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FINANCIAL SECTOR REGULATORY AND SUPERVISORY FRAMEWORK IN GHANA- THE PRE AND POST 2017 BANKING CRISIS

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Abstract

This study aimed at examining the financial sector's regulatory and supervisory framework during and after the 2017 banking crisis in Ghana. The study employed the mixed-method research approach of collecting and analyzing the study's data. The study's sample comprised of twenty-three (23) licensed banks in Ghana under the study period. In addition, five (5) key informants for the qualitative response were chosen using the purposive sampling approach. Primary data was gathered through interviews with the use of interview guide, whereas secondary data was collected from Bank of Ghana (BoG) reports. The qualitative data gathered through interviews was analyzed manually through identification of the themes and sub-themes while the secondary data was analyzed quantitatively. The study concluded that the financial sector's regulatory and supervisory prior to the crisis was weak, filled with many gaps and several supervisory challenges which banking institutions manipulated. However, the post crisis regulations have had an enhanced effect on the sector's performance in solvency, profitability, liquidity and corporate governance which indicates that the progress and impact of Ghana's financial sector is a function of regulatory and supervisory framework effectiveness.

Keywords: Regulatory framework, Supervision, Financial sector, Bank of Ghana, Banking Institutions

INTRODUCTION

Over the past three decades, the revolutions in financial globalization and the regulatory system have grown swiftly (Jones & Knaack, 2019). As indicated by Begenau and Landvoigt (2021), the fundamental growth and development of the financial sector in many countries hinges on the regulatory and supervisory framework. Again, Anarfo and Abor (2020) opine that a robust financial regulatory and supervisory framework implementation has policy implications for banking efficiency, stability, and economic growth. Also, as indicated by Phan et al. (2021), the primacy of this regulatory framework is expected to help improve financial and macroeconomic conditions. This helps to guarantee the security and stability of the financial system as well as ensure the protection of depositors and consumers (Plato-Shinar, 2021), stimulate financial inclusion (Anarfo & Abor, 2020), support an adequate supply of credit (Balke et al., 2021), and shield the financial sector from illegitimate transactions (Eldomiaty et al., 2020).

Tarullo (2019) and Li and Li (2020) opine that the financial sector regulatory trajectory and the post-crisis reform framework are defined by the liberalization and deregulation of some functional facets of financial institutions with the purpose of realizing market efficiency. The scope of the regulatory framework ranges from the elimination of overall policy restrictions on banks' ability to undertake their principal mandates, such as facilitation of financial intermediation by non-bank financial institutions (Balke et al., 2021), optimizing the prospects of universal banking (Chang et al., 2020), fostering financial inclusion and integration of financial markets (Anarfo & Abor, 2020), and helping to stimulate financial innovation, particularly in areas like structured finance and derivatives (Agoraki et al., 2020). Also, Anarfo and Abor (2020) assert that the evidence of regulatory framework impact on cost reduction and improving market efficiency in the financial sector was evaluated to be undisputedly encouraging before the emergence of the global financial crisis. Furthermore, Mamman et al. (2019) in their study, as part of their findings and recommendations, emphasized the primacy of reasonable regulation in producing genuine entrepreneurs and sustainable enterprises and creating a new sector through innovation by genuine entrepreneurs. Nyarku and Oduro (2018) also asserted that sound legal and regulatory systems will help the Ghanaian economy, the financial sector, and support SMEs' growth trajectory. According to the study, the state should develop flexible credit policies that will catalyze financial support for the expansion of entrepreneurial initiatives. They argue that Ghana's financial regulations should shift toward easing loan conditions, relaxing registration procedures for SMEs, lowering and reforming the taxation regulatory system, engineering the regulation of price stabilization policies, and maintaining transparent and accountable regulatory institutions (Nyarku & Oduro, 2018).

Muriithi (2017) recognized that financial institutions' support of a good financial regulatory system can help SMEs contribute to the economy by ensuring greater savings, rural development, increased employment generation, infrastructure development, citizen empowerment to be self-employed, and the creation of a diverse range of skilled labor across the country. It was indicated that to achieve the aforementioned results, there is a need to develop a supporting financial, legal, and regulatory framework; develop effective government policies and support mechanisms; develop a registration framework; and, most importantly, develop a favorable financial system. Consequently, financial regulation and supervisory regimes in African nations must target specific banking and non-banking institutions for inclusiveness (commercial banks, rural banks, microfinance institutions, savings and loans, etc.) and operate within a certain interest remit to catalyze growth and economic development (Oduor & Kebba, 2019).

In many developing countries in Sub-Saharan Africa, effective financial regulatory regimes help to ensure financial inclusiveness, stimulate growth and employment generation (Anarfo & Abor, 2020). This helps to ensure accessibility, availability, adequacy, and cost of credit; an impetus for the growth and employment generation by medium and small-scale enterprises (SMEs) of the African economy (Quartey et al., 2017). A poor regulatory regime, which is a contributing factor, makes it difficult to obtain funds from formal sources, as well as cumbersome loan applications and bureaucratic lending procedures, as well as unfavorable loan terms (Goswami, 2019). Also, Nyamrunda and Freeman (2021) averred that financial and regulatory challenges caused transitional SMEs in the East African economy to contribute meaningfully to their economy. It was concluded that the financial regulatory system helps businesses and the financial system substantially contribute to their quota through the creation of a large workforce, the generation of new employment avenues, contribution to sustainable and business innovation, fostering diversification of products for the export market, and improving the income and livelihood conditions of average workers.

Ghana experienced a banking sector crisis in 2017 that resulted in the Bank of Ghana's clean-up efforts to revamp the financial sector of the economy via initiatives like recapitalization, consolidation, revocation of licenses, voluntary shutting down, and resolution of banks (Bank of Ghana, 2019; Obuobi et al., 2019). As noted by Nyalatorgbi (2019), the financial sector crisis has seen serious distress due to some banking institutions' having failed to achieve capital adequacy requirements, whereas others have had several non-performing loans causing capital losses. Again, it was observed that some financial institutions were insolvent and illiquid during the banking sector crisis period. The Bank of Ghana, during the financial sector crisis and clean-up, revoked a total of nine (9) banking institutions. These banks were Heritage Bank Limited, Premium Bank Limited, UniBank, Sovereign Bank, BEIGE Bank, Royal Bank, Construction

Bank, UT Bank, and Capital Bank. The Bank of Ghana has offered some liquidity assistance to banking institutions bedeviled by the crisis since its inception and recounted the efficient means of resolving the crisis by addressing the core issues that culminated in the financial predicaments faced by the banking institutions (Bank of Ghana, 2019). This temporal and superficial fix to the problem has necessitated the recapitalization and implementation of more stringent regulatory policies to clean up the sector and ensure a more vibrant banking sector (Bank of Ghana, 2019). The banks' compliance with the new regulatory directive helps to consolidate gains in building a resilient banking sector and reposition the sector to adequately meet the highly diversified banking and capital investment needs of the Ghanaian economy.

Concerns have been raised, including in Africa, about the need for more empirical evidence on whether the financial regulatory and supervisory framework is resilient to improving the financial sector (Hattingh, 2018; Anarfo & Abor, 2020), as well as the G20's cross-border financial regulatory reforms (Briault et al., 2018) and their implications. Given the background that Ghana has just recovered from its banking crisis, the research was guided accordingly with the general objective of examining the financial sector regulatory and supervisory framework during and after the 2017 banking crisis in Ghana.

