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Financial Strategy as Support Determinant for the Avoidance and Resolution of Distress in the Ghanaian Banking Industry

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Abstract
The banking sector is the bedrock of the Ghanaian economy, and this industry is known to have contributed in no small measure to the development of the economy. This industry is the enabling hub of national and global payment systems, which facilitates trade transactions within and amongst numerous national, regional and international economic units and by so doing; it enhances commerce, industry and exchange. In performing these various functions in the enabling environment provided by the government through various fiscal, and monetary policies and reforms, this industry has been experiencing a phenomenal distress whereby the banking institutions could not meet their financial obligations to their customers and stakeholders, which led to the liquidation of many banking institutions, loss of deposits by depositors, loss of investments by many investors and the crisis of confidence by the general public. Various researchers and bodies including the Bank of Ghana (GoG) and Securities and Exchange Commission (SEC)have done some works to solve this problem. The Bank of Ghana (GoG) has introduced various reforms, yet this problem persists. The objective of this work is to evaluate financial strategy as determinant for sustainable performance growth and an antidote to distress in the Ghanaian banking industry. The research method is empirical, and descriptive with the use of primary and secondary data from 1998-2007. Primary data were obtained from a sampled population through the use of a corporate questionnaire, and for the secondary, macro data were obtained from Central Bank and Ghanaian Stock Exchange. Multivariate Analysis of variance method (MANOVA) was applied in analyzing the primary data. The results revealed the homogeneity, co linearity, and strong interrelationship between the dependent variables and the independent variables to solve distress in the three types of banks analyzed. With the results obtained, all the five null hypotheses were nullified. Multiple regression analysis was used to analyze the secondary data in conjunction with change in growth model. The results from the two statistical methods revealed a co-movement and correlation between Gross Domestic Product and Bank performance iSECes in the banking industry. A change in bank performance will have the same directional change in Gross Domestic Product as other sectors of the economy are also affected. The Bank performance iSECes are strong predictors of Gross Domestic Product. The work recommended a transformational financial strategy model in the work for implementation in the banking industry so that distress can be avoided and totally resolved. The model contains the following iSECes: sound corporate governance, good investment policy, effective capital budgeting, corporate planning, effective tax planning, effective budgetary control and economic profit of investment. An implementation of the model will give birth to sustainable performance growth which contains the following growth variables: adequate capital, quality earning assets, stable profitability, sustainable liquidity, enhanced dividend paid, and equitable tax liability. Other recommendations are: effective risk assets management, sound training of credit analyst, quality supervision from

the industry regulators, and independence of SEC for effectiveness. However, all stakeholders must be committed to the model and other recommendations.

Keywords: *Financial Strategy, Support Determinant, Avoidance and Resolution of Distress, Ghanaian Banking Industry*

1.0 INTRODUCTION

In the ordinary parlance, the word distress connotes unhealthy situation or state of inability or weakness which prevents the achievement of a set goals and aspirations. A financial institution will be described as unhealthy; when it exhibits severe financial, operational and managerial weaknesses where sustainability and stability are missing in business. A business is any activity that seeks to make profit by providing goods and services to the society by using inputs from the environment and transform them into outputs that add meaning to human existence. A business can be one's regular employment, profession, occupation and can be an organization established through the pooling together of resources by various investors with the aim of providing products or services to the economy, contribute to the development of the economy and earn returns on their investments.

Ghanaian businesses can be classified into three major segments viz: Private enterprises, Private limited Liability Companies and publicly quoted companies. The banking sector belongs to the private limited liability companies and the publicly quoted companies. While some banking institutions are privately owned by investors, some are publicly quoted on the Ghanaian Stock Exchange. The banking sector is part of Ghanaian financial system, and financial system refers to the totality of the regulatory and participating institutions, including financial markets and instruments, involved in the process of financial intermediation. The major objectives of investing in the banking sector are to provide financial services to the economy and earn compensatory returns on capital employed. The industry is the enabling hub of national and global payments system by facilitating trade transactions within and amongst numerous national, regional and international economic units and by so doing; it enhances commerce, industry and exchange. The banking industry in Ghana is the bedrock of the economy.

