E-BUSINESS IN THE GHANAIAN TOURISM INDUSTRY

Robert Ebo Hinson

Abstract

Purpose: Ghana's tourism sector is hypothesized to be a major economic growth catalyst. The role of e-business in improving the fortunes of Ghana's tourism sector cannot be overemphasized. This exploratory study sought to generate a preliminary understanding of the benefits of e-business to tourism firms in Ghana and also to ascertain the commitment of top management to e-business development in Ghanaian tourism firms.

Design/Methodology/Approach: The study was exploratory and adopted a small scale survey approach. Data was collected by final year undergraduate students in the University of Ghana Business School from 60 tourism firms in Ghana. Presentation of findings is by simple descriptive statistics.

Findings: The Research revealed that 56% of Managing Directors of Ghanaian tourism organizations are e-business champions. Advantages of e-business to tourism firms are distributed nearly proportionately across various firms' improvement parameters such as improvement in marketing management (14%) as well as improvement in process management (13%). Also reported were improvements in marketing communications (12%), human resource management (10%), as well as improvement in distribution (9%). Other benefits reported were improved logistics management (8%), efficient financial management (8%) as well as e-scouting (4%).

Research Implications: This study is the first in a series of studies that will investigate website use, Internet use, and e-commerce usage in Ghanaian tourism firms. This first study, therefore, provides some basis for hypothesis formulation in the upcoming studies alluded to earlier.

Limitations: The Study is exploratory and therefore does not make any generalisable claims. It is only useful as an initial eye-opener to e-business issues in Ghana's tourism sector.

You are not here merely to make a living. You are here in order to enable the world to live more amply, with greater vision, with a finer spirit of hope and achievement. You are here to enrich the world, and you impoverish yourself if you forget the errand.

Woodrow Wilson
Originality/Value: One of the few studies focussing on e-business adoption in the tourism sector in West Africa, in spite of the growing importance of the tourism sector.

Introduction

E-Business in the Global Tourism Sector

Tourism is one of the fastest growing industries the world over. According to the UNWTO (2007), Africa has, for two years in a row, been voted the fastest growing continent for tourism. In the past 30 years, the tourism industry has been influenced by three major waves of information and communication technology (ICT): the Airlines Computer Reservation System (CRS) in the 1970s, the Global Distribution System (GDS) in the 1980s, and the Internet from the mid 1990s onwards. The latter, in fact, seems to have had the strongest impact on the tourism sector. ICT and Internet usage research in respect of the tourism industry has been conducted from user perspectives (Law, Leung and Wong, 2004); and from tourism provider perspectives (Raymond 2001, Ancker and Walden 2001, Buhalis and Main, 1998).

It would seem that the tourism industry has been fairly proactive regarding the adoption of new technologies (e.g. global distribution systems). Recent advances in telecommunications, networking databases, data processing, and electronic marketing provide many new opportunities for tourism business and are significantly impacting on traditional tourism business models. The use of information and communications technology (ICT) adds value to tourism services and products and supports the development of industry networks and clusters. ICT/E-business has the ability to impact the whole tourism value chain (e.g. information on destination, accommodation, transportation, package tours and services) and affect process management and service delivery in the global tourism sector.

The adoption of ICT in the tourism industry is transforming the role played by tourism actors such as travel agents, tour operators, conference organizers, booking agents, etc. ICT systems provide detailed up-to-date information on the availability and prices of products and could also contribute to increased sales volume and profits. The application of ICT in the tourism industry is inevitably leading to a process of disintermediation and contributing to industry restructuring and innovation. This paper sets out to explore in a preliminary fashion, the uses to which players in Ghana's tourism sector are putting e-business/ICT.