Study Objectives

General Objective

To examine the financial sector's regulatory and supervisory framework during and after the 2017 banking crisis in Ghana.

Specific Objectives

The following specific objectives guided the study:

1. To ascertain the challenges and weaknesses of the financial sector's regulatory and supervisory regime prior to the banking sector crisis in Ghana.
2. To assess the progress of current financial sector regulatory compliance of the banking institutions in Ghana and its implications for growth.

LITERATURE REVIEW

Theoretical Review

The Theory and Rationale for Financial Regulation

Stigler released the first edition of his economic theory of regulation in 1971. The combination of economic and political analysis was a key component of Stigler's theory (Stigler, 1971). The theory's development has been centered on two fundamental philosophies: positive theories of regulation and normative theories of regulation (Joskow & Noll, 1981). Positive theories of regulation, such as theories of market power, interest group concepts, and philosophies of governmental opportunism, focus on understanding the need for more regulatory oversight, as clarified in the Body of Knowledge on Infrastructure Regulation. Market power and interest group perspectives seek to understand stakeholders' motivations for regulatory policies, whereas theories of governmental opportunism explain how constraints on governmental discretion must be controlled in order to facilitate effective service supply (Botha & Makina, 2011).

Many such theories rationalized the reasons that underpinned why regulatory directives came into existence through the following circumstances, as enumerated by the empirical body of knowledge and literature on regulatory requirements: As a result, governments' motivation for regulatory and supervisory reforms is to reduce information asymmetry issues and harmonize and coordinate their collective interests, which are consistent with their own (Asongu et al., 2016). Furthermore, regulatory directives and supervisory reform are promulgated when consumers must be protected from monopoly or market dominance where market competitive actions are ineffective. Again, it is based on a scenario in which key stakeholders or businesses require guideline regulation from competitors in order to optimize an even playing field and be protected from government opportunism (Botha & Makina, 2011).

But, on the other hand, normative regulatory theorists suggest that authorities must promote innovation and competition whenever practicable. Regulators are said to contribute to minimizing the costs of market imperfections and information asymmetry by providing information for performance-enhancing incentives (Marti & Scherer, 2016). According to the underlying economic basis for financial regulation, capital market action causes externalities that are hard to resolve by companies committed to them. These externalities produce social costs in the case of a failure, particularly once this cost is bigger than that of the private cost, and the social cost is not factored into the decision-making process (Botha & Makina, 2011).

As a result of this behavior, financial organizations may take more risks and spend more money, rather than the societal cost being factored into the organization's overall price. This systemic issue of social cost was historically the prime motive for the financial sector's statutory regulatory responsibility (Goodhart et al., 2013). Although assessing externalities is always a challenge, regulatory action can only be justifiable if the benefits outweigh the risks incurred, and costs are generally easier to measure than benefits. The justification for financial regulatory markets has two main elements. Hanson et al. (2011) assert that the primary goal of financial regulation is to safeguard consumers while also achieving high levels of economic efficiency in the market. Consumer protection arises when a financial institution fails a client who has funds with the institution or when the institution's business practices are unacceptable. When financial systems are left to their own devices, they are vulnerable to periods of volatility and contagion. Between the late 1970s and the end of the twentieth century, the World Bank (2001), cited in Botha and Makina (2011), reported 112 systemic banking crises in 93 nations.

Even though measuring anything is never easy, financial crises are more common today than they were before the financial globalization of 1914, according to Eichengreen and Bordo (2002), suggesting that the incidence of financial crises has tended to rise as financial markets have become more liberalized and globalized. According to Falkena et al. (2001), the three main features of a financial or banking crisis are: (1) non-motivating incentive structures; (2) insufficient management and control systems within the bank; and (3) low-quality rules, monitoring, and supervision. Banks' prudential regulation is founded on the notion that, because of their role in maturity transformation and liquidity availability, banks have a unique position in the financial system.

Because banks are at the center of the payments system, their failure can have a cascading effect on others, resulting in difficult-to-internalize externalities. Banks do not always evaluate the economic cost of their failure, and as a result, they take more risks than they would if there were a market for this risk. As a result, the goal of monitoring supervisory reforms is to avoid taking on too much risk (Davies & Green, 2008). These reasons are frequently used as justifications for central banks' acting as lenders of last resort. However, Davies and Green (2008) believe that there must be a sharp difference between giving liquidity support to a consistently successful bank and offering solvency support, even though the two are often confused in reality. Continuous supervision, such as monitoring banks' capital reserve positions and risk management measures, is intended to lower the central bank's estimated cost as a lender of last resort.

The Etymology of Banking in Ghana

The Colonial Inception Era to the Pre-2017 Banking Crisis

Banking's etymology in Ghana can be traced back to colonialism. The British oversaw the banking and coin monetization of their West African colonies' economies, including the Gold Coast. In 1894, the Bank of British West Africa, Ltd (BBWA) was established to facilitate the circulation of foreign currency and British coins. In the colonial economy, the banking regulatory system was characterized by a monopoly. During this period, the British banks were unsuccessful in extending adequate credit to Gold Coasters. This resulted in the outlawing of the locally chartered banking institutions in 1906 (Fuller, 2009).

The Gold Coast Ordinance's passage into law in 1957 (a regulatory framework) and the formation of the Bank of Ghana were underpinned by the committee report. The independence struggle, led by Dr Kwame Nkrumah, resulted in the 1957 achievement of independence. The sad overthrow of Dr. Kwame Nkrumah in 1966 and the subsequent economic crisis were prolonged until 1983 due to the failure of successive political regimes.

In 1972, the Ghana Postal Service banking service metamorphosed into the Post Office Savings Bank. The formation of the Co-operative Bank in 1975 provided credit and loans for enterprises. In 1987, the World Bank and the Government of Ghana introduced an economic policy to improve the banking and financial sector. These developments have underpinned the legislative passage of the 1989 Banking Law, an enactment on banking, non-banking financial institutions, and securities that gave birth to the establishment of Meridien (BIAO) Trust Bank, CAL Merchant Bank, Allied and Metropolitan, and ECOBANK.

In 1992, the Ghanaian government pursued a regulatory policy to promote privatization, liberalization, and deregulation of the financial sector through BoG. Several government-controlled banks were sold, barriers of entry to foreign banks were lowered, and indigenous-owned banks surged. The Financial Sector Adjustment Programme (FINSAP) and the Financial Sector Strategic Plan (FINSSIP) changed the phase of financial (deposit) mobilization and savings, deepened financial operations, enhanced competitive banking, and improved financial inclusiveness in the banking sector. The BoG introduced another reform, the new banking Act, in 2004, which abandoned the secondary reserves legal obligation and increased the minimum capital requirement (GHS 60 million in 2007 to GHS 120 million in 2012). Mergers and acquisitions emerged between Access Bank and Intercontinental Bank, Ecobank and TTB Bank, and HFC Bank and Republic Bank of Trinidad and Tobago. The Banking Act of 2004 also provided the legal requirements for Universal Banking licensing. Other new entrants that were allowed to deliver banking services include United Bank for Africa (Ghana) Ltd., Zenith Bank, Guaranty Trust Bank, and Fidelity Bank. ARB Apex Bank was formed to provide oversight of the mandatory roles of rural and community banks' operations. The banking sector in Ghana has had its fair share of scandals and bank closures. The cooperative banks, Meridian BIAO and Bank for Housing and Construction, have been liquidated.

