exchange into domestic currencies. Banks are able to increase their foreign reserves through this process of exchange, and maintain demand for the national currency. Foreign reserves allow countries like Ghana to stabilize their currencies to a greater degree during periods of crisis. Countries like Mexico and Bangladesh have taken a more proactive approach, encouraging the use of remittance revenues in micro enterprise efforts as part of an effort to directly integrate remittances into their development strategies. Economic stability, economic planning and fiscal transparency resulting from remittance inflows are good for U.S. companies and investors; each of these approaches creates investment climates that increase the financial stability of assets and markets in these countries (Johnson, 2010). Foreign remittances have been more stable over the past years than volatile capital flows such as portfolio investment and international bank credit. Remittances are also an international redistribution from low-income migrants to their families in the home country.

Under macro level previously in the history of Ghana, as foreign remittances provided much-needed foreign currency exchange, that stabilized the balance of payments, reduced dependency on international capital markets, and reallocate capital resources into more productive investments and other financial services—moving money from international to domestic, consumption to investment and urban to rural. Under micro-level individual and household level, by recognizing the socio-economic and gendered impact of remittances on families, intra-household dynamics and communities. Studies on remittances, especially in developing countries, have pointed to significant positive macroeconomic impact on these economies. Fajnzylber and Lopez (2008) find that there is evidence suggesting that large flows of remittances to developing countries are sometimes associated with lower levels of poverty at the individual level and an increased pace of growth as well as better health and education indicators. Remittance flows to most developing countries are found to be counter-cyclical in the recipient economies as they serve as supplements to household income in periods of low economic activity. Ratha (2003) also corroborates the point that migrants may increase remittances in times of economic hardship, especially in low-income countries where their families may depend significantly on remittances as a source of income and may live at close to subsistence levels. Ratha further argues that economic downturns may also encourage workers to migrate abroad and thereby begin to transfer funds to families left behind. He further argues that while capital flows tend to rise during favorable economic cycles and fall in bad times, remittances appear to react less violently and show remarkable stability over time. For example, he shows that remittances to developing countries continued torise steadily, especially during 1998-2001, a period characterized by a decline in private capital flows in the wake of the Asian financial crisis. Thus, remittances augment the recipient individuals' incomes and increase the recipient country's foreign exchange reserves thus they offset some of the output losses or economic shocks that a developing country may suffer from emigration of its highly skilled workers.

Ratha (2004) find that there is evidence of high remittance flows to the Mexican economy during the financial crisis of 1995 and Indonesia and Thailand in 1998. The aftermath of 2010 earthquake in Haiti also witnessed a surge in remittances to partly reduce the financial strain that occurred as a result of the disaster. This pattern of inflows can help smoothen aggregate demand and contribute to economic growth. The developmental role of remittances is well recognized and there is an increasing volume of research in that regard. Not only is this recognized at the research level, the issue of remittances as a developmental tool, as well as its potential negative consequences, has engaged policy makers and the attention of major financial institutions such as the World Bank and IMF. IMF's World Economic Outlook 2005 and the World Bank's Global Economic Prospects 2006). This has resulted in an increase in discussion and research in an attempt to maximize the potential benefits of remittances to developing countries. In Ghana there is evidence that support the development and welfare effects of remittances. Quartey (2006) find that remittances have been shown to improve individual welfare substantially and help minimize the negative economic shocks to recipient households. Addison (2004) also documents the potential role remittances can play in the macroeconomic development of Ghana. However, many developing countries that are high recipients of capital flows (where remittance is a major component) must grapple with the impact of these flows on the real exchange rate and the international competitiveness of their exports. Gala (2008) found that exchange rate stability was seen as a major developmental tool, especially in countries with highly volatile exchange rate, and has become a key policy issue.

Various factors have been cited in extant literature as influencing the direction and the volume of foreign remittances flow: household income, age, gender, education, home country GDP, exchange rate, inflation and marital status (Simpson & Sparber, 2019; Biyase & Tregenna, 2016; Panda & Trivedi, 2015; Tabit & Moussir, 2016). Musah-Surugu et al. (2018) found that remittances are intended to supplement the receiving households' income and smoothen their consumption, in the event of large and temporary fluctuations in the economy. Macro-economic studies show that remittances have a long run impact on the receiving country macro-economic factors. Docquier & Rapport (2005) found that migration and associated remittances tend to have an overall positive effect on origin countries long-run economic performance. Though, the validity of this assertion depends on whether these transfers are allocated to consumption or private investment. Durand et al. (1996) claim that remittances influence a country's economy directly either through investment or indirectly from the multiplier effect of consumption which elicits investments in production of goods and services to meet the increased demand. World Bank (2006) argued that migrant remittances impact positively on the balance of payments in many developing countries as well as enhance economic growth, via their direct implications for savings and investment in human and physical capital and, indirect effects through consumption.