The first section of the paper highlights the utmost importance of e-business in the global tourism sector, whilst the second section of the paper stresses the increasing pivotal role of tourism in improving the economic fortunes of Africa. Section three of the paper discusses the potential for e-business development in Ghana's tourism sector. Section four of the paper dwells on management commitment and benefits of e-business usage for tourism firms. Section five and six showcase the study objectives and methodology adopted for the study; whilst sections six and seven conclude out the paper appropriately with the presentation and discussion of the study findings, as well as indications for future research.

Tourism as an African and Ghanaian Growth Catalyst

All across the African continent, it would seem that tourism is perceived to be a major economic growth enabler. Countries like Kenya, Tanzania, The Gambia, Egypt and several other African countries have long thrived on the economic gains made from the tourist trade. The Sunday Times of South Africa (15th June, 2006) noted that that South African tourism industry saw a 19.7% year-on-year increase in the 2nd quarter of 2005 in total foreign direct spending. The same report noted that the South African government was targeting 7 million foreign visitors (tourists) in 2006; and more profoundly that while South African gold mines generate $5 billion in revenue, tourism generates $8 billion in revenues.

In a country like Ghana, there have been several announcements by policy makers on how Ghana intends to improve its international competitiveness and economic fortunes using tourism as a central catalyst. Tourism has been identified as one of the three most important socio-

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economic activities and the fastest growing sector of the economy. Tourism has become the largest 3rd foreign exchange earner for Ghana after the traditional exports of cocoa and gold. It contributes over 16% of annual total foreign exchange revenue. From 1992 to 2002 tourists arrivals in Ghana increased from 213,316 to 482,643 with a corresponding increase in receipts of 166 million US Dollars to 519.57 million US Dollars in 2002. Based on this trend, the Ministry of Tourism and Modernisation of the Capital City (MOTMCC) has projected tourists arrivals of 1 million with accompanying receipts of 1.5 billion US Dollars and 300,000 jobs to be created by 2007 under the Ghana Five-Year Tourism Action Plan. With the exception of a few multinational businesses in Ghana’s hotel sub-sector, and a few travel and tour agencies, all tourism enterprises in Ghana are small and medium sized enterprises (SMEs). The prevalence of SMEs in Ghana’s tourism sector is consistent with Dieke (2003) who observes that the African tourism sector is mainly populated by small and medium enterprises.

There are several examples of public and private sector initiatives in Africa that are specially geared towards attracting more tourists or visitors to Africa. In a pre-research chat with Pak Wo Shum, CEO of Travel King (Ghana’s leading corporate travel provider) he acknowledged the importance of tourism to Africa’s development and noted that one of the key success factors for companies operating in the tourism sector is the ability to incorporate electronic practices into the management of the tourism business. It is no secret that globally, the major players in the international tourism business are increasingly technology-based. They engage in a fair amount of electronic business in order to meet their corporate and strategic goals. E-business in the tourism sector is important because it has the potential of improving the productivity of firms operating in the tourism sector. Given the importance of e-business to Ghana’s tourism sector, the study seeks to investigate, in an exploratory fashion, issues surrounding e-business practices among Ghanaian tourism firms.

Tourism in Ghana and the potential for E-business development

For the purposes of this study, we will adopt the e-business definition of Hinson and Sorenson (2006). E-business in this study will therefore be taken to mean the “use of information and communications technologies in all activities of a firm both internally and in relation to its outside partners”. E-business is also defined by Hinson and Sorenson (2006) as “the application of information and communication technologies (in online and offline format) to execute or facilitate the execution of organisational functions like financial management, marketing management, strategy leverage, production management, information systems, logistic management, customer relationship management, and human resources management”.