In 2018, the Bank of Ghana revoked the licenses of nine (9) banks in an effort to clean up the banking sector and restore the financial system's stability and resilience. Currently, there are 23 banks licensed in the financial sector of Ghana as of 2021.

The Post-2017 Banking Crisis Regulatory and Supervisory Developments in Ghana

The new administration of the Bank of Ghana (BoG) took office in the first quarter of 2017 and acknowledged that the sector is beset by a slew of issues, describing the situation as "significant distress." According to the BOG, banking institutions did not meet the required minimum capital requirements. There is also capital erosion as a result of excessive non-performing loans (NPLs). It was found that some financial institutions had obvious insolvency and illiquidity, while others were solvent but illiquid.

The above-mentioned problems in Ghana's banking system, as reported by the BOG in 2018, were caused by poor corporate governance, falsified financial reporting, and insider deals. The BOG has already provided limited liquidity assistance to these failing financial firms without addressing the system's most serious fundamental issues. The financial sector has reached a tipping point in this regard, with its weak structures exposed by its incapacity to withstand external and internal shocks. As a result, the BOG completely integrated several significant systemic reforms with the goal of cleaning up and modernizing the industry by consolidating regulatory and supervisory gains in order to provide a more resilient banking sector.

As part of the reforms, the BOG revoked the banking licenses of seven (7) bankrupt institutions by quitting the market in a coordinated manner, securing their claims and recording their responsibilities for takeovers, mergers and acquisitions, recapitalization, and outright shutting down, among other things. Furthermore, on September 11, 2017, the Bank of Ghana issued a regulatory directive, the Minimum Capital Directive (BG/GOV/SEC/2017/19). This useful regulatory reform aims to provide a method for all universal banking institutions to conform to the GHC400 million adjusted optimal paid-up capital increase before the deadline of December 31, 2018. The banks were supposed to meet this new minimum capital requirement by implementing a new infusion of capital consideration, assuring the capitalization of the revenue surplus, or adopting a hybrid regime combining the above two instructions (Bank of Ghana 2018). This is intended to solidify progress in developing a more robust banking sector and reposition it to suit the Ghanaian economy's diverse banking and capital investment demands

Furthermore, the recapitalization aided in the promotion of banking alliances through long-term mergers and acquisitions by aligning strong corporate governance structures with risk management systems and practices. Following the recapitalization order, approximately twenty-three (23) universal banking institutions in operation met the minimum capital requirement guideline of GHC400 million by the deadline of December 31, 2018. Specifically,

• The capitalization of an additional new infusion of capital consideration and the capitalization of income surplus helped sixteen (16) financial institutions meet the goal of obtaining the new minimum capital requirement of GH400 million.

• Three (3) merger requests were approved by the BOG. As a result, First Atlantic Merchant Bank Limited and Energy Commercial Bank merged, Omni Bank and Bank Sahel Sahara merged, and First National Bank and GHL Bank merged as well, all in order to meet the new minimum capital requirement of GH400 million.

• Through a special-purpose holding company called Ghana Amalgamated Trust Limited, some private pension funds in Ghana have injected new equity capital into five (5) indigenous banks (GAT). The additional beneficiary banks (the combined Omni/Bank Sahel Sahara, Universal Merchant Bank, and Prudential Bank) were chosen by GAT on the basis of their solvent position and solid corporate governance, in addition to the state-owned banks (ADB and NIB).

A stringent capital authentication procedure was launched by the Ghanaian government in order to ensure that the money given to fulfil the minimum capital requirement reflected the bank's new capital status. In this regard, the BOG has completed three rounds of thorough due diligence and verified the financial sources of the investors who will be participating in the recapitalizations.

GAT was incorporated to achieve the goal of the recapitalization of the government-owned and controlled banking institutions of ADB and NIB. This will aid in the consolidation of advances made in the provision of financial services and investment demands for industry and agriculture.

In order to ensure the viability and efficacy of the reforms, the BOG appointed an advisor for NIB, in accordance with section 101 (1) of the Banks and Specialized Deposit-Taking Institutions Act of 2016 (Act 930), to guide and assist the bank's operations (Bank of Ghana, 2018).

In a similar vein, GN Bank was granted a savings and loan license after failing to meet the requisite minimum capital level by the deadline of December 31, 2018. The Bank of Ghana has approved a transitional strategy proposed by the bank (GN), which involves downgrading specific areas (scope) of business operations that are incompatible with the bank's new status as a savings and loan institution. BOG hired an advisor in accordance with section 101 (1) of the Banks and Specialized Deposit-Taking Institutions Act of 2016 (Act 930), to guide and assist the bank's business. Furthermore, on April 9, 2018, Bank of Baroda (Ghana) Limited, a wholly-owned subsidiary of Bank of Baroda India, issued a statement and was formally wound up on December 31, 2018, as the government of India resold its equity (100%) in rationalizing its international financial operations. Consequently, Stanbic Bank Ghana Limited assumed the assets and liabilities of the bank under the supervision of BOG. Premium Bank Limited and Heritage Bank Limited were both resolved after the former was found to be insolvent with a negative capital adequacy ratio of negative 125.26 percent by November 30, 2018.The latter received its banking license on October 4, 2016, but failed to meet the capital minimum guidelines by December 31, 2018.

The BOG approved the sale of the bank by the receiver, PricewaterhouseCoopers' Mr. Vish Asiago, to the Consolidated Bank of Ghana Limited (CBG). The BOG has issued a bond to CBG with a face value of GHC 1.403 billion to cover the discrepancy (asset and liability gaps) between the two bankrupt banks (Bank of Ghana, 2018).

Harmonization of supervisory practices, deepening of supervisory cooperation through information exchange, and collaborative cross-border supervision within the Zone have all occurred as a result of the post-banking crisis regulatory and supervisory framework. The BoG does this in partnership with the West African Monetary Zone's College of Supervisors (CSWAMZ). This acts as a commitment mechanism for the college's key mandates while also ensuring the sector's healthy financial management. Ghana’s financial sector has been subjected to a slew of regulatory and supervisory guidelines aimed at ensuring the industry's safety, soundness, and stability. The regulatory directive stipulates that the implementation of the Banks and Specialized Deposit-Taking Institution Act, 2016 (Act 930) be thoroughly intensified in harmony with the global regulatory and supervisory requirements of Basel II and III (Bank of Ghana, 2018).

The Bank of Ghana has issued a regulatory directive named "Unclaimed Balances and Dormant Accounts Directive, 2021" for financial institutions in Ghana, which is backed by Section 92 of the Banks and Specialized Deposit Taking Institutions Act, 2016 (Act 930). This is to help control and internalize the operating capabilities of Section 143 of Act 930; describe procedural instructions for inactive account clients or their legal representatives to retrieve funds; and protect funds that are dormant at regulated financial institutions (Bank of Ghana, 2021a.)

The Bank of Ghana's order on license and capital requirements for development finance institutions is another regulatory directive. This is in accordance with Act 1032, the Development Finance Institutions Act of 2020. (Bank of Ghana, 2021.b). In May 2021, the Board of Governors released a corporate governance order for rural and community banks as a move to strengthen the financial sector governance systems of various non-banking companies' boards. (Bank of Ghana, 2021.c).