Giuliano and Ruiz-Arranz (2009) find that remittances can boost growth in countries with less developed financial systems by providing an alternative way to finance investment and help to overcome liquidity constraints. They further opine that remittance can promote growth in less financially positive developmental effects of remittances focuses on the multiplier effects of consumption, development of the financial institutions that handle remittance payments, use of remittances as foreign exchange, and the role of remittances as an alternative to debt that helps alleviate individuals credit constraints in countries where micro-financing is not widely available. Catrinescu et al. (2009) find that remittances exert a weakly positive impact on long-term macro-economic growth and furthermore explained that the longer-term developmental impact of remittances is increased in presence of sound economic policies and institutions. Mallick (2008) finds that remittances from migrant workers living abroad increase the consumption and investment in home country. Mallick further added that in developing countries remittances received by families of migrant workers mostly spends education, health, household consumption and investment in the real estate sector. Ratha (2007) points to the fact that remittance flows improve the country access to international capital markets since they could ameliorate its creditworthiness, which is another way to increase economic development by stimulating physical and human capital investment. Ratha further corroborates that large and stable remittance flows undoubtedly improve a country's creditworthiness and thereby the creditworthiness of sub-sovereign entities as well. Banks in many countries have used future remittances as collateral for raising significant bond financing (sometimes billions of dollars) from international markets. Barajas et al. (2009) explained that remittances are likely to expand the quantity of funds flowing through the banking system. This in turn may lead to enhanced financial development and thus to high economic growth through one or both of two channels: (i) increased economies of scale in financial intermediation, or (ii) a political economy effect, whereby a larger constituency (depositors) is able to pressure the government into undertaking beneficial financial reform. Adam and Page (2003) using data from 74 low and middle-income developing countries found that international migration has a strong statistical impact on reducing poverty; on average, a 10% increase in the share of international migrants in a country's population will lead to a 1.9% decline in the share of people living in poverty. Thus, international remittances strongly affect poverty and they tend to minimize the negative effects of economic shocks in an economy.

Conversely, Amuedo-Dorantes and Pozo (2006) posited that remittances, like capital flows can appreciate the real exchange rate in recipient economies and therefore generate a resource allocation from the tradable to the non-tradable sector. Rodrik (2008) find that there is evidence that real exchange rate overvaluation undermines long-term economic growth, particularly for developing countries, in that in those countries tradable goods production suffers disproportionately from weak institutions and market failures. Brown and Ahlburg (1999) argued that remittances undermine productivity and growth in low-income countries because they are readily spent on consumption likely to be dominated by foreign goods than on productive investments. Other studies focus on the negative influence of remittances on economic growth. In this context, Amuedo and Pozo (2004) show that remittances could reduce the international competitiveness and impose economic costs on the export sectors of receiving countries. Chami et al. (2005) concludes in favor of a negative link between remittances and economic growth for a panel of 113 countries over almost thirty years. Theoretical and empirical research into the impact of remittances on the balance payment has produced highly mixed results.