According to Onoh (2002:10-13), the establishment of modern banking in Ghana dates back to the colonial era when the African Banking Corporation was formed in 1892 to distribute currency notes of the Bank of England for the British treasury. Subsequent developments were encouraged by colonial entrepreneurs who needed banking institutions to back up the colonial trade. In the bid to address the credit needs of indigenous entrepreneurs, Ghanaians later ventured into the banking business, initially through private individuals and later through deliberate government policy. According to BOG and SEC (1995:1), the problem of distress in the financial sector, including bank failure, has been observed in Ghana as far back as 1930 when the first bank failure was reported. Between 1930 and 1958 when Bank of Ghana (BoG)was established, about 22 banks were liquidated (appendix 1). In 1992, 3banks were liquidated while in 1994, 4banks were liquidated. The degree of intensity and scope of the distress has never been as serious as has been observed since June,1989 when the Government directive to withdraw deposits of government and other public sector institutions from banks to the BOG exposed the weak financial condition of most financial institutions. This led to the increase in the number of distressed institutions and the severity of the problem has been on the increase. The intensity of the problem led to the liquidation of 26banks in 1998(appendix 2).

According to BOG (2004:1), following the deregulation of the Ghanaian financial sector in 1986 during era of structural adjustment programme (SAP), the banking industry witnessed remarkable growth, both in the number of deposit money banks and other types of financial institutions. However, in the early 1990s, Ghanaian banking institutions faced many challenges, including increased competition and harsh economic conditions. Against this background, the incidence of financial sector distress induced by undercapitalization, liquidity crisis and high degree of non-performing loans characterized the banking industry in Ghana. Some of the banks were faced with the threat of liquidation, while some were resuscitated as a result of the timely intervention of the regulatory authorities. Several measures have been taken by the supervisory agencies to tackle the problem of distress in the financial system most especially the banking industry to stem the deterioration in the financial conditions of ailing banks with the ultimate aim of restoring confidence in the financial system. These varied from financial assistance, imposition of holding actions and supervisory intervention to the outright liquidation of some distressed banks. As a way of minimizing the distress in the banking system, the Central Bank in 1990 introduced the Prudential Guidelines on early recognition of loan losses and required banks to make adequate provisions for bad and doubtful debts, a factor which was responsible for the insolvency of some banks.

The Central Bank of Ghana explained that based on bank examination reports, the supervisory authorities drew the attention of the Boards and Managements of distressed banks to a number of shortcomings such as poor credit policy, large portfolio of non-performing assets, weak internal controls, insider abuses. All the recommendations were unheeded. The regulatory authorities had to impose holding actions on such banks, the implementation of which was time bound. The BOG in collaboration with the SEC granted liquidity support to illiquid banks to assist them meet their obligations as and when due. This helped to achieve some measure of success and restore public confidence.

Technical assistance was provided by the supervisory agencies in form of advisory services and secondment of staff when the need arose. Owing to limited success in the application of Holding Actions, the BOG assumed control and management of some distressed banks with the intention to acquire, restructure and subsequently sell them to the public. In order to sanitize the banking system and install market discipline, the licences of some banks were revoked in the system in 1992, 1994, 1998 and 2005.

According to Eghodaghe (1993) and cited by BOG/SEC (1995), a financial institution in distress is usually one where the evaluation depicts poor condition in all or most of the five performance factors as follows:

- Gross undercapitalization in relation to level of operation;
- High level of classified loans and advances;
- Illiquidity reflected in the inability to meet customers' cash withdrawals;
- Low earnings resulting from huge operational losses, and
- Weak management as reflected by poor credit quality, inadequate internal controls, high rate of frauds and forgeries, labour turn-over, etc.

Based on the extent and depth of the problem, it is evident that Ghana has been experiencing generalized type of distress. The generalized type of distress exists when its occurrence is spreading so fast and cut across all the sub-sectors of the industry but its depth, in terms of the ratio of total deposits of distressed institutions to total deposits of the industry; the ratio of total assets of distressed institutions to total assets of the industry; and the ratio of total branches of distressed institutions to total institutional branches of the industry; among others, has not adversely affected the confidence of the public in the financial system. This situation arose because of the highhandedness of the Board of Directors and Management of the various institutions.