Financial Sector Supervision by the Bank of Ghana

Since 2014, Ghana's macroeconomic development has not been especially remarkable. The Ghanaian economy faced significant macroeconomic problems in 2014 as a result of an enormous and unusual fiscal and current account deficit in 2012-2013. In the 2014 fiscal year, both domestic imbalances and major trade-rate shocks, making life extremely tough for Ghanaians, were dealt with by the government. Growing economic imbalances have resulted in increased financial fragility and uncertain expectations, resulting in rapid capital outflows and a higher risk of a serious crisis as exchange rates fall and interest rates rise (Ackah & Asiamah, 2016).

In 2013, Ghana's current account deficit grew to 13.2% of GDP, up from 12.2% in 2012. By the end of February 2014, Ghana's international net reserves had also declined dramatically and represented the value of imported goods and services for less than a month. In December 2012, net international reserves declined from 3.2 billion dollars to 2.1 billion dollars in December 2013 and 1.75 billion dollars in January 2014. Headline inflation in 2013 exceeded the 9% monetary policy target in 2013. Consumer inflation increased to 13.5% in December 2013 from 10.1% in January 2013 and 14.0% in February 2014.

The central bank reacted on February 4, 2014, by announcing new actions aimed at restoring the stability of the foreign exchange market. The issuance of checks and check books on foreign exchange and foreign currency accounts under the new limitations is prohibited for business banks and other financial institutions. All foreign currency facilities that have been undrawn have to be converted into local currency facilities in accordance with the new policies (Ackah & Asiamah, 2016). According to the Central Bank, a customer who is not a foreign exchange owner should not make a loan in a foreign currency to a foreign currency-related facility.

The central bank also forbade resident and non-resident enterprises, including exporters in the country, from engaging in offshore overseas transactions. It further stated that pre-trip cash withdrawals from foreign exchange and foreign currency accounts should be limited to US $10,000 or its equivalent in convertible currency, and that this should only be done when travelling outside of Ghana. During the first months of 2014, several steps were implemented following pressures on the local currency, which decreased rapidly. Nevertheless, despite these steps, the local currency remains opposed to every major foreign currency.

Many policy experts and members of the business sector were perplexed by the central bank's response, considering that the fundamental causes of the instability were well-known in Ghana's recent economic history. As it became clear that the measures were ineffective and the business community continued to express dissatisfaction with the foreign exchange limitations, the central bank chose to ease some of the restrictions before eventually having to remove them totally. Since Ghana's recent economic history has seen the fundamental causes of instability, many political experts and entrepreneurs have been puzzling about the Central Bank's response.

The central bank decided to ease certain restrictions before they were completely removed, as it became evident that this action was ineffective and that the business community was still unhappy with monetary limits. In August 2013, the minimum capital requirements were increased to GHS 300,000 and GHS 500,000 for deposit and non-deposit microfinance organizations. The capital requirement for institutions with over 5 branches was up to GHS 200, 000. A minimum of 10% of the total deposits was set as primary liquidity reserves. The sector welcomed the adoption of technological innovation to strengthen the supply systems of the country.

The Bank of Ghana created the collateral register in May 2013, with the goal of improving the country's loan distribution system. This will make it easier to improve security and realize it in the event of a default. Another technological advancement reported during the year under review was the development of the go-link mobile by the Ghana Interbank Payment and Settlement System (Grips) in partnership with a Nigerian payment company. Grips' mandate is to transform Ghana into an electronic payment society.

In January 2011, the BoG established a microfinance office under the Banking Supervision Department to regulate and oversee microfinance institutions, in keeping with the Bank's goal of safeguarding the safety, soundness, and stability of the whole financial system. Also, the BoG published operating regulations and guidelines on microfinance for the general public's awareness and compliance by microfinance operators in order to sanitize their activities and protect the interests of their customers. The laws and guidelines dealt with tiering microfinance organizations, defining authorized activities, requiring a minimum paid-up capital, and other licensing requirements.

Overview of Legal and Institutional Regulatory Frameworks in the Financial Sector of Ghana

The banking industry's regulatory framework was established under the Banking Act. This statute required foreign and locally held banks to have a minimum paid-up capital of 2 million cedis and 5 million cedis, respectively. Locally held banks' minimum paid-up capital was eventually increased to 0.75 million cedis. At the end of 1983, a local bank's minimum paid-up capital was equivalent to only $16,000. Banks were also required to keep capital and reserves equal to at least 5% of their total deposits. The capital adequacy criteria, on the other hand, were meaningless due to a lack of defined accounting procedures for loan loss recognition, provisioning for nonperforming assets, and accrual of unpaid interest. According to a 1986 World Bank assessment, the Bank Act did include some provisions to control banks' reckless behavior, but the penalties for violations were low.

Furthermore, the Bank Examination Department's (BED) activities were essentially limited to ensuring that banks followed allocative monetary policy instructions, such as sectoral credit directives and reserve requirements, rather than prudential regulations. The BED also lacked the resources to monitor and inspect banks; in the early 1980s, it had just five professional workers. Only two of these individuals had any experience with bank supervision. As a result, on-site inspections were infrequent, and off-site oversight was hampered due to bank reporting issues. As a result of this consequence, the information needed to assess the state of the banks' asset portfolios, profitability, and solvency was insufficient (World Bank, 1986).

The FINAP was implemented between 1988 and 2000 in the following ways: interest rate liberalization and the abolition of direct credit; the reformation of monetarily distressed banks; the strengthening of the foreign exchange market; the establishment of a forex bureau; and the establishment of the Ghana Security Exchange. Several bills, including the Banking Act 1989; Bank of Ghana 1992, PNDC 291; Security Industry Law 1993, PNDCL 333; Financial Institution (Non-Banking) Law, 1999, PNDCL 328; Insurance Act 1989, PNDCL 227; and Social Security Act 274, improved the regulatory and legal framework for the financial sector.

Between 2001 and 2008, the FINSSIP implemented financial sector reforms to liberate the financial sector from its numerous constraints and position it in line with international standards in the sub - region. The Banks of Ghana Act 2002; the Monetary Policy Committee (MPC)-transparency and universal banking; the elimination of the secondary reserve requirement; the Banking Act 2004; the Banking Amendment Act 2007 (offshore banking); the Long-Term Saving Act 2004; the Venture Capital Trust Fund Act 2004; the Payment System Act 2003; and the Foreign Exchange Act 2003 are among the regulatory and supervisory reforms.

The rest include the Anti-Money Laundry Act FINAP2008; the licensing of the first credit reference bureau; the Insolvency Act 2003; the Credit Reporting Act 2008; the establishment of a collateral registry; the Borrowers and Lenders Act 2008; the Home Finance Act 2008; the Non-banking Financial Institutions (NBFI) Act 2008; and the Central Securities Depository Act 2007. The payment and settlement system reforms and regulatory directives resulted in the inception of the real-time gross settlement system (RTGS); the central security depository (CSD), the automated clearing house (ACH), cheque code line clearing (CCC); a national payment system with a common interoperable platform (e-Zwich), and the Ghana Interbank Payment and Settlement System (GHIPSS).