5. Methodology

5.1. Study Approach

To examine the extent to which Ghana's inward remittances reports information online, we adopted a content analysis approach to identify the types of information appears in the World Bank, Bank of Ghana and 23 authorized dealer banks under Foreign Exchange Act 2006 Act 723. Foreign Exchange Act 2006 Act 723 Section (15) enables foreign exchange business and international payments. (1) Each payment in foreign currency, to or from Ghana between a resident and a non-resident, or between non-residents, shall be made through a bank. (2) Without limiting subsection (1), payments for merchandise exports from Ghana shall be made through the bank of the non-resident to the exporter's bank in Ghana. (3) Each transfer of foreign exchange to or from Ghana shall be made through a person licensed to carry out the business of money transfers or any other authorized dealer. Content analysis involves a process designed to condense raw data into categories or themes based on valid inference and interpretation. This process uses inductive reasoning, by which themes and categories emerge from the data through the researcher's careful examination and constant comparison. The rationales of using this approach are: first, it enables us search directly at the most current information on the websites, hence to look at a central aspect of social communication. Second, it relies on the most efficient and common media of communication between World Bank, and Auditor General websites. To address the research objectives, the study utilized content analysis to review the websites, reports to determine an appropriate framework for estimating remittances to be used in Ghana's BOP compilation. The study reviewed the key components used in deriving remittances for the selected countries' institutions. The evaluation of the available channels and data sources in each case study was in accordance with recommendations by the IMF (IMF, 2009b). This is useful in assessing the various methods used by the chosen central banks, highlighting strengths and weaknesses associated with each approach to determine a suitable technique for Ghana's BOP. Freund and Spatafora (2005) emphasizes that the most accurate estimates of the informal share of remittances tend to be derived from 23 authorized dealer banks that include questions on the amounts received and through which channel the flows were received. Deriving some information in this way permits direct estimation of the share transmitted through informal channels. The information obtained through reviewing other practices allows for the construction of a suitable methodology that could improve remittance inflows in Ghana. The study applied the formal flows reported by the commercial banks and other licensed foreign exchange bureaus to re-estimate the flows of remittances. This approach is considered more effective as it covers transactions with 23 authorized dealers, including all the commercial banks. In addition, the method is cost-effective, and data are readily available and timely for continued monitoring in the BOP (IMF, 2009c). Given that one of the focus areas of the study was to evaluate the current estimates of remittances, exploratory data content analysis was used to form a basis for determining the shortcomings of the current estimates.

5.2. Data and Sources

The study employed secondary data covering the period 2016-2022. Data sources include official publications of the World Bank, Bank of Ghana, and Auditor General Reports on Consolidated Statement of Foreign Exchange Receipts for 2016-2022. In order to assess the methodology of Ghana, the study obtained key data variables from the World Bank website, 23 authorized dealers banking authorized to handle all inward remittances and the Auditor General reports on Bank of Ghana on the statement of consolidated foreign exchange receipts websites. The key components included annual data on major variables in the BOP, covering the period between 2016 and 2022. Data collected were analyzed using trend and content analysis. For Ghana, data for the current account sub-categories were obtained from the Bank of Ghana's Annual Reports on Statement of Consolidated Foreign Exchange Receipts and compilation worksheets of 23 authorized dealer commercial banks. However, our research is limited among others because it focuses on only on the Bank of Ghana's consolidated reports from the 23 authorized dealer commercial banks operating in Ghana and the World Bank's country reports on inward remittances from the World Bank websites

6. Overview of World Bank and Bank of Ghana's Inward Remittances Reports and the Role of Money Transfer Companies and Fintech in the Remittance Landscape

The World Bank estimates have put foreign remittance figures in Ghana close to $1 billion in 2003. This increase in remittances over the years has played a significant role in improving the livelihood of many recipient households. Foreign remittances represent the most stable source of income and have been the largest source of international financial flows to Ghana since 2015, accounting for about a third of total external financial inflows. According to World Bank remittances reports (2010-2022) on Ghana (US$ 0.14 billion in 2010 or 0.8% of GDP) (US$ 2.1 billion in 2011 or 10.8% of GDP); (US$ 2.2 billion in 2012 or 10.3% of GDP); (US $1.9 billion in 2013 or 5.9% of GDP) (US$ 2 billion in 2014 or 7.6% of GDP); (US$ 5 billion in 2015 or 20.3% of GDP); (US$ 3 billion in 2016 or 10.8% of GDP) (US$ 3.5 billion in 2017 or 12% of GDP); (US$ 3.5 billion in 2018 or 7.3% of GDP) (US$ 4.1 billion in 2019 or 5.2% of GDP); (US$ 4.3 billion in 2020 or 5.2% of GDP); (US$ 4.5 billion in 2021 or 5.9% of GDP); (US $ 4.7 billion in 2022 or 6.1% of GDP). However, according to the Auditor-General's Report on the Consolidated Statements of Foreign Exchange Receipts: Schedule of earnings from 23 authorized dealer commercial banks at the period between 2016 to 2022 indicated that actual Transfers recorded as—Inward Remittances were in 2016 US$1,837,506,014.80; in 2017 US$10,766,037,529.00; in 2018 US$1,021,916,059.59; in 2019 US$2,005,542,497.90; in 2020 US$2,310,586,691.47 in 2021 US$2,110,512,179.69; in 2022 US$2,121,081,266.78 (Bank of Ghana, 2016-2022) thus showed a marked discrepancies between the World Bank data and actual inward remittances recorded by Bank of Ghana.

