

## Competition in The Gambia: Focusing on the GSM and Banking Sub-Sectors

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### Introduction

The business landscape in the Gambia is fast changing. The past few years has seen a sudden surge of tertiary institutions: banks, Global System for Mobile communications (GSM) telecommunication companies, stationery shops, information technology firms, supermarkets and all other types of service related business entities. The commodity market is also remarkably vibrant and new players are all the time entering the market and jockeying for market shares and consumer attention. All these businesses are availing themselves of the enabling environment created by Government of The Gambia in its attempt to make the private sector the engine for growth in accordance with the country's homegrown Vision 2020 blueprint.

But as a developing country, the Gambia faces very daunting challenges in trying to implement a viable competition regime. There is an urgent need to nurture and sustain a culture of healthy competition for poverty reduction. The onus is on the public, private sector operators, civil society organisations (CSOs) as well as ordinary citizens to ensure a vibrant and competitive business environment. The 7Up4 Project implemented by the Pro-Poor Advocacy Group (Pro-PAG) came at the right time, which will add value to the government's drive to create a sound competition environment. A viable competition regime has huge potential in making substantial contributions towards achieving the Vision 2020 and the Millennium Development Goals (MDGs).

### Focusing on GSM and Banking Market Segments

The GSM Sub-Sector The business environment has become so sophisticated that key players in both the banking and GSM sectors are leveraging considerable resources and strategies to differentiate themselves from their competitors. To that end, they are constantly developing messages to convince the consumers that their products and services are the best and that they offer better value

for money. The following examples drawn from the GSM sector are quite revealing of the intensity of rivalry in the market. Africell says that: "they are number one for a reason". Comium tells customers that: "they lead and others follow". The national GSM operator, Gamcel, insists that "it is the first and the best". All three will now have to contend with a fourth GSM operator "Qcell-net" which is currently testing its signals across the country to start operations. This will further boost competitive pressure as the different GSM operators keep initiating offensive and defensive moves; swinging from one mix of competitive weapons to another; and leveraging superior technology to increase their market share.

The intensity of the rivalry within the sector is driven by the fact that the switching costs from one GSM operator to the other are extremely low. The cost of a SIM card is abysmal, ranging from 0-2.5 dollars (50 Gambian dalais). And even when a consumer spends that amount of money on a SIM card, credit equivalent to that sum is often provided by the GSM operator as an incentive. We have come a long way from the time GSM technology was first introduced into The Gambia and when only a handful of individuals could afford a handset, a SIM card and scratch cards.

Access to mobile phones, has therefore, been democratised to the satisfaction of the consumers. The initial regulatory challenges related to inter-network connections that the emergence of Comium brought in its wake have long been sorted out by the Public Utilities Regulatory Authority (PURA). The competition over network coverage, relevance to society through corporate social responsibility outreaches is intensifying. All these strategies and signals keep informing consumer choices as to who is creating greater economic and social value for them and the community. This leads to the erosion or increase in market share.

For mobile telephone companies, there is an underlying commitment to customer satisfaction through the delivery of superior services efficiently and cheaply. Customers and consumers are

continuously judging products and services, thereby forcing operators to constantly reassess the performance of their business models.

The merits of competition are evident in this sector as it brought in its wake greater utility to consumers who now enjoy lower prices, better network connections, better products, efficient use of resources and innovativeness of operators.

### ***The Banking Sub-Sector***

The commercial banking sector is also swelling at bewildering speed, posing problems of regulatory capacity. Despite its small population of about 1.5 million, The Gambia continues to attract foreign banks (Nigerian banks particularly), and also banks from other parts of the continent: Eco-Bank and Arab Sahelian Bank. Prime and Oceanic have just entered the market. Zenith and UBA are gearing up to start operations. The past few years witnessed the arrival of financial institutions like Access Bank, Guaranty Trust, First International Bank, Reliance, International Commercial Bank (ICB) and PlatinumHabib Bank (PHB).

Adding to the traditional banks like Trust Bank, Standard Chartered and the Arab Gambian Islamic Bank, the commercial bank count today stands at thirteen (13). Competition for market share and for customers can only intensify. Regulating the sector might now become a challenge as the Central Bank of The Gambia might end up being too overstretched to effectively exercise its role as the financial regulator. That might have a negative impact on its oversight and regulatory function. All must now ensure that they play by the ground rules emanating from the contextual environment and avail themselves of the opportunities that the transactional environment offers.