The Bank of Ghana Act, 2002 (Act 612), the Banking Act, 2004 (Act 673), the Companies Code, 1963 (Act 179), and the Banking (Amendment) Act, 2007 comprise the regulatory and legal framework within which banks operate in Ghana (Act 738). The supervisory activities of the Bank of Ghana are designed to follow the Basel Core Principles for Effective Banking Supervision. The law forbids banks from closing their doors willingly to the detriment of their consumers. The Bank of Ghana raised the financial capital requirement for new banks operating in Ghana. New financial institutions must have a threshold of GHS 120 million in market capitalization. Existing banks only need to maintain GHS60 million in declared capital. Existing banks merely need to maintain the GHS60 million in declared capital that was previously specified. Existing banks were expected to willingly increase their capital to GHS120 million in accordance with their operations. And since then, four main institutions have proactively increased their capitalization to about GHS120 million.

The non-banking sector in Ghana has grown rapidly, although long-term financing is still rare. According to the IMF, financial services sector actors have shared regulatory, supervision, and infrastructural shortcomings. Other financial institutions' capital requirements have also been revised upwards by the Bank of Ghana. Other financial institutions' capital requirements have also been revised upwards by the Bank of Ghana. Savings and loan firms will now be required to have a minimum capital of GH15 million Cedis, up from the previous requirement of GH7 million. Rural and community banks must now have a minimum capital of GH300,000, up from the previous requirement of GH150,000.

Empirical Review

The study of Obuobi et al (2019) focused on the banking sector's regulatory and supervisory directives of the recapitalization effects on the Ghanaian banking sector. Ghana's banking industry has been recapitalized three times in the last decade (2007, 2012, and 2017). The study was conducted to determine whether the bank recapitalization regulatory and supervisory directive was worthwhile, using the 2012 exercise as a benchmark. The study used an ex-post factor design quantitative research method. It employed secondary data from 2007 to 2018 on the research variables (cost to income ratio, profit before tax, non-performing loans, return on assets, return on equity, net interest margin, capital adequacy ratio, liquidity ratios, asset quality ratios). Both descriptive and inferential statistics were employed in the analysis. To identify evidence of statistically significant differences in banking sector performance metrics, the t-test for equality of means and the Levene's test for equality of variance were utilized. The study results showed that the recapitalization of the banking sector can enhance bank performance.

Furthermore, the financial regulation and governance landscape of African financial institutions was examined by Oduor and Kebba (2019). The study examined the effectiveness of prudential reforms over the years and examined the success, failures, policy recommendations and future trajectory. In the study, the role of regulation and governance in improving or limiting financial inclusion was also discussed. The study indicated that Africa's regulatory and governance framework in the last 10 years has made significant steps to improve its financial sector. This has led to better stability, depth of finance and financial inclusion. The findings posit that regulations intended to improve the stability of the financial sector do not always lead to increased financial inclusion, while improvements in efficiency, governance and market behavior lead to improved financial integration. The study however found several weaknesses in the regulatory landscape of the financial sector in Africa. These include; weak supervision, limited enforcement power and a lack of political support, and the politicization of regulatory appointments. Furthermore, many regulatory authorities in Africa lack the necessary independence for sound regulation.

Oketch (2020) also sought to investigate how commercial banks' performance in Kenya was affected by financial sector policies. The study was based on a preference for liquidity, neoclassical theories, and market power theories. The study was based on both primary and secondary data. In Kenya, the secondary data population consists of 44 commercial banks that are all governed by a regulatory and legal framework. Data for 43 commercial banks with 8-year data for the period 2010 to 2017 was analyzed. The target population for primary data was 172 respondents. The secondary data was analyzed using descriptive statistics, including correlation analysis and random and fixed effects, whereas the primary data was analyzed using inferential statistics, including factor, correlation, and return analysis. It was found that deposit insurance and capital adequacy cause a financial performance lag for various commercial banks. The findings also revealed that liquidity management policies, which included asset liability ratio and cash reserve ratio, had the greatest impact on commercial bank performance in Kenya, implying that any commercial bank should have an effective liquidity management policy that unmistakably correlates with improved bank performance.

Additionally, Begenau and Landvoigt (2021) study sought to ascertain how the shadow banking system reacts to changes in commercial bank capital regulations. To investigate the unexpected repercussions of regulation, they developed a quantitative general equilibrium model, including both regulated and unregulated banks. Tighter requirements for capital for regulated banks increase debt comfort yields for all banks, which leads to the increased leverage of shadow banks and a broader shadow banking sector. In parallel, the study confirmed that stricter regulation removes subsidies from deposit insurance for commercial banks, which reduces competitive pressures on shadow banks to take risks. The net impact is a safer, more shadow banking financial system. When the model is calibrated using data from financial institutions in the United States, the optimal capital requirement is around 16 %.

Moreover, Phan et al (2021) study aimed at examining the effects on financial stability of economic policy uncertainty. They showed that the impact was negative and statistically significant by using data from 23 countries for the period 1996-2016. Economically speaking, unit standard deviations increase uncertainty in economic policy by 2.66% to 7.26% of their mean sample. For countries with higher competition, lower regulatory capital and smaller financial systems, the negative effect of economic policy uncertainty on financial stability is greater. The study demonstrates that their findings are robust by means of bank data and various structures of global panel portfolios and by controlling for Z-score skewness, the global financial crisis, and endogeneity.

METHODOLOGY

The study employed the mixed- method research approach of collecting and analyzing the study's data. The study's sample comprised of twenty-three (23) licensed banks in Ghana under the study period. In addition, five (5) key informants for the qualitative response were chosen using the purposive sampling approach. The high-ranking officials of the banks at the management level, as well as senior officials from the Bank of Ghana as well as the Ministry of Finance served as the main informants. The interview was necessary to have a thorough knowledge of the factors being investigated. Data was gathered from primary as well as secondary sources. Primary data was gathered through interviews with the use of interview guide, whereas secondary data was collected from BoG reports. Furthermore, additional data relating to the study topic was gathered from research journals and publications. Qualitative data gathered through interviews was analyzed manually through identification of the themes and sub-themes and presenting them as they emerged. Additionally, there was a secondary data analysis of the post crisis banking sector survey gathered from the research reports of BOG.

RESULTS

Challenges or Weaknesses of the Financial Sector Regulatory and Supervisory Regime prior to the banking sector crisis in Ghana

This section presents analysis of qualitative data regarding the challenges/ weaknesses of the financial sector regulatory and supervisory regime prior to the banking sector crisis in Ghana, in line with the study's first objective. The emerged theme is failure to adopt gradual, systematic, and progressive increase in minimal capital requirements.

One key informant indicated that:

"The Ghanaian banking regulatory and supervisory framework under the auspices of the Bank of Ghana has actually failed to adopt gradual, systematic and progressive increase in minimal capital requirements for the banks over the years. The sudden hike and duration to meet the minimal capital requirement was shot and panicking. The financial system was then plunge into a condition of severe turmoil" - Head of Operations, Bank 1.