The international remittance space in Ghana has been growing since the Bank of Ghana introduced the Payment Systems and Services Act (2019) and the National Payment Systems Strategic Plan (2019-2024) to create an enabling regulatory environment which enhances financial innovations. MTCs are private companies that specialize in wiring money abroad. MTCs are widely used by migrants to transfer money to countries of origin because they are reliable, fast and convenient to use. Funds transferred through MTCs, which are located in supermarkets and other convenient places in immigrant communities, are usually available to recipients in developing countries in a matter of minutes. In Ghana, MTCs have wider distribution networks to enable easy access to funds.

While the banks, post office and telecommunication companies are more popular for sending remittances within Ghana, a number of MTCs are involved in the transfer of money from other parts of the world. The major MTCs operating in Ghana include Vigo, Small World, Ria, Western Union, Money Gram, Cigue, Unity Link and Express Money Transfer. In recent years, telecommunication companies (e.g. Tigo, Airtel, MTN, Vodafone) having been playing an increasingly significant role in money transfers in the country. This service allows Mobile Money subscribers to send and receive money transfer directly on their Mobile Money wallet in Ghana. A Dedicated Electronic Money Issuers (DEMI) in Ghana is a Fintech company licensed under Section 24 of Ghana's Payment Systems and Services Act of 2019. Generally, a DEMI exists to offer electronic money services. The license is relatively new in the country with Zeepay picking up the first ever DEMI license just recently in 2020. As of now, only about 5 Fintech companies have the license in Ghana—that is, apart from Zeepay, Airtel Mobile, Vodafone Mobile, MTN others are GCB G-Money and Yup Ghana Limited. Some of other Fintech companies in the international remittances space are: Dream Oval, ExpressPay and Zeepay, plus an MTO—PayInc Ghana Limited: eTranzact, expressPay, in Charge, interpay, Slydepay, Prof-Pay and WebSoft Solution which been licensed by Bank of Ghana under Payment Systems and Service Act 2019 Act 987.

7. Discussion of Findings on Methodological Issues in Accounting for Inward Remittances on Ghana' B.O.P and World Bank Data on Inward Remittances

Content data analysis results from websites Bank of Ghana, World Bank and Auditor General statement of Foreign Exchange Receipts revealed that Ghana's inward remittances inflows have increased considerably over the period between

2016-2022. The result of the trend analysis showing the flow of international remittances to Ghana from 2016-2022 figure shows that remittance inflow to the country have increased rapidly over the past seven years. This supports the revelation that Ghanaians abroad grew the economy by a whopping US$4.7 billion in the year 2022 and that according to World Bank data on inward remittances for (2022) Ghanawas the second highest destination behind Nigeria on inward remittances in Sub-Sahara Africa. For the country therefore, remittances form a crucial source of foreign exchange capable of sustaining her balance of payments. In addition, governments of sending countries have put renewed hopes on migrants are potential investors in the national economy. The surge in remittances has given rise to a kind of euphoria, with migrant remittances being proclaimed as the newest "development mantra" among institutions like the World Bank, governments, and development NGOs (Kapur, 2003; Ratha, 2003). Data collected were analyzed using trend and content analysis. Results of data analysis revealed that inward remittance inflows had been on the increase over the past seven years. Also, there are elements of major methodological issues and discrepancies in inward remittances compilation data between the Bank of Ghana and World Bank.

First, one of the major methodological issues was on the compilation and analysis as we observed major discrepancies between the World Bank data on international remittances and that of the Bank of Ghana data on inward remittances as captured on consolidated foreign exchange receipts yearly. The World Bank's country's report on inward remittances US$3 billion in 2016; US$3.5 billion in 2017; US$3.5 billion in 2018; US$4.1 billion in 2019; US$4.3 billion in 2020; US$4.5 billion in 2021; and US $4.7 billion in 2022 while according to the Auditor-General's Report on the Consolidated Statements of Foreign Exchange Receipts: Schedule of earnings from 23 authorized dealer commercial banks at the period between 2016 to 2022 (Bank of Ghana reports 2016-2022) indicated that actual Transfers recorded as—Inward Remittances were in 2016 US$ 1,837,506,014.80; in 2017 US$ 10,766,037,529.00; in 2018 US$1,021,916,059.59; in 2019 US$2,005,542,497.90; in 2020 US$2,310,586,691.47 in 2021 US$ 2,110,512,179.69 in 2022 US$2,121,081,266.78 thus showed a marked discrepancies between the World Bank data in inward remittances between period 2016 to 2022 and actual inward remittances recorded by Bank of Ghana (2016-2022).