The tourism industry in Ghana consists of many companies dabbling in various activities, ranging from tour operators to cafes and restaurants. The companies are SMEs and the types of enterprises that comprise the tourism industry are: tour operators, travel agents, tourist guide services, airlines, transportation bureaux, restaurants and cafes, hotels and guesthouses, museums, historical sites and buildings, sports and recreational sport services, nature reserve services, tourism education and training institutions, local tourist offices, and craft industries (European E-business Market Watch). It is important to note that even though these classifications are essentially European, they mirror the Ghanaian tourism situation. Within the discourse on the information society and the e-economy, ICTs are seen as major tools with the potential to fundamentally change business behavior and company strategies. The Internet has provided a new economic environment in which virtual business can be conducted. Many tourism businesses could develop their Internet capacities and benefit from the tremendous potential the Internet offers.

Management Commitment, Perceived Benefits, and E-business Usage

I.T. innovations are useful for the development of small tourism firms; the world over. E-business
adoption could lead to reduced costs and improved customer service. The problem with e-business adoption however is that in almost all cases, top management of small tourism firms may feel that the cost of implementing e-business is too high. Additionally, top management may also feel as if there is too huge a lag time between initial e-business investments and when e-business eventually pays off by means of improvements in organisation productivity.

Top management of tourism firms would normally comprise individuals with authority to make strategic decisions (Aghaunor and Fotoh 2006). Aghaunor and Fotoh (2006) further declare that top management could develop a clear cut e-business/e-commerce vision and cascade signals to every part of the organization about the importance of e-business/e-commerce adoption. IT innovations like e-business will be more likely to succeed if the political environment within the tourism firm has norms that are predisposed to change (Tolbert and Zucker, 1983). Additionally top management support has been identified as a key predicate in the acquisition and diffusion of innovations (Orilokowski, 1993). Top management involvement in understanding e-business issues is critical for the mobilization of an organisation's stakeholders in an e-business direction (Epstein, 2004).

Given the critical nature of top-management commitment to e-business development, one of the focal points of this research project is the investigation of top management commitment to e-business in Ghanaian tourism firms.

E-business/e-commerce deployment offers benefits to small firms in several ways. E-business is helping to foster productivity enhancement and cost reduction (Wenninger, 1999), higher customization (Choi and Winston, 2000), and improvements in organisation learning (Collins et al, 2003). The benefit of e-business to tourism businesses is an issue that has been reported on in contrasting terms, in the literature. Scholars like Braun (2004), Danielle and Mistilis (1999), and Hollick (2003) have noted that “despite all the benefits that can be achieved by ICT, many small and micro-tourism businesses have failed to embrace ICT and the Internet.”

On the converse, scholars like Collins et al (1993), Mitchell (2003), and Louvieris and Lockwood (2002) maintain that Internet access is on the rise amongst small tourism businesses; tourism businesses are using the internet and ICT for active learning. They believe that the use of online environments and flexible learning can boost opportunities for the development of e-commerce and e-business skills. Given the contrasting views of perceived benefits and usage of e-business amongst tourism firms, this paper has adopted as two of its main investigative parameters; the issues of perceived benefits of e-business and e-business usage levels.

The Research Gap and Study Objectives

The WTO in Africa Report, 1996-2003 (www.world-tourism.org) states on page 2 that:

“Africa, with an estimated 29 million arrivals in 2002 is expected to increase its market share from 2.5% to 5.0% by 2020, representing an increase of 48 million in absolute terms. It is therefore up to Africa to ride this upward trend and to maximize economic benefits of tourism by diversifying its tourism products and concentrating even more on developing ecotourism, multiplying community-based tourism development projects, and making better use of new information and communication technologies, which have become essential in today’s world.”

The importance of ICTs, e-business, e-commerce, and Internet applications in improving tourism productivity cannot be over emphasized. E-business and technology research carried out in respect of tourism has included work done in the United Kingdom (Wood 2001), United States (Tierney 2000), Taiwan (Wan, 2002), Canada (Hudson and Lang, 2001), and Greece (Vrana and Zafiropolous, 2006). Internet and e-business research that relates to the tourism industry has also been conducted from a strategic perspective research (Buhalis, 1998 and Baines, 1998) and from a value chain perspective (Wynne et al, 2001).