Another theme that emerged was that non-performing loans (NPLs) have hampered interest in revenue generation, reduced investment possibilities, and caused liquidity problems in the financial system. A response from a key informant interviewed indicated that:

"……In fact, the financial regulatory system has created a lot of havocs. Many non-performing loans (NPLs) have hampered interest in revenue generation, reduced investment possibilities, and caused liquidity problems in the financial system. Some banking institutions have collapsed because of this, resulting in some amount of weakening in the financial industry" - Bank of Ghana (BOG) Officer, 1

Also, insolvency and illiquidity as well as challenges of solvent but illiquid financial institutions conditions existed in several banking institutions as an emerged theme. A response from one of the regulators posited that:

"The weakness of the regulatory framework caused challenges that range from insolvent to illiquid to solvent but illiquid, depending on the bank. In part, this was due to shoddy corporate governance, falsified financial reporting, and insider trading." - Bank of Ghana, Officer 2

Additionally, there were emerged trends of challenges or weaknesses related to loans against collateral, inadequate credit management practices, poor risk management and embezzlement of funds, and diversion of funds. The response of one of the key informants opined that:

"…there were a lot of challenges when it came to loans against collateral. Inadequate credit management practices resulted in huge undeclared debts. In fact, some financial institutions witnessed poor risk management and embezzlement of funds under the supervision of the board and top management. Also, some Chief executives diverted funds for personal investments at the blind side of board of governance and BOG" - Financial Consultant, Bank of Ghana.

Furthermore, another emerged theme from the interview indicated poor governance regimes, undercapitalization, and acquisition of documentations under dubious conditions. The response showed that"

"The sector has faced challenges related to poor administrative and operation governance decisions of individual banks, undercapitalization, and some financial institutions obtained

licenses under dubious circumstances. It is far to attribute these problems to the financial sector regulatory and supervisory framework adopted before the collapse of the banks in the country" - Bank of Ghana, Officer 3.

Finally, poor mechanism of early warning sign detection emerged as a theme for the study. Consequently, a key informant's response revealed that:

"There appeared less robust mechanisms in place at the Bank of Ghana for diagnosing premature threatening signs and imposing regulatory responsibilities as well as ensuring that banks take quick remedial procedures to recuperate speedily from any unindicated distress events". Financial Expert, Ministry of Finance

Progress of Current Financial Sector Regulatory Compliance and Implication for Growth

This section presents the analysis pertaining to the progress of current financial sector regulatory compliance of the banking institutions in Ghana and the implications for growth analysis, gathered from secondary data from the post-crisis banking sector survey.

The Bank of Ghana (BoG) is mandated to assist the government's overall economic strategy by encouraging economic growth and the effective and efficient functioning of the country's banking and credit institutions. To create a stable and efficient financial system, the BoG has set the following goals: increased disclosure requirements for financial institutions in accordance with Pillar III of the Basel agreement; strong capital adequacy of financial institutions in order for them to be Basel II and III compliant; and effective supervision and regulatory measures.

By encouraging economic growth and efficient banking and credit systems in Ghana, the Bank of Ghana (BoG) will assist the government's overall economic strategy. An increase in financial institutions' disclosure requirements in accordance with Basel III; sufficient capital adequacy so that they will be Basel II-compliant; and effective supervision and regulatory measures are all on the BoG's agenda to establish a stable and functional financial system. The secondary data analysis assesses the directives' progress and impact on the financial sector's regulatory compliance and has implications for growth.

New Financial Regulatory and Supervisory Framework Directives Implementation

The banking sector has witnessed the implementation of new corporate government directives. Thereafter, BoG implemented the Corporate Governance Directive, requiring directors of banks to undergo a certification training session during the year in order to be certified. An update on non-executive Ghanaian director requirements, as well as a 12-year term limit for managing directors, are among the directive's highlights. The progress of the implementation of this directive indicated that several financial institution boards were reorganized because of this directive. This is essential to address gaps in the board and governance issues that characterized the collapse of the banks.

Also, there was a revocation of non-bank financial institution licenses. Three hundred and forty-seven bankrupt microfinance firms had their licenses cancelled by the BoG on May 31, 2019. It included one hundred fifty-five of these firms. Their insolvency and dormancy were deemed by the regulator to be insurmountable obstacles to rehabilitating the banks and denying depositors. Again, the sector experienced the withdrawal of licenses for insolvent savings and loans in Ghana. On August 16, 2019, the BoG cancelled the licenses of 23 insolvent savings and loan institutions and finance houses. As part of the regulator's efforts to improve the Specialized Deposit-Taking Institutions (SDI) and Non-Bank Financial Institutions (NBFI) sectors, this was a significant move.

The directive for the Payment Systems and Services Act 2019 (Act 987) and the National Payment Systems Strategic Plan (2019-2024) came into effect. As a result of this legislation, current rules and standards pertaining to payment systems and electronic money were consolidated, as were a broader range of participants. The BoG created a National Payment Systems Strategic Plan (2019–2024) to encourage efficient payments, expand financial inclusion, and boost financial innovations in order to meet the Act's goals.

This directive was published by the Bank of Ghana (BoG) in July 2019 and is intended to ensure that banks, special deposit-taking businesses, and financial houses comply with the directive. The Banks and Specialized Deposit-Taking Institutions Act, 2016: licensed or registered operations (Act 930) seeks to provide advice on assessing the suitability and propriety of a substantial shareholder, director, or key management staff in a regulated financial institution. Another directive's primary goal is to refrain from engaging in licensed or registered activities if you are not fit and suitable.

Furthermore, schemes for deposit protection in Ghana were directed and are being implemented by financial institutions. A new deposit protection scheme for Ghanaian citizens went into effect. Small depositors are protected by the Ghana Deposit Protection Corporation ("GDPC") under the scheme, which is managed by the Ghana Deposit Protection Corporation ("GDPC"). In order to help fund the scheme, banks are obliged to do the following:

A one-time premium of 0.1% of the minimum paid-up capital (GHS 400k) will be charged.

Annual premium of 0.3% of insurable deposits (total deposits minus exclusions in Section 13 of the Ghana Deposit Protection Act, 2016).

Impacts of the Bank of Ghana's Regulatory Framework on the Sector

In March 2020, the Bank of Ghana proposed many monetary policy actions. For the success of these steps in reducing the pandemic's immediate impact, BOG asked banks for their opinions and looked at the effects of policies regarding reference rates and primary reserve requirements, as well as other factors. The respondents all agreed that the 200 basis point (2 percent) decrease in the rate of interest priced off the Ghana Reference Rate was significant to the final beneficiaries, the loan clients.

Around 88% of the banks questioned indicated they decreased loan rates in response to the directive, while only 6% stated they did not change their pre-COVID-19 lending rates. Another 6% opted to assess loan rates on a case-by-case scenario. For many banks (81%), the Monetary Policy Committee (MPC) cut the policy rate by 150 basis points to 14.5%. This is likely to put pressure on operational results due to long-term positions taken on customer deposits via fixed deposits, whereas future investment of funds would yield lower returns. Because they are significantly engaged in long-term fixed income assets, 19% of respondents are unconcerned.

Due to the risk assets projected to benefit from the excess liquidity, some banks have elected to hold their reserves at 10% to prevent possible loss per regulatory and international financial reporting standards. Lowering the capital conservation buffer from 3% to 1.5%, as per 50% of respondents, was beneficial to Ghanaian banks. The conservation buffer among all banks, per the 2019 assessments of the banks included in the study, surpasses the required 3%. Thirteen banks have capital adequacy ratios that are above 20%.

