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Economic Development*

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Abstract

This study examined the increasing investment of India in Ghana from 2020 to 2023 and its impact on Ghana's economic growth. The study highlighted the total investment of US\$ 238.84 million by Indian entities during this period, resulting in the registration of 69 projects. The data, primarily sourced from the Ghana Investment Promotion Centre (GIPC), illustrated the fluctuating yet substantial involvement of Indian businesses in Ghana. Notable peaks in investment and project registrations occurred in 2021, with a significant entity such as Star Cement Limited. The study underscored the critical role of investment in enhancing Ghana's economic development. The findings suggested that Ghana's favorable investment climate and its robust economic policies, continues to attract substantial Indian investment. This study concluded with recommendations for Ghana to diversify its economy, strengthen investment promotion strategies, facilitate market access for foreign investors, and encourage public-private partnerships to sustain and further boost foreign investments.

Keywords: Investments, Growth, Projects, Economy

Introduction

African countries are making concerted efforts to create environments conducive to foreign investment by implementing proactive measures and denationalization programs aimed at strengthening their national economies through income diversification and sustainable development (Frimpong, 2012; Ayttey, 2010). In recent years, these resolutions, along with factors such as high commodity prices, have proven fruitful (Frimpong, 2012; Bwalya, 2006). Investment is a key driver of financial growth and prosperity for individuals, institutions, and countries, aiming to achieve sustainable future revenues and enhance long-term economic development (Kasekende, 2008). Consequently, the emerging opportunities brought about by globalization in the infrastructure sector have made international projects commonplace in Africa (Frimpong & Osei, 2013; Ngowi, 2001). By embracing these opportunities, African nations are positioning themselves as competitive players in the global market, fostering economic resilience and growth.

Characterization of Ghanaian Economy

Before independence, the role of the government in Ghana was primarily limited to providing basic utilities such as electricity, railways, water, postal services, and road. The sectors of the economy which include commerce, agriculture and construction were practically in the hands of private individuals and institutions, with non-native interests administering the substantial portion in all of them with the exception of agriculture (Owusu-Ansah, 2019). Later, the government took control of the economy

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through the establishment of publicly owned corporations in construction and agriculture. Programmes were initiated by the government to attract foreign investors to operate autonomously or through partnership with the government in order to overcome the local drought of skills in terms of entrepreneurial and capital. This is because local investment though links in the production chain can increase through the stimulation of domestic investment especially when non-native institutions purchase locally-manufactured inputs or non-native institutions supply transitional inputs to local institutions (De Mellor Jr., 1997).

The main sectors of Ghana's economy include agriculture, minerals, manufacturing, and finance. Agriculture, which employs a significant portion of the population, is a major contributor to the national income. Cocoa beans are cultivated on more than one-half of Ghana's productive land which significantly contributes to the country's export revenue. In 2021, Ghana received USD 2.85 billion from cocoa product exports, accounting for about 19% of total export revenue (GIPC, 2021). Ghana, renowned for its high-grade sun-dried cocoa, is known to be one of the dominant producers of cocoa in the world (Arthur, 2022). In addition to cocoa, Ghana is a significant producer of cassava, yams, plantains, maize, rice paddy, oil palm, oranges, pineapples, groundnuts, and coconuts. Cassava is particularly important, with Ghana being the fourth-largest producer globally in 2020, with 22 million tonnes (GIPC, 2020). The country also ranks second in yam production worldwide, with 8.5 million tonnes produced in 2020 (GIPC, 2020). Despite substantial local production, Ghana imports large quantities of rice paddy, wheat, soybeans, shea nuts, malt, apples, garlic, and tomatoes to meet domestic demand (GIPC, 2020). Timber is another key export product for Ghana. The export of primary timber products has shown an increase in quantity, with foreign exchange earnings rising from USD 7.5 million in 2019 to USD 13.4 million as of September 2021 (GIPC, 2021). This growth underscores the sector's potential for contributing to the country's economic stability (Adomako, 2021).

Manufacturing in Ghana has evolved significantly since independence, driven by various government industrialization policies. These policies have led to the establishment of a wide range of industries producing beverages, clothes, food, tobacco, textiles, metals, wood products, pharmaceuticals, and footwear. The sector contributed GHS 42 billion to Ghana's GDP in 2020, increasing to GHS 49 billion in 2021 (GIPC, 2021). This growth highlights the sector's resilience and potential for further expansion (Anaman & Osei-Amponsah, 2021).