Research on e-business technology and Internet applications focussing specifically on West Africa
have dealt with the exporting sector (Hinson and Sorensen, 2006; Hinson 2005, Hinson and Abor, 2005), the education sector (Hinson and Amidu 2006, Hinson 2006) banking sector (Hinson, Ofori et al and Ayitiah, 2006; Hinson and Abor, 2004) and from e-commerce perspective (Saffu et al, 2006). Focussed research on e-business/online activities of African countries and African tourism operators has been carried out by scholars like Mzumbe 2005; Opoku and Hinson 2006, Ndayishimye and Habiya kare, 2005; Wagner and Van Belle, 2005. No research has been carried out to date that focuses on Internet/E-business practices in Ghana’s tourism sector; and therefore this exploratory study is positioned to begin to fill that gap.

The objectives of this study are therefore threefold:

(a) An ascertainment of the commitment of top management of tourism firms in Ghana to e-business.

(b) An ascertainment of the perceived e-business benefits from tourism in Ghana’s tourism industry.

(c) The level of e-business usage in Ghana’s tourism sector

Methodology

Given the exploratory nature of this research, a small scale quantitative research design was deemed appropriate for investigating the research issues under consideration. This research was concerned with obtaining preliminary insights into top management’s commitment to e-business and the perceived e-business benefits amongst tourism players in Ghana. We also investigated e-business usage levels amongst the tourism firms sampled for the study. The research exercise was focussed on generating initial insights for formulating hypothesis, for a national study or practices of Ghanaian tourism operators. In a pre-research chat with the officials of the Ministry of Tourism and Diaspora Relations in Ghana, it was revealed that the major contributors to Ghana’s tourism fortunes were tourism players from the hospitality industry (including hotels, guest houses, restaurants, etc), travel and tour establishments (including land tour agencies, travel agencies, car hire services, etc), and recreational establishments (including night clubs, theme parks, marine and water base recreational facilities etc). The objectives of the research were explained to the officials of the Ministry. Given the exploratory nature of the research, they were asked to recommend twenty firms each which are operating in these three tourism sectors identified and which are situated in the capital city of Accra. The reasons for limiting the respondents to Accra were informed by two main reasons:

1. It would have been a logistical nightmare to conduct a nation-wide study. Given the exploratory nature of this research, a nation-wide study was deemed superfluous.

2. This research was exploratory and therefore an Accra-based study would assist in generating new ideas about construct and measurement methods for a later quantitative oriented nation-wide study of e-business practices in Ghana’s tourism sector.

We adopted a convenience sampling technique.

In all, 60 tourism players were contacted to participate in the research. These 60 firms were equally chosen (20 each) from the hospitality, travel and tour, and recreational establishments. All 60 questionnaires were returned, of which 43 of them were deemed useable. The data collection instrument was a 50 item questionnaire which was designed in line with the research objectives of the study, namely:

(a) Benefits of e-business to tourism operators in Ghana

(b) Role of top management in facilitating e-business adoption by tourism operators in Ghana.

The questionnaire was pilot tested on 15 respondents (5 each from the hospitality; travel and tour; and recreational establishments). This was to ascertain the reliability as well as the generalisability of the instrument in use. Analysis of
results from the pilot study indicated that the coefficient (Cronbach) alpha reliability for the data collection instrument was .96. This confirmed that the instrument used to measure the attributes of interest were reliable. It also meant that the items in the data collection instrument were thoroughly understood by respondents and could measure the constructs under study. The generalisability of the instrument was therefore confirmed. A seven-point likert scale was adopted for the questionnaire with items ranging from strongly agree to strongly disagree.

Data collection was led by the researcher because he has considerable experience in Internet-related ICT, and e-business research issues. He was assisted by 30 final year (bachelor of science in administration) students at the University of Ghana Business School. The research assistants were schooled in the art of interviewing and data collection. To ensure the highest level of data integrity, we restricted the interviews to only marketing or ICT managers in the various tourism firms because in a pre-research screening, it was ascertained that they possessed the best ability to deal with issues of e-business adoption.