Second, remittance transaction channels are wide and varied and the choice of channel depends on a number of factors including cost of sending money abroad, speed of delivery, information technology infrastructure at the senders and receivers locations, hidden costs in foreign exchange transactions, safety of the funds and so on. Bank of Ghana as a compiler of remittance statistics may however find it difficult to know all sources especially the recent licensed MTCs and Fintech through which remittances are sent. These remittance service providers are also quite innovative and new transaction channels developed are inconsistent with the old MTCs. There are money transfer businesses in all parts of the world that are often that in not compliance with Foreign Exchange Act 2006 Act 723 and are not subject to any form of regulation. Reliable data and information on these channels are often lacking making it hard to track remittances through these channels.

Third, methodological issue was about compilation and analysis of inward remittances is about the current different channels posed different challenges to Bank of Ghana as the compiler and the ease with which data may be obtained from these various channels depends on the institutional and foreign exchange environment governing remittance transactions and data compilation. The fact that remittances are transmitted through different channels makes it difficult to capture the full amount in the balance of payments statistics of the recipient country, which tends to underestimate the actual flow of remittances. The non-compliance with the Foreign Exchange Act 2006 Act 723 by the Digital technology infrastructure companies and newer Money Transfer Companies licensed since 2019 have hindered the regulation of some entities and by extension reporting of remittances data. Still there is sometimes overlap of responsibilities between government institutions with poor coordination thus data reported are divergent leaving the compiler and analyst confused. In addition, a clear assignment of responsibility is necessary to know which agency is to generate remittance statistics whether the Bank of Ghana, authorized dealer commercial banks or the Ghana Statistical Bureau. Not all funds remitted by migrants will be recorded as remittances in the balance of payments framework. This sometimes contributes to the data users' problems in identifying the data that corresponds to their analytical needs

Fourth, methodological issue noted was the lack of proper attention to remittance statistics have emanated from the inability of most developing countries such as Ghana to develop appropriate framework for tapping the potentials of remittances for growth and development. In addition, most of the MTCs and Fintech don't have their own outlets for remitting monies but rather use the platforms of banks. This adds to the cost of remittances thus discouraging remitters from using formal channels and preferring to go through informal channels.

Fifth, methodological compilation and analysis issue is more about the licensing of more Fintech companies by Bank of Ghana in the international remittance space since the passage Payment Systems and Service Act 2019 Act 987 without taking into cognizance of the existing Foreign Exchange Act 2006 Act 723 might have contributed to major discrepancies between the World Bank data on international remittances and Bank of Ghana data for remittance. The growing need for safer, secure and quicker international money transfers has increased the need for digital payments and receipts globally. Digital currencies offer an obvious advantage for remittances as an alternative to the expensive and burdensome money transfer system currently available without considering of the treatment of foreign exchange components. However, the low level of financial inclusion and the cyber security threats digital currencies are exposed to invigorate the reluctance with which regulatory authorities are willing to accept the use of digital currencies within their ambit.

8. Conclusion

This study provides theoretical evidence that inward remittances remain a stable and sustainable source of foreign exchange earnings that significantly promote economic growth in a developing economy like Ghana. It is important to address policy issues that impact on remittances in order to maximize its impact on savings, investment, poverty reduction as well as the foreign exchange components of the inward remittances to support the persistent decline of local currency. The relevant policy questions are how to leverage capital potential of remittances, through improvement of foreign exchange to reduce the current account deficits. Bank of Ghana must ensure there are strategic alliances can be made between banks and Fintech companies and between Ghanaian banks and their correspondents so that the country could benefit from foreign exchange component to minimize persistent depreciation of the local currency (Cedi). There is an urgent need to enhance the linkage between money transfer companies, Fintech companies and the rural bank network to track and trace the foreign exchange components of the inward remittances. Bank of Ghana must ensure total compliance with the Foreign Exchange Act 2006 Act 723, AML Act 2020 Act 1044 and Anti-Terrorism Amendment Act 2014 Act 875 to ensure the continuous remittance flows to support the foreign exchange. Inward remittances remain a stable and sustainable source of foreign exchange earnings too huge to be ignored because inward remittances have contributed the country's foreign exchange more than cocoa and surrendered gold proceeds over the past decade.