Ghana's rich mineral resources, including gold, manganese, iron ore, diamonds, limestone, bauxite, quartz, copper, and nickel, have historically attracted substantial investment (Basu & Srinivasan, 2002). The mining industry is dominated by external players with the government holding 10% carried interests and this industry has been a significant contributor to the economy. From 2018 to 2020, the sector consistently contributed above 7% of GDP, although it dropped to 5% in 2021 due to reduced production of gold and bauxite (GIPC, 2021). Despite this decline, the sector remains vital, with gold production in 2021 making Ghana the leading producer in Africa, outmatching South Africa with the production of 129 tonnes and accounting for nearly 96% of the mining export revenue of the country in 2021 (GIPC, 2021). The bauxite industry, dating back to 1914, saw its principal production with 1.1 million metric tonnes in 2017, despite global market challenges (GIPC, 2017). Manganese production is another critical area, with Ghana being the sixth-largest producer globally, contributing 3.2% to global production (GIPC, 2021). These minerals not only boost export revenue but also enhance the industrial base, promoting economic diversification (Osei & Amankwah, 2021).

The financial sector in Ghana, comprising domestic and international banks, insurance providers, asset managers, and a stock exchange, shows a promising outlook. Positive economic and demographic trends support an expanding and increasingly affluent consumer base. The financial sector contributed 3.7% to GDP in 2021 (GIPC, 2021). Deposits from financial institutions have driven total asset funding, showing strong growth of 16.7%, increasing from GHS 103.8 billion in 2020 to GHS 121.1 billion in 2021 (GIPC, 2021). This growth reflects the sector's robust performance and its critical role in economic stability (Agyapong, 2021).

Overall, the Ghanaian economy is characterized by diverse sectors, each contributing significantly to national income and employment. Agriculture remains a cornerstone, with substantial contributions from cocoa, cassava, and yam production. The manufacturing sector, driven by government policies, continues to expand, while the mining industry, despite recent declines, remains a major economic driver. The financial sector, supported by positive economic trends, is poised for further growth. This diverse economic base positions Ghana for sustained growth and development in the coming years (Boakye, 2021).

Investments of India in Africa

Rapid economic growth and abundant natural resources are the main reasons Africa is now recognized as a prime target for investments. The continent is currently the third-fastest growing microeconomic

region widely, with an urbanization rate surpassing that of an Asia country like India. Gabriele et al. (2000) highlighted that African countries are adopting diverse strategies to mobilize development finance, which has contributed to a substantial expansion in investments across various sectors. The investments of India in Africa have notably surged in recent years, with Indian multinational enterprises (MNEs) now operating in sectors such as energy, mining, telecommunications, and IT-enabled services (Bhattacharya and Patel, 2019; Mukherjee, 2021).

From the perspective of Indians, the leading sectors for investments in Africa include medicaments, infrastructure, agriculture, automobiles, financial services, energy, computer technology, and textiles (Singh, 2018). Indian firms often acquire established businesses in Africa and tend to be less vertically integrated, opting to purchase local supplies or from international markets while selling to private African companies (Das and Gupta, 2020). The growing energy needs of India have driven it towards energy alliance with African countries, seeking raw materials and energy sources (Sharma, 2017). However, Indian exporters and importers face several challenges in Africa, including high transport and logistics costs, an unfavourable business environment, corrupt practices, and limited access to trade finance (Kumar, 2019). Addressing these challenges is crucial for enhancing the trade and investment relationship between India and Africa.

Indian Investments in Ghana

India has been providing significant aids through grants and lines of credit (LOC) which have been instrumental in promoting Ghana's economic development. To date, approximately US\$ 450 million in grants and lines of credit have been extended by India to Ghana for various developmental projects. These include India-Ghana Kofi Annan Centre of Excellence for Information and Communication Technology (2003), Rural Electrification Project (2003), Jubilee House Presidential Complex (2008), Elmina Fish Processing Plant (2016), and Komenda Sugar Plant (2016). In March 2023, the Foreign Service Training Institute, constructed with partial funding of a US\$ 5 million lines of credit, was completed and handed over to the Foreign Office. In 2016, a grant aid of US\$ 1 million was made available to upgrade India-Ghana Kofi Annan Information and Communication Technology Centre, and another US\$ 1 million grant was allocated for the rehabilitation of the Jubilee House Presidential Complex in 2017. In addition to LoCs, India has extended significant financial assistance through Buyers' Credit. Notable loans under Buyers' Credit include US\$ 158.62 million for the Tamale-Walewale Road Project, US\$ 398.33 million for the Tema-Akosombo railway line and US\$ 24.98 million for establishing an assembly plant for agricultural machinery. These financial contributions have

been pivotal in enhancing Ghana's infrastructure and economic development. On the other hand, capacity development is a cornerstone of bilateral cooperation between India and Ghana. Ghana has benefited immensely from India's support in human capital development through the Indian Council for Cultural Relations (ICCR) and Indian Technical and Economic Cooperation (ITEC) scholarships and specialized training programs under India Africa Forum Summit decisions. This cooperation has facilitated the development of a skilled workforce in Ghana, contributing to various sectors of the economy.