Presentation and Discussion of Findings

Tourism organisations in Ghana mainly employ between 1 and 10 employees. This represents 77% of the total range of employees across the various organisations. Only a few employ between 11 and 100 (14%) or 251-1,000 (9%) employees as presented in figure 1. Majority of the firms (77%) employ a maximum of 10 employees lending credence to the fact that a majority of the respondents firms were small firms. In small firms, the owner/managers wield tremendous amount of influence in deciding on major investment decisions. It was therefore decided to investigate the pre-disposition of top management/managing directors (of these small tourism firms) to e-business adoption and their willingness to commit resources to e-business development.

According to Table 1, top management of Ghanaian tourism organisations agree to e-business utilization (86.1%). Additionally, it appears top management have realized benefits in utilising e-business and have therefore supported e-business deployment initiatives. According to Table 2, 72.2% of top management in Ghanaian tourism firms agree to commit financial resources to e-business development.

<table>
<thead>
<tr>
<th>Table 1: Is Top management agreeable to e-business utilization?</th>
</tr>
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<tbody>
<tr>
<td><strong>Strongly agree</strong></td>
</tr>
<tr>
<td>--------------------</td>
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<tr>
<td>Frequency</td>
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<tr>
<td>Percent</td>
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</table>

<table>
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<tr>
<th>Table 2: Comment of Top Management to Devote/Commit Financial Resources to E-business Development</th>
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</thead>
<tbody>
<tr>
<td><strong>Strongly agree</strong></td>
</tr>
<tr>
<td>--------------------</td>
</tr>
<tr>
<td>Frequency</td>
</tr>
<tr>
<td>Percent</td>
</tr>
</tbody>
</table>

Figure 1: Size of Organisation by Employees
The effectiveness and success of any organisational policy is by far determined by the extent of top management commitment to the policy. According to Figure 2, 56% of Managing Directors of Ghanaian tourism organisations are champions of e-business. This was encouraging to the extent that this finding could provide a basis for total e-business use by these firms in the near future. Most of these organisations have no policy document on e-business. According to Table 3, only 18.6% have a written policy on e-business. However, it is hoped that management of these tourism firms will push towards institutionalizing e-business by beginning to develop policies to guide organization-wide e-business deployment and use. This finding about the importance of ICT/e-business for Ghanaian tourism firms is inconsistent with Law and Jorganathan (2005). They found in a study of IT applications in Hong Kong hotels that “hotel decision makers do not seem to realize the importance of IT for the purpose of developing business strategies.”

Table 3: Does a Written E-business Policy Exist in Your Organisation?

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
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<tbody>
<tr>
<td>Yes</td>
<td>8</td>
<td>18.6</td>
</tr>
<tr>
<td>No</td>
<td>35</td>
<td>81.4</td>
</tr>
<tr>
<td>Total</td>
<td>43</td>
<td>100</td>
</tr>
</tbody>
</table>

According to Table 4, a relatively significant number (51%) of tourism organizations do not have websites.

Table 4: Uses of Company’s Website

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising</td>
<td>11</td>
<td>24</td>
</tr>
<tr>
<td>Public Relations (PR)</td>
<td>5</td>
<td>11</td>
</tr>
<tr>
<td>E-commerce</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Direct marketing</td>
<td>8</td>
<td>18</td>
</tr>
<tr>
<td>Display product catalogue</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Information about corporate brand</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Information in product brand</td>
<td>5</td>
<td>11</td>
</tr>
<tr>
<td>Strategic differentiator</td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td>As part of total communication strategy</td>
<td>6</td>
<td>14</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>43</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

According to Table 4, the major uses to which Ghanaian tourism firms put their websites were advertising (24%) and direct marketing (18%). Websites were also used as part of a total communication strategy (14%). The least use to which websites were put was the passing out of information about the corporate brand (6%).