Growth, Total Assets, and Liquidity Implications

According to the banking survey of 2020, despite the fact that just 16 banks responded to the survey, financial data from 19 of them was included in the financial performance assessment. The audited statements of the other banks were unavailable during the study period. By the close of December 2019, total operating assets accounted for 93% of total assets held by participating banks and had increased by 24% to GHS 109.5 billion. Liquid assets (interbank placements, Treasury bills, and government bonds) climbed by 25% to GHS 49 billion in 2018, relative to a 42% growth between 2017 and 2018 from GHS 27.7 to 39 billion.

Deposits rose 24% to GHS 81 billion, which also contributed to the growth in operational assets. Market views have shifted as a result of uncertainty connected to a stable industrial situation. The regulator's changes appear to be having the expected effect. Since most consumers prefer commercial banks over microfinance organizations or savings and loan businesses, recent changes in the financial services industry can also be linked to the increase in deposits made.

More than 45% of the industry's operational assets (EBG, GCB, FBL, SBG, and ABSA) are concentrated in only five banks. This will eventually lead to the creation of a local systemically significant default. In the case of a systemic default, this poses a threat to the industry's, though it is unlikely that there would be a sudden dilution, as with more established markets, there Currently, EBG owns 10.8% of the industry's operational assets. To reach the GHS 21.5 billion increase in operating assets, SBG, ABSA (previously BBGL), FBL, and EBG each contributed over GHS 2 billion. As a result, FBL's and EBG's operational assets grew by 51% and 22%, respectively, to GHS 10 billion for FBL and GHS 12 billion for EBG, resulting in growth of 51% and 22%, respectively. FBL's liquid assets grew by 24% to GHS 4 billion, while EBG's grew by 22% to GHS 3.8 billion, indicating that both banks continued to spend heavily on liquid assets.

More credit is now available as a result of the bank's aggressive lending strategy and the introduction of mobile and online banking. FBL's total operating assets increased by 52 percent, owing to a 52 percent growth in total deposits. In December of 2019, SBG's operational assets increased by 46% to GHS 8 billion. Only 0.01 percent of the bank's liquid assets rose in 2019 (See Table 2-Appendix).

As a result of expansions to and larger drawdowns from current client facilities, the mining, industrial, and commerce sectors witnessed an increase in borrowings. A 59% increase in total deposits and borrowings aided loan and advance funding. ABSA's operational assets grew by 29% to GHS 11.3 billion. As a result of the bank's vigorous retail credit campaign, net loans and advances have increased by 40%, as have liquid assets (29%).

As a result of numerous measures, including the marketing of credit cards and other new-branding operations, ABSA's total assets increased by 30%. The overall operating assets of the sector grew at a pace of 16% to 65% for each of the banks. There were also noteworthy gains at GCB, SCB, CAL Bank, ABG and SG.

Growth Implications: Profitability, Solvency, and Liquidity

Liquid Funds and Total Deposits

Liquid funds as a percentage of total deposits fell by 2% in 2019, from 91% to 89 percent. This was because total deposits climbed significantly from GHS 59 billion in 2018 to GHS 81 billion in 2019. The banking sector's restored trust and stability as a result of the 2018 reforms which aided the record increase of 38% in total deposits, compared to 3.8% in 2018. Banks were cautious in terms of obtaining liquidity in the form of cash and marketable securities. At year's end, cash and liquid assets held had climbed by 19% to GHS 73 billion, up from GHS 61 billion the previous year. 42% of participating institutions have enough cash on hand to cover their entire deposit

Profitability

The major profitability indicators show that the profitability of deposit money banks (DMBs) rose at the end of December 2019 compared to the previous year. The improved profitability was primarily due to the favorable results of the banking industry's regulatory reforms and economic policies by the Central Bank and the Government of Ghana. (See Appendix Table 3)

Solvency

During the fiscal year of 2019, the banking sector's solvency continued to improve. The capital adequacy ratio of DMBs, calculated in accordance with the Capital Norm Directive under the Basel II/III capital framework, was 17.5%, which was higher than the prudential requirement of 13%. The equity position of DMBs grew significantly in 2019 to GH17.9 billion from GH16.9 billion in 2018. Asset quality improved significantly as well, with the nonperforming loans (NPLs) ratio falling to 14% from 18% at the same time the previous year (2018). The decrease in NPLs was caused by a significant increase in credit growth, loan recoveries, and write-offs. (See Table 4 - Appendix).

Non-financial Institutions (NFIs) Growth Consequences

SDI's Save-and-loan companies

Like licensed institutions, SDI's Save-and-Loan companies are part of the industry, as are finance houses, mortgage institutions, leasing companies, rural and community banks, and microfinance institutions (MFIs). From GH16.50 billion in December 2018 to GH12.32 billion in December 2019, the combined assets constituted 8.7% of all banking assets. Weak, inactive, and bankrupt institutions were barred from operating in 2019, which led to a decrease. Major financing came from deposits, which fell by 22.7% year-over-year to GH7.9 billion, compared to a 19.8% increase in the previous year.

Rural and Community Banks

At the end of December 2019, the total number of licensed RCBs stood at 144. The sector had total assets of GH4.69 billion as of the end of December 2019, an increase of GH550 million from the end-of-December 2018 position. The capital adequacy ratio (CAR) of RCBs increased to 12.7% at the end of December 2019 from 10.5% at the end of December 2018, exceeding the prudential benchmark of 10%. NPLs improved modestly to 11.5% at the end of December 2019, up from 12.7% in 2018.

Microfinance Sector

About 180 licensed MFIs were left after 386 institutions had their licenses revoked as of the end of December 2019. By the end of December 2019, the deposit-taking MFIs had a capital adequacy ratio of 31.0%, up from 8.0% in December 2018. With a post-resolution percentage that was far over the prudential ceiling of 10%, the microfinance industry had made great strides in CAR.

CONCLUSION

In line with the first objective, it can be concluded that the financial sector's regulatory and supervisory regime prior to the crisis was weak, filled with gaps, and also faced several supervisory challenges. Banking institutions manipulated these regulatory weaknesses, which affected the economic health of the financial sector. The post-crisis financial regulatory and supervisory framework has had some improved impacts on the banking sector's performance in solvency, profitability, and liquidity.

Also, in line with the second objective, it can be concluded that the BOG's regulatory and supervisory directives of 2019/2020 on corporate governance have addressed the board and governance flaws that characterized Ghana's bank failures. The progress and impact on the financial sector were positive and have strengthened the Specialized Deposit-Taking Institutions (SDI) and Non-Bank Financial Institutions sectors. As a result, the directives are succeeding; profitability, solvency, liquidity, increase in assets, reduction in NPLs, and credit risk, among other things, are all positive. Therefore, the progress and impact of the financial sector in Ghana is a function of regulatory and supervisory framework effectiveness.

RECOMMENDATIONS

First of all, considering the adverse effects of the banking crisis on the economy of Ghana, both conventional and macroprudential policies are needed to protect emerging market authorities against a buildup of financial imbalances. To ensure that banks are resilient to unfavorable shocks, the BOG should regularly monitor the health of bank balance sheets, preferably using economic capitalization metrics. Consequently, the regulatory and financial supervisory framework should internalize progressive increases in minimal capital requirements rather than sudden and huge increments.

