

Formalizing Ghana's Informal Economy

A Bottom-Up Approach to Expanding Professional Accounting Services

New High-Value Advisory Markets for Chartered Accountants

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Presentation Outline

- A short review of Ghana's Informal Economy versus the Formal Economy. Is this a problem or an opportunity?
- The Opportunity at the Bottom of the Pyramid
- The Solution Framework
- The business case and ICAG's role in turning this opportunity into action.
- Questions and Discussion

The Hard Truth & The Big Opportunity

The Ghanaian Reality

- **80%+** of Ghana's economy is informal (ILO/ISSER)
- A large percentage of SMEs do not keep proper financial records
- Result: Tax leakage, no credit access, business stagnation
- A low growth formal economy

We are not asking CAs to be bookkeepers.

We are asking CAs to be **architects of formalization.**

The Opportunity

- Ghana's informal SMEs are not failing businesses —
- They are **pre-formal enterprises** with real customers, real revenue, and real potential to scale.
- What holds them back is not ambition, but structure: basic financial systems, internal controls, reliable records, and credible reporting that can unlock trust and growth.
- These are exactly the capabilities Chartered Accountants bring — turning scattered operations into bankable, investable, and tax-compliant businesses.

Targeting Growth: Informal vs. Formal Enterprises

Our focus isn't on micro-enterprises at the very base, but on the engine of Ghana's economy: the high-potential informal SMEs ready for formalization.

Informal SMEs (High-Growth Potential)

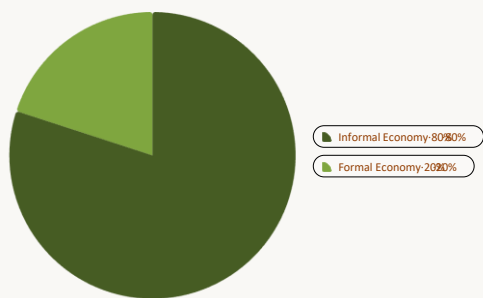
- Often **unregistered**, cash-based operations.
- Lack **structured financial records** (ledgers, formal statements).
- Limited or **no access to formal credit** or institutional investment.
- Operate with **established customer bases** and revenue streams.
- Examples: Importers, real estate businesses, emerging service providers, small-scale processors, agribusinesses, exporters, entertainment, education, etc, etc

Formal Sector Businesses (Established)

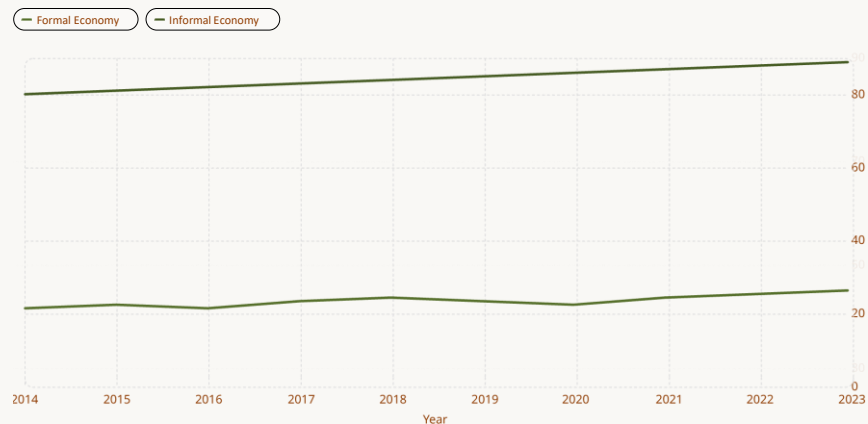
- **Legally registered**, fully tax-compliant entities.
- Maintain **audited financial statements** and internal controls.
- Regular access to significant **bank loans**, equity financing, and lines of credit etc.
- Operate with clear **corporate governance** and management structures.
- Examples: Large corporations, established banks, professional services firms, manufacturing companies.

Informal vs. Formal: Size & Growth

Ghana's economic landscape is heavily influenced by its informal sector, a reality that presents both challenges and unparalleled opportunities for structured growth.