The significance of the responses to marketing communications (website for advertising, PR, direct marketing, passing out information about corporate and product brands) is that tourism firms in Ghana seem to understand that the Internet is a useful marketing communication, integral to getting them to establish a global presence. It was also refreshing to note that 14% of the respondents understood that having a web presence only represents part of a total marketing communications strategy. Online communications must be closely aligned with brick and mortar activities. Only 7% of the respondents understood that a web strategy could be used as a strategic differentiator in helping to position the firms internationally. The implication of this finding is that even though there seems to be an appreciation of websites, a clearly formulated strategic web plan was missing in all of the firms interviewed. A total of 11% of the firms have e-commerce enabled websites. However, this only means that they receive requests for business via the internet but payment still has to be made offline since Ghanaian tourism firms are unable to handle credit card transactions. This finding about combining online and traditional channels in e-
business is consistent with Law Leung and Wong (2004) who found in a study on the impact of the international travel agencies that online and traditional channels can co-exist.

Table 5: Advantages of E-business To Tourism Firms in Ghana.

<table>
<thead>
<tr>
<th>Service</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>E-scouting (research)</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>E-commerce</td>
<td>4</td>
<td>9</td>
</tr>
<tr>
<td>Improved logistics management</td>
<td>4</td>
<td>8</td>
</tr>
<tr>
<td>Improvement in financial management</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>Improvement in human resource management</td>
<td>4</td>
<td>10</td>
</tr>
<tr>
<td>Improvement in marketing management</td>
<td>6</td>
<td>14</td>
</tr>
<tr>
<td>Improvement in knowledge management</td>
<td>4</td>
<td>9</td>
</tr>
<tr>
<td>Improvement in information management</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Improvement in distribution</td>
<td>4</td>
<td>9</td>
</tr>
<tr>
<td>Improvement in marketing communication</td>
<td>5</td>
<td>12</td>
</tr>
<tr>
<td>Improvement in process management</td>
<td>6</td>
<td>13</td>
</tr>
<tr>
<td>Total</td>
<td>43</td>
<td>100</td>
</tr>
</tbody>
</table>

It is interesting to note that the advantages of e-business to tourism firms are distributed nearly proportionately across various factors such as improvement in marketing management (14%) as well as improvement in process management (13%). Also reported were improvements in marketing communications (12%), human resource management (10%), E-commerce (9%), knowledge management (9%), as well as improvement in distribution (9%). Other benefits reported were improved logistics management (8%), efficient financial management (8%) as well as e-scouting (4%). Not surprisingly, the greatest benefits of e-business to Ghanaian tourism firms are in the area of marketing management (14%). This finding further buttresses the marketing communications benefits (12%) accruing to some tourist firms in Ghana by virtue of their websites. The improvement in marketing practices by virtue of e-business is consistent with Aksu and Tarcan (2002) who made similar findings in a case study of the Internet and five star hotels in Turkey. It is important to note that astute marketing management for these tourism firms (must in addition to improvements in marketing communications) also means improvements in people/human resources management, process management, distribution management, and knowledge management. These marketing management attributes scored the highest (10%, 13%, 9%, 9%). The improvement in process management is consistent with Martin (2004) who found in a study on “Internet Impacts in Small UK Hospitality Firms” that “small hospitality firms have adopted the Web and used it; as a result, they have changed business processes.”

Unfortunately, only 4% of the firms studied use e-business as a vehicle for conducting research. This is an area of weakness that must be improved upon. Interestingly the Internet is used as a source of locating knowledge (hence the appreciable scores on people and knowledge management) for improving the skill level of firm employees, but not for researching information that could be fed into strategic decision making.