Also, to sustain financial performance, limit the effect of future crises, and maintain trust in the banking sector, Ghana's banking sector must keep pace with the global banking industry in accordance with the Basel regulatory framework. Nevertheless, the BOG must be mindful of the strict dichotomy between those who establish international standards and those who obey them in the global financial system, which is based on core-periphery logic and only concerned with the promotion of financial stability. Hence, developing nations like Ghana, outside of standard-setting organizations, are often deeply interwoven into global finance and are heavily impacted. So, the BOG must be considerate of regulatory and supervisory favorable for the country so that it will not repeat the similar 2017 crisis.

Again, regulatory effectiveness is not always connected with specific regulatory regimes, as many nations with vastly disparate regulatory regimes have been both successful and failed. As a result, effective coordination among government, regulatory authorities (BOG), and financial institutions is required; a balanced strategy that includes both prudential and market-behavior regulation; and a reputation for regulatory discipline, as evidenced by a risk-focused approach and a tough, no-nonsense approach to those who undermine the financial regulatory framework. This will help address regulatory and supervisory challenges proactively and improve financial performance indicators to ensure yearly progress and future successes are devoid of risk and crisis.

Furthermore, Ghana should strive toward the establishment of a dual-harmonized and autonomous regulatory system that would include the establishment of a financial sector and a market conduct authority. This will assist in taking on some duties for market behavior regulation in the banking, credit, securities, insurance, and pension sectors. This is intended to shift regulatory attention to consumer protection while reducing regulatory oversight from the BOG. Again, a financial sector prudential regulatory body under the authority of the Bank of Ghana should be formed to take over the prudential regulation tasks of the following regulatory institutions: supervision of banking for the banking sector and non-banking sector institutions; securities and exchange; and national pensions, among others.

Moreover, BOG regulatory enforcement and supervisory should focus on resolving problems that have had significant implications for the banking sector in recent years, like NPL, ROA CAR, and general noncompliance weaknesses in the framework. In view of that, attention must be paid to non-compliance with anti-money laundering regulations; non-compliance with filing of returns; non-compliance with the required primary reserve requirements; non-compliance with the single obligor limitations; and non-compliance with the capital adequacy criteria. To help reduce this noncompliance, the BoG must intensify training, increase enforcement and regulation, and severely penalize non-compliance institutions.

LIMITATIONS AND FURTHER STUDIES

The study is limited in scope because it did not cover all banks in the country. Also, the study included a limited number of key informants for the qualitative survey. This is due to the challenge of getting more of such cognoscenti for the survey. Again, the study was not sponsored, posing financial constraints.

It is recommended that future studies consider expanding the scope of this study using wider data. Future research can look at the performance of the industry as a whole. If properly done, this may provide more robust findings for the purpose of policy implementation. Also, comparative studies between foreign and local banks in Ghana pertaining to the study topic could he held in the future.

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APPENDICES

Table 2: Total operating assets (millions of Ghana Cedis)

	2019	2018	2017	2016	2015	Change	Δ% between 2019 and 2018
EBG	11,810	9,717	8,151	7,279	5,954	2,094	21.55%
GCB	11,561	9,721	8,268	5,686	4,327	1,840	18.92%
ABSA	11,296	8,757	5,747	5,113	3,437	2,539	29.00%
FBL	10,093	6,663	5,115	3,981	3,948	3,430	51.47%
SBG	8,188	5,611	4,820	4,974	3,984	2,577	45.92%
SCB	7,005	5,556	4,379	4,068	3,147	1,449	26.08%
CBG	6,579	-	-	-	-	6,579	100%
CAL	6,354	4,867	3,847	3,198	3,151	1,487	30.55%
ZBL	6,331	5,332	4,298	3,193	2,396	999	18.74%
UBA	4,418	3,450	2,895	3,682	2,342	968	28.06%
ABG	4,339	3,195	2,892	2,437	2,250	1,145	35.83%
ADB	4,293	3,367	3,282	2,796	1,947	926	27.51%
SG-GH	4,089	3,082	2,478	2,329	1,878	1,006	32.64%
RBL	3,187	2,744	1,955	1,701	1,469	443	16.14%
GTB	3,032	2,165	1,803	1,493	1,319	867	40.05%
PBL	2,894	2,111	1,958	1,511	1,286	783	37.10%
BOA	1,896	1,153	1,192	1,004	1,080	743	64.44%
FBN	1,209	962	524	542	421	248	25.76%
FNB	913	603	224	255	132	310	51.43%
FABL	-	1,582	1,538	1,292	1,079	(1,582)	-
TRB	-	-	1,047	1,014	867	-	-
PRB	-	-	1,275	886	-	-	-

UMB	-	-	2,764	2,582	1,230	-	-
BSIC	-	-	599	537	466	-	-
OBL	-	-	585	433	-	-	-
BOB	-	-	387	291	266	-	-
ECB	-	-	296	324	329	-	-
TCB	-	-	106	-	-	-	-
UGL	-	-	-	5,528	3,650	-	-
GNB	-	-	-	658	484	-	-
SBL	-	-	-	348	-	-	-
NIB	-	-	-	-	2,016	-	-

Source: PWC Banking Survey 2020

Table 3: Profitability Indicators

Indicators (%)	**2016**	**2017**	**2018**	**2019**
Return on Equity*	17.3	18.7	18.5	19.9
Return on Assets**	3.8	3.6	3.4	4.1
Return on Earning Assets	5.1	4.7	4.6	5.6
Net Interest Spread	11.4	10.2	9.5	11.0
Cost to Income Ratio	57.4	59.0	58.3	54.8
Net Interest Margin	13.0	11.0	9.5	10.9

**Return on Equity is calculated after tax ** Return on Assets is calculated before tax*

Table 4: Solvency Indicators

Solvency Indicators (%)	**2015**	**2016**	**2017**	**2018**	**2019**
CAR (%)	18.31	17.64	15.62	21.90	17.50
Net worth (GH¢ billion)	9,209.00	10,984.00	12,271.00	16,928.00	17,947.13
NPL (%)	14.67	17.30	21.59	18.19	13.94

**Calculated using Basel II/III*

Abbreviations

ABG – Access Bank Ghana

ABSA – ABSA Bank Ghana Limited

BOA – Bank of Africa Ghana Limited

BOB – Bank of Baroda

BSIC – Sahel Sahara Bank Ghana Limited

CAL – CalBank Limited

CBG – Consolidated Bank Ghana Limited

EBG – Ecobank Ghana Limited

ECB – Energy Commercial Bank

FABL – First Atlantic Bank Limited

FBL – Fidelity Bank Ghana Limited

FBN – FBN Bank Ghana Limited

FNB – First National Bank

GAT – Ghana Amalgamated Trust Plc

GCB – Ghana Commercial Bank

GNB – GN Bank Limited

GTB – Guaranty Trust Bank

NIB – National Investment Bank

OBL – OmniBank Ghana Limited

PRB – Prudential Bank Limited

RBL – Republic Bank Ghana Limited

SBG – Stanbic Bank Ghana Limited

SBL – Sovereign Bank Limited

SG-GH – Société General Ghana Limited

TCB – The Construction Bank

TRB – The Royal Bank Limited

UBA – United Bank of Africa Ghana Limited

UGL – UniBank Ghana Limited

UMB – Universal Merchant bank

ZBL – Zenith Bank Limited