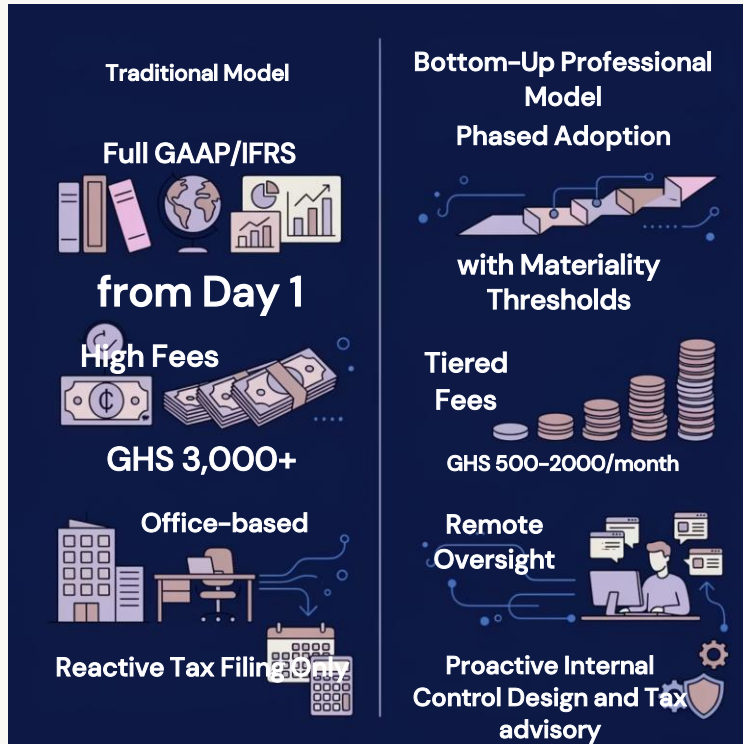
The informal sector dominates, accounting for over 80% of Ghana's economic activity.



Growth trends over the last decade show the informal sector continuing its upward trajectory, while the formal sector struggles for significant expansion.


This persistent imbalance highlights the urgent need for strategies to formalize and integrate these businesses, unlocking their full potential and expanding the tax base.

Why Traditional Approaches Don't Work



The Professional's Role

- Design the system.
- Deploy a shared accounting software
- Train a junior person
- or use digital tools for data capture.

 You review, certify, and advise — not necessarily record.

The Bottom of the Pyramid

- **C.K. Prahalad's BoP idea:** the 4+ billion people living on less than \$8/day are not a burden — they are an enormous, underserved market. (Book: The Fortune at the Bottom of the The Pyramid)
- At the top: a small wealthy formal economy. In the middle: an emerging middle class. At the base: the vast majority — informal workers, micro-traders, and small enterprises with real economic activity but no formal structure.
- **M-PESA (Kenya):** built for the unbanked base of the pyramid — now processes more transactions than the formal banking system.
- **Grameen Bank (Bangladesh):** proved informal entrepreneurs with no collateral are creditworthy and commercially viable.
- **Ghana:** MTN's Momo contributed to 24+% of profits - 2nd largest Revenue driver.

Informal SMEs sit squarely at this base. They are not too poor to serve — they are too underserved to grow. That is the CA opportunity.

What "Bottom-Up" Really Means for CAs

✗ NOT:

- Sitting in a shop/market reconciling inventory
- Doing daily data entry
- Dealing with micro sales, or petty businesses

✓ IS:

- Designing charts of accounts for informal sectors
- Setting up systems - segregation of duties
- Implementing remote reconciliation via mobile money Application Programming Interface (APIs)
- Providing management advisory on pricing and working capital, and business operating models
- Developing sector specific business models
- Preparing audit-ready special purpose financial statements

✓ We raise the floor, not lower the bar. Professional standards — scaled appropriately.

The 3-Tier Model

Tier 1: Systems Design

Startups & micro (turnover <GHS 200k)

Design simple controls; train 1 non-accountant; monthly review

GHS 500–800/mo ·

Tier 2: Assurance & Compliance

Small enterprises formalizing (GHS 200k–5M)

IFRS for SMEs; tax planning; quarterly management accounts

GHS 1,000–2,500/mo ·

Tier 3: Strategic Advisory

Growth stage (GHS 5M +)

Annual audit; board advisory; loan application support; contract bidding support, business plan development, Growth strategy, etc

GHS 3,000–5,000/mo ·

Data capture is handled by client staff or low-cost digital tools. The CA does **quality assurance, reporting and strategic oversight.**

Strategy 1: Standardized Systems for Informal Clusters/Sectors

Develop **industry-specific accounting templates and control matrices** for informal sectors (spare parts, transport, agro-processing, construction) — sold as a packaged product.

1 **Setup Fee:**
Customized chart of accounts, control procedures, and staff training manual

2 **Monthly Monitoring: GHS 500–1,500**
Remote review of digital records, exception reporting, and advisory call

3 **Annual reporting and filing, etc:**

Each CA can manage **20–30 clients simultaneously** — the system runs itself. Preferably within a cluster. This may lead to cluster specialists

Strategy 2: Credit Readiness as a CA Service Line

The Problem

Banks are cautious to lend to informal businesses without verifiable financial records. Lending is limited.

The Value

Fee: **GHS 12,000–24,000** for 12 months or
= GHS 1,000 –2,000/month for **under 10 hours of CA time**



Junior staff handle data work.
CA provides oversight and certification.