India is among the top trading partners of Ghana and has continued to export products to the Ghanaian market. Among the notable exports from India to Ghana include medicaments, transport vehicles, agricultural gadgets, cereals, electrical appliances, iron and steel, polymerized substances, and ethyl alcohol beverages. Additionally, there has been a significant increase in investments by Indian companies in Ghana through the exchange of business envoys in recent years. Notable companies from India such as Ashok Leyland, Escorts, Mahindra and Mahindra, Larson and Toubro, Shapoorji Pallonji and Tata, along with a few pharmaceutical industries, have established a strong existence in Ghana. These investments span diverse sectors, positioning India as one of Ghana's leading investment partners.

Methodology

Data for this paper was primarily collected through secondary sources, notably from the Ghana Investment Promotion Center (GIPC) between 2020 and 2023, alongside other published literature (GIPC, 2021; GIPC, 2023). The GIPC serves as the main agency for attracting and promoting investment in Ghana (Mensah, 2022). Its core mandate is to ensure that Ghana remains a leading destination for investment, emphasizing the safety and profitability of investments within a dynamic economic environment (GIPC, 2022). As the primary liaison for foreign investors, GIPC offers a range of services designed to help global companies capitalize on investment opportunities in Ghana.

Results and Discussions

The Value of Indian Investments in Ghana

The data below illustrates the value of investments of India in Ghana, measured in US Dollars (US\$), from 2020 to 2023. The cumulative investment over this period amounted to US\$ 238.84 million. Specifically, in 2020, the investment was US\$ 34.59 million, which surged to US\$ 93.84 million in 2021. However, investment declined to US\$ 32.48 million in 2022 before rising again to US\$ 77.93

million in 2023. As depicted in Figure 3.1, 2021 saw the peak investment, while 2022 experienced the lowest. The data indicates a sustained trend of Indian investment in Ghana's economy over the four years analyzed.

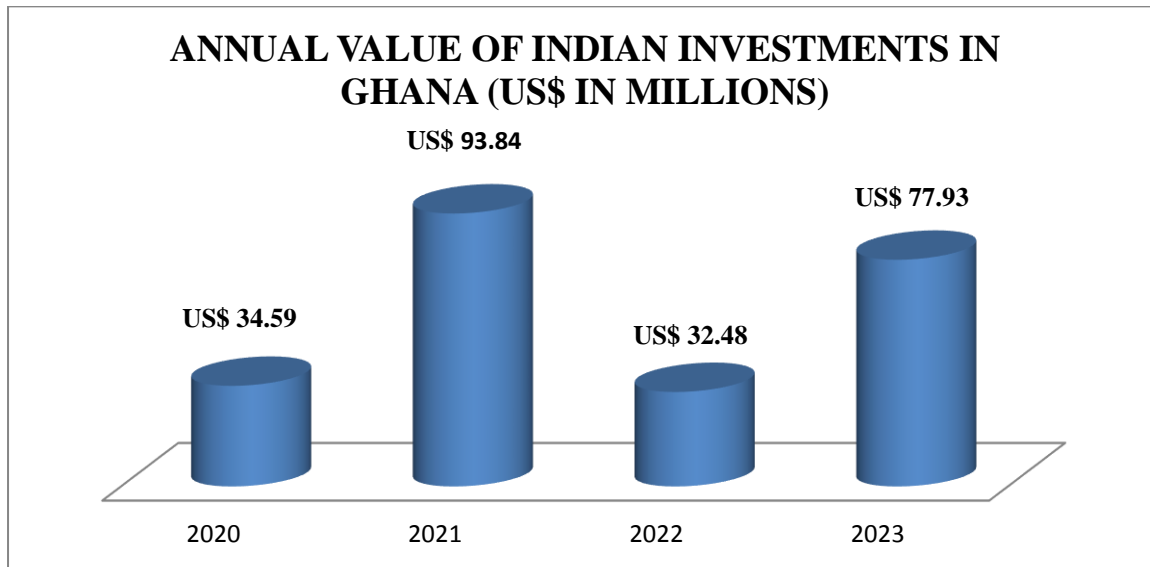


Figure 3.1: Annual Value of Indian Investments in Ghana from 2020 – 2023

Registered Number of Projects by India in Ghana

The figure below illustrates the number of projects registered by India in Ghana from 2020 to 2023. During this period, a total of 69 projects were registered. In 2020, 10 projects (15%) were registered by Indian entities, including notable ventures such as Ghana Steels Company and Matrix Industries. The year 2021 saw a significant increase with 25 projects (36%) registered, among which Star Cement Limited and Crumb Processing Ghana Limited were prominent. In 2022, there were 21 projects (30%) registered, with RMS GPT Ghana Limited and Regal Exim Limited being notable. However, the number of registered projects declined to 13 (19%) in 2023. As depicted in Figure 3.2, the peak of Indian project registrations in Ghana occurred in 2021, while the lowest number was recorded in 2020. This data underscores the fluctuating yet substantial involvement of Indian businesses in Ghana over the specified timeframe.