With the emergence of new banks, staff attrition due to "poaching" and headhunting is a cause for major concern in the banking industry. Attracting professional into institutions might be relatively easy. Retaining them is proving to be a formidable challenge. Because of competition, salaries, allowances, bonuses and other perks in the banking sub-sector are constantly being reviewed upwards to attract the best people.

Already, the banking sector is relatively more attractive when compared with earnings in the public or the third sector (NGOs). Dealing with the competitive pressure will all but increase and the bankers are constantly going back to the drawing board to scan the business environment with the help of the savvy strategist on their payroll.

Customers, are therefore, in a better bargaining position to negotiate better deals than they would

have been able to do just a few months ago. Banks are presently investing in research and development (R&D) and trying to differentiate their products and services from those of their competitors. When one benefits from a first mover advantage, it will be for a short spell of time before others follow. The provision of Automatic Teller Machines (ATM), internet banking facility, credit cards and other payment facilities at supermarkets has attracted many customers to certain banks. The bargaining power of "important" customers has increased a notch and they can now negotiate better rates of interest, since banks do not want to part with big businesses.

The competition over outlets (the opening of branches) to better cover the market is raging. Banks are deploying considerable resources to reach out to more customers in as many neighborhoods as possible and strategic locations. Accessibility, reliability and the speed with which customer needs are satisfied also matter in the enhancement of the value that banks create for customers. Some are creating far more value in the form of better customer relationship (But this is harder to quantify - but that does not make it any less real). Customer demands and expectations change. Banks now have to respond to new needs and requirements or be overtaken by competition.

Since such fierce competition is a new phenomenon, the country has to grapple with issues of capacity, policy development, institutional strengthening and law enforcement. It is, therefore, in tremendous need of new research-based evidence and analysis to inform policymakers' and practitioners' understanding of the issues, and demonstrate practical solutions, drawing from best practice from around the world. The political will to introduce and acclimatise competition has been amply demonstrated by the Gambia government. With the assistance of the Commonwealth Secretariat, a Competition Bill was developed, debated and later enacted in 2007 with the objective of fostering a healthy competition culture among economic actors. However, the policy is yet to be finalised.

### **Initiatives to Promote Competition in The Gambia**

The competition commission is being set up. The commissioners have been employed and they in turn have appointed the Executive Director of the competition commission. The other staff members are being gradually recruited. The commission will soon emerge out of its cocoon to address anti-competitive trade practices in all sectors of The Gambian economy. Stakeholder institutions should engage effectively and constructively with the processes to help the commission perfect its instruments.

After the enactment of the Competition Act, the Department of State for Trade, Industry and Employment with the help of regulatory experts prepared the accompanying economic and legal

guidelines necessary for the determination of the cases that should be heard and the procedures the commission should follow when dealing with such cases.

To foster effective competition policy dialogue, the Pro-PAG has as part of the 7Up4 project just set up an online policy dialogue forum to stimulate state and non-state actor (NSA) debates around competition and consumer welfare issues. The forum will shape and refine competition policy development and effectiveness in a way that is consistent with The Gambia's developmental goals. The thrust of the project is to document the state of competition in The Gambia through literature review and questionnaire based researches. On the strength of the evidence obtained, advocacy campaigns and capacity building interventions will be undertaken to promote a viable competition culture that delivers maximum utility and value to consumers. The National Reference Group (NRG) has been constituted comprising stakeholder institutions and individuals knowledgeable in

competition issues to drive the competition policy dialogue forum.

PURA has now launched the Consumer Parliament to create the necessary space for consumers to lodge complaints, discuss consumer welfare issues and influence the decision making processes. It is hoped that such a forum will remedy the absence of consumer awareness and thrust forward vibrant consumer groups that will contribute meaningfully through engagement in the regulatory process. A level playing business environment that takes on board consumer welfare issues is a function of the competition and regulatory regime in place and the active participation of stakeholders in the regulatory process.

These developments are mutually reinforcing and could not have come at a better time and are all geared towards creating the enabling environment for a level competitive playing field to emerge.

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