Nigeria: "Bankable Business" Programme

The Solution

A consortium of CAs developed a standardized "**SME Financial Fitness Pack**" — rigorous, audit-ready, accepted by **14 Nigerian banks**. Each CA oversaw 15–20 SMEs; junior analysts handled data aggregation.

Results for Accountants

- **500+ CAs** gained retainer clients at **GHS 1,500–3,000/month**
- Banks now refer SMEs to the CA directory before approving loans

Lesson: Partner with Master Card Foundation, NIB, ADB, etc to become their pre-approved SME accounting advisor.

Kenya: "Accountant-in-a-Box" by ICPAK & Safaricom

The Solution

ICPAK partnered with M-PESA to create a cloud API pulling mobile money data into a GAAP-compliant engine.

CA role: onboard (2 hrs), review statements, quarterly management reporting (3 hrs).

Results

- **2,000+ CAs** serve **40,000+ SMEs**
- GHS 400–750/month for **under 5 hours** of CA time
- CA incomes up **34%** within 18 months

📌 Lesson: Technology is a lever. Let the API record. The CA interprets, advises, and certifies.

What the Case Studies Prove

"This is too rudimentary for me."

CAs never touched daily receipts. Junior staff or APIs did capture. CAs did systems design, review, and advisory.

"Fees will be too low."

Nigerian CAs earned GHS 1,500–3,000/client/month. Kenyan CAs earned GHS 400–750 for under 5 hours — excellent effective hourly rate.

"This isn't real accounting."

Both frameworks were bank-approved and audit-ready — simplified but rigorous, not a dilution of standards.

"I don't want to dealing with market women."

Target SMEs (GHS 200k–5M turnover) — exactly where CA skills are most valuable and scarce.

Skills CAs Need



Systems Design

Designing controls when the client has no finance department



Digital Tool & API Integration

Choosing the right receipt app or MoMo API and connecting it



Advisory Communication

Explaining financial insights to non-finance business owners



Delegation & Supervision

Training and overseeing junior accountants or client staff



ICAG's Role: Project Owner & Market Maker

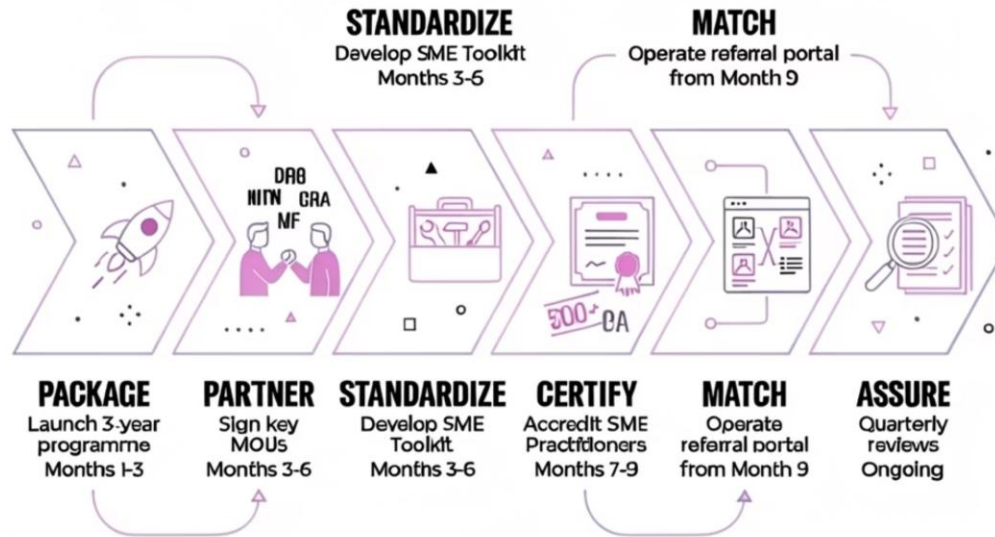
Individual CAs cannot build this market alone. ICAG must build it for them.

Why Individual Action Fails

- One CA has no negotiating power with banks or telcos or government agencies
- Fragmented quality damages the profession's reputation
- Development partners cannot fund 1,000 individual CAs

What ICAG Gains

- **Possibility of** annual programme revenue
- Becomes the gateway to SME formalization in Ghana
- Tangible member value beyond CPD



What Members Gain from ICAG's Programme



API Access

Pre-negotiated mobile money API access



Bank/Business Partner Referrals

Pipeline of pre-qualified SME clients from partner banks or DPs or Government interventions



SME Toolkit

Standardized, approved templates and engagement letters



ICAG Brand Backing

Quality assurance and professional credibility

What are the Next Steps to take this off the ground:

1 Put in place a feasibility taskforce

2 Exploratory talks with MTN MoMo, and Mastercard Foundation, etc

3 Undertake member survey to validate levels of interest

ICAG becomes a Market Builder

Old Thinking – Member Value

"ICAG issues certificates and holds CPD events."