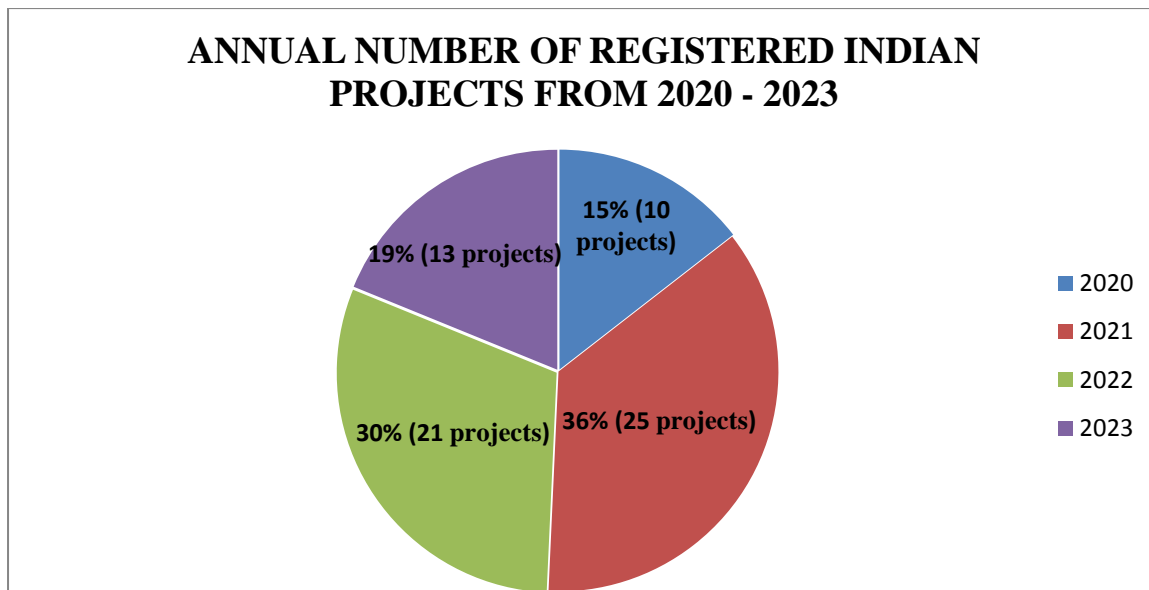


Figure 3.2: Annual Number of Registered Indian Projects from 2020 – 2023

Conclusions, Recommendations and Policy Implications

Over the years, Indian investments in Ghana's economy have consistently increased. Ghana's business-friendly environment, robust economy, and abundant natural resources continue to attract foreign investments, particularly from India. The scope and expansion of an economy are significant determinants of investment inflows (Morisset, 2000; Bende-Nabende, 2002; Obwona, 2002). Consequently, Ghana's rapid economic growth and substantial population present it as an emerging consumer market attractive to foreign investors. Continuous investments from India have significantly fostered Ghana's economic growth and development. These financial inflows have supported various developmental projects and initiatives nationwide. Therefore, Ghana's economy must continue to enhance its investment-friendly policies and economic attractiveness to draw more foreign investments, further boosting the country's economic growth.

Recommendations

Enhance Economic Diversification: To mitigate the fluctuation in investment, the Government of Ghana should prioritize diversifying the economy by promoting sectors beyond traditional industries like agriculture and mining. Encouraging investments in technology, renewable energy, and manufacturing can create more stability and attract sustained investments from India and other countries.

Strengthen Investment Promotion Strategies: The Ghana Investment Promotion Centre (GIPC) should enhance its efforts to attract Indian investments by organizing targeted promotional activities in India. This could include investment forums, business delegations, and strategic partnerships with Indian industry bodies to highlight Ghana's investment opportunities and incentives.

Implement Stable and Transparent Policies: Consistency and transparency in investment-related policies are crucial for maintaining investor confidence. The Ghanaian government should ensure that investment policies are stable, clear, and consistently enforced. This will help in reducing uncertainties and foster a more favourable investment climate for Indian businesses.

Facilitate Access to Local Markets: The Ghanaian government should work on improving market access for Indian businesses. This includes reducing bureaucratic hurdles and providing more streamlined processes for business registration and operation. Simplifying these procedures can encourage more Indian companies to set up operations in Ghana.

Encourage Public-Private Partnerships (PPPs): To leverage Indian investment for infrastructural and industrial development, Ghana should actively promote Public-Private Partnerships. These partnerships can help in sharing risks and benefits, thereby attracting more Indian companies willing to invest in large-scale projects.

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