Its benefits far outweigh the few disadvantages that have been pointed out. On the whole, remittances could salvage a whole family, community, or economy if used for the right purposes. Being able to correctly identify the channels through which remittances flow and converting them to productive uses through formalization of remittances and proper financial literacy could boost the economy and must therefore be pursued vigorously. This implies that regulatory agencies must also work together to achieve harmonization in recording remittances. It is my hope that this paper would have contributed to that in a small way. Bank of Ghana must that there is a total compliance with the Foreign Exchange Act 2006 Act 723 where the authorized dealer commercial banks are required to handle the inward and out bound remittances.

9. Recommendations

The study particularly highlighted the severe quality problems with the current remittance estimations and also revealed the weak methodological foundations of the current estimates, which resulted in the under-reporting of inward remittances for Ghana. Going forward, it is important to look at key issues that will address the current weakness and also improve the data on remittances in the future to improve the country's current account deficits.

First, Bank of Ghana must strengthen its procedures and processes of the capturing global inward remittance data collection and analysis (including an assessment of the World Bank yearly remittance aggregates) to improve on remittance data and the need for Bank of Ghana adopting specific practical guidance on data sources and compilation methods to improve on the existing methodology to address the discrepancies between Bank of Ghana data and World Bank inward remittance data. The adequacy of practical compilation guidance concerns compilers, who, as a result, often produce data that is more credible than other balance of payments components.

Second, the Ministry of Finance and Bank of Ghana must ensure the MTCs and Fintech companies in the international remittances space reimburse Bank of Ghana's Nostro-Accounts or authorized dealer commercial bank with all foreign exchange components of all foreign exchange accrued as it was previously done in the early 2000s and also in compliance with Foreign Exchange Act 2006 Act 723. Foreign exchange from international remittances, for instance, could help to reduce the current account deficit and also help to stabilize the local currency against major trading currencies like US$, Euro and UK Pound Sterling. The Bank of Ghana should be prepared to reconcile the Nostro Accounts of all MTC and Fintech companies. Bank of Ghana should commission some of the international audit firms to conduct forensic audit on all MTC and Fintech companies. In other emerging economies like Sri Lanka, Bangladesh and Pakistan, remittances have been a key pillars of foreign currency earnings providing a substantial cushion against the widening trade deficit and thereby enhancing the external sector resilience of the country. Being a major source of foreign exchange earnings, workers' remittances have covered around 80 per cent of the annual trade deficit, on average, over the past two decades, MTOs and Fintech companies are required to report to central banks. Moreover, unlike many merchandise export categories, there is no import content involved in this source of foreign exchange earnings. Therefore, strengthening remittance inflows to the country brings several macroeconomic and socioeconomic benefits, mainly narrowing of the current account deficit of Balance of Payments (BOP), support economic growth, improve forex liquidity in the banking system, alleviation of poverty, income disparities and regional disparities, and, reducing the fiscal burden on social security payments.

Bank of Ghana must commission external audit firms conduct forensic audit on the MTOs and Fintech companies' Nostro-accounts that are benefitting from foreign currencies as against the Foreign Exchange Act 2006 Act 723. Banks are recognized as the main providers of international remittance services in Ghana in the Foreign Exchange Act 2006 (Act 723). • Act 723 sets out Ghana's foreign exchange regime, specifying that all inward or outward payments of foreign currency must be made by a bank or authorized dealer. • In order to operate in the market, all remittance providers must partner with a bank and use the daily interbank exchange rates published by the Bank of Ghana. • The Act prohibits non-bank entities from sending remittance out of Ghana

Third, the Ministry of Finance, Minister of Foreign Affairs and Regional Integration, and Bank of Ghana, together with their development partners like World Bank, need to come to a judgment as to whether or not remittances are likely to be a permanent phenomenon in Ghana's Balance of Payments (BoPs). Drawing on the experience of other countries which have managed significant inflows of remittances (Bangladesh, El Salvador, Jordan) could be an important starting point. Also, conducting a comprehensive survey to assess the actual scale of remittances and labor migration would help the authorities to develop a well-defined strategy to maximize the benefits of remittances while minimizing any negative repercussions

Fourth, to capture the size of the flows appropriately, the compilation of remittances requires the use of multiple data sources. It is however important to note that improving data on remittances has cost implications depending on the channel to be used. Hence, compilers should identify a channel that is deemed reliable and expand over time to include other methodologies.

Conflicts of Interest

The author declares no conflicts of interest regarding the publication of this paper.

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