Nigeria Proved

A consortium of CAs can become the quality gateway to SME lending.

Kenya Proved

An institute can partner with a telco to deliver GAAP-compliant accounting at scale.

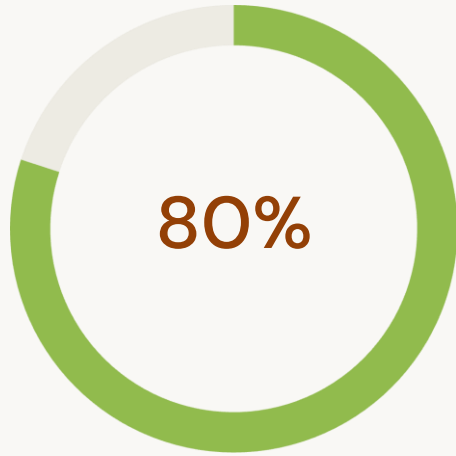
Ghana's Moment

ICAG is uniquely positioned to turn the informal economy into the largest new source of CA client engagements in a generation.

New Thinking – Member Value

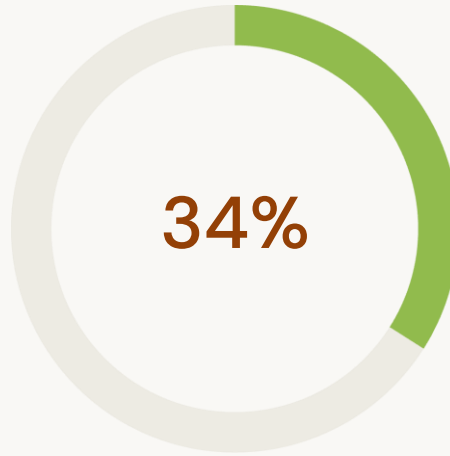
"ICAG builds markets for its members."

The Revenue Opportunity at Scale



Informal Economy

Share of Ghana's economy that is currently informal



Income Growth

Average CA income increase in Kenya within 18 months



Time Efficiency

Under 5 hrs/month per client in the Kenyan model

500 accredited ICAG practitioners × 20 clients each = **10,000 newly formalized SMEs** and a transformed profession.

A Professional Market In Waiting

The Opportunity

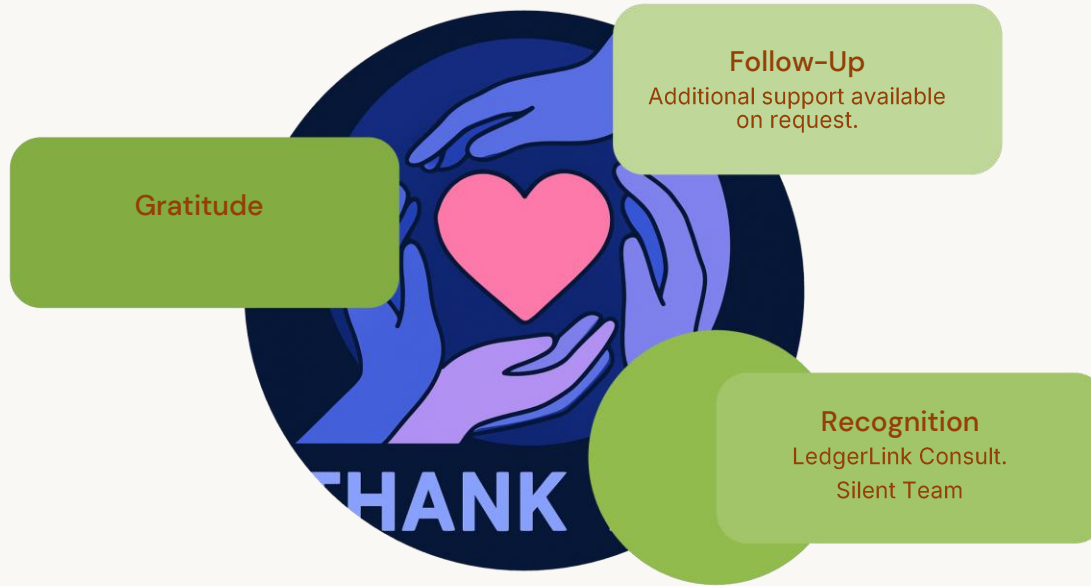
Ghana's informal economy — the largest untapped CA market in a generation

The Model

Proven in Nigeria and Kenya. Ready to scale in Ghana with ICAG leadership.

Your Role

Architect of formalization. Strategic advisor. Premium professional.



Questions and Discussions



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