Conclusions and Implications for Future Research

We conclude that e-business is delivering some benefits to Ghanaian tourism firms, but the understanding of e-business/ICT issues still remains at an operational level. E-business needs to be viewed as a strategic resource for improving the competitiveness of Ghanaian tourism firms.

Firms in Ghana’s tourism sector need ICT/e-business planning skills infusion to place e-business at the centre of their organisational strategies. The Ministry of Tourism and Modernization of the Capital City is in the process of constructing a world-class tourism school in Ghana and e-business should be a part of that school’s curriculum. In the meantime, focussed case studies must be carried out to further corroborate the findings of this exploratory study and then a nation-wide study will be conducted to reach more generalisable research conclusions. Ghana is big on tourism and Ghana is also big on ICT. The talk about making tourism and ICT major catalysts in Ghana’s economic drive should not
remain mere rhetoric. E-business should be brought to life in a very forceful manner in Ghana's tourism sector.

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About the Author

RE-DENOMINATION OF THE CEDI:
ESSENTIAL ISSUES AND CHALLENGES

Paul Onyina Adjei

Abstract

In the last quarter of 2006, Ghana decided to re-denominate its currency, the cedi, in July 2007. This generated a lot of arguments and debates in the country. The exercise was seen as waste of scarce resources.

Many people did not even understand the term. It is therefore important to attempt a write up that perhaps will try to answer some of the questions on the re-denomination of the cedi.

The study takes a look at what re-denomination is all about and the extent to which some countries had re-denominated their currency over the years. A review was made of similar exercises in Zimbabwe, Turkey and Romania in recent times. The conditions needed for a smooth re-denomination and the prevailing economic conditions in Ghana are analyzed here. The paper also looks at the history of re-denomination in Ghana and the way forward for a smooth exercise.

Introduction

The announcement by the Governor of the Bank of Ghana about the re-denomination of the cedi added another term “re-denomination” to the monetary, business and public domain in the country. Before that announcement, the term was somehow alien to most people in the country. The narrowest definition of re-denomination is, a simple conversion of a value expressed in one currency unit to another using a conversion factor.”

In a broader sense, re-denomination is the process whereby a country's currency is recalibrated due to the effects of significant inflation and continued currency devaluation. As prices rise steadily over a long period of time, economic values are expressed in larger figures which move into millions, billions, trillions, quadrillions and so on.

It is therefore evident that, re-denomination is undertaken to address certain economic problems that a country has encountered or encountering. In the case of Ghana, the cedi (currency in circulation prior to July 2007) is the currency unit which will be recalibrated to be equivalent to the Ghana Cedi (currency in circulation from July 2007) which will be circulated. Nevertheless, re-denomination exercises go beyond that.

Statement of the Problem

Money, according to Colander (2004), is a highly liquid financial asset that is generally accepted in exchange for other goods, is used as a reference in valuing other goods, and can be stored as wealth. Money makes trade possibly easier and faster. However, in Ghana, the old current notes in circulation place a heavy deadweight burden on the economy in a lot of ways. The associated problems include high transaction costs at all places; general inconvenience; high risks involved in carrying loads of currency for transaction purposes; increased difficulties in maintaining accounts, and statistical records and ensuring compatibility with data processing software; and the strain on the payment system with special reference to ATMs.

There are alternative measures of money which include M₆, (currency in the hands of the public, checking account balances and traveler's checks), M₇ (M₆ plus savings deposits, small-denomination time deposits , and money market mutual fund shares), and L (beyond M₇), Colander (2004). These definitions of money do not include credit cards because as he puts it, they are essentially pre-arranged loans, but they include financial assets which are also affected by re-denomination in terms of value.

It has been argued by McConnell and Brue (1996) that money, which they called currency and checkable (chequeable) deposits, should have intrinsic characteristics which will give them value if they are not backed by gold or other precious metals. It is these characteristics that make money to function effectively in an economy. It should have some attributes which will enable it to function well so as to avoid the deadweight burden. Some of these characteristics are: money