The Managing Directors and Chief Executive Officers of these banks had influencing and controlling power over operational issues which have breached the tenets of corporate governance. The four pillars of corporate governance of Accountability, Fairness, Transparency and Independence have been thrown into the dustbin. Non-compliance with monetary and fiscal policies and regulatory authority's principles and regulations have resulted into abuse of power, lack of initiative to put in place good credit policies that will aid assets and liabilities management. Fraud and malpractices and poor lending habit have been introduced into the system despite all the efforts of the regulatory authorities to sanitize the system. Despite the growth in business and volume of assets of these institutions, rather than performance growth sustainability, what is prevailing is performance deterioration and financial distress. The performance growth iSECes could not be sustained.

The banking institutions failed to design on their own strategies that will bring sustainability and stability into the system like developing strategies that critically measure and analyze performance iSECes of capital, assets quality, profitability, liquidity, didvidend paid and tax paid. In 2018 December, when the Central Bank of Ghana concluded the consolidation exercise in the industry for a new reform and transformation, only the following banks had the financial capacity to meet the minimum capital base of GH₵400 million capital requirement: Barclays Bank Ghana Limited, CAL Bank Limited, Consolidated Bank, Ecobank Ghana Limited, FBNBank Ghana Limited, Fidelity Bank Limited, First National Bank Ghana Limited (FNB), Republic Bank Ghana Limited, GCB Bank Limited, Guaranty Trust Bank Ghana Limited (GTBank), Society Generale Ghana Limited, Stanbic Bank Ghana Limited, Standard Chartered Bank Ghana, United Bank for Africa Ghana Limited (UBA), Zenith Bank Ghana Limited. Others went into mergers and Acquisition options which eventually produced banks in the industry.

According to Masi, (1981) cited in Agene, (1995: 56) "On the day of independence the financial system was underdeveloped and most of the complex ramifications which are integral to it today were not there. The Central Bank was only established two years before independence and up to that date, there was little or no regulation of the banking industry. Fiscal policy in colonial Ghana was frankly rudimentary as most of the banks were foreign-owned and foreign managed, and their orientation was essentially foreign. He further explained that the two decades preceding the country's independence were therefore, a period of tremendous growth and development in this crucial sector of Ghana economy. The Ghana banking system may therefore be conceived as a network of monetary financial institutions which act together as a repository for the community's wealth; the interbank financial markets i.e. foreign exchange and money markets, which provide a web of debt instruments; and the framework of laws and regulations which control the flow of money and credit in time and space.

The failure of various reforms introduced in the past to resolve distress in the banking industry, makes it imperatives for a survey to be carried out to get a strategy that will be supportive or for avoidance and resolution of distress even in the face of financial reforms. For the sustainability of performance, avoidance and resolution of distress in the present Federal Government Economic Reforms where consolidation has taken place in the banking industry, this research work was chosen to assess this problem of financial distress that has posed a big challenge with a view to getting a permanent solution. It is high time we moved from generalized distress to stability and sustainability and avoid systemic distress which is imminent with the sack of eight (8) Managing Directors and Chief Executive

Officers of the following banks in 2009: Intercontinental Bank Plc, Oceanic Bank Plc, Afribank Plc, Finbank Plc, Union Bank Plc, Bank PHB, Spring Bank Plc and Equatorial Bank Ltd. They were sacked for the manifestation of distress syndromes in their banks with erosion of their capital base, threats to depositors' funds, high figures of non-performing loans and advances in relation to total loans and advances in the banks and clear manifestation of poor corporate governance. The Central Bank of Ghana had to inject N620billion as bail-out capital pending recapitalization. According to Balino (1991) as cited in BOG/SEC (1995:32) systemic distress is when its prevalence and the contagious effects become endemic and pose some threats to the stability of the entire system, with its attendant negative effects on the nation's payment system, saving mobilization, financial intermediation process and depositors confidence, and under this situation, the ratios of the relevant variables should have risen to a level that public confidence in the system would be completely eroded.

1.2 Statement of the Problem

According to Hamel and Prahalad, (1994:5-8) the painful upheavals in so many companies in recent years reflect the failure of one-time industry leaders to keep up with the accelerating pace of industrial change. From the evolution of the banking industry, the industry gained astronomical growth in the number of commercial and merchant banks from 11 in 1960 to 120 with a total of 2,107 branches at the end of 1992 and above 2,500 in 2005. This phenomenal growth and expansion in the activities of banks resulted in successes and failure of banks. Despite the robust growth in financial institutions and assets and profitability, some problems remained while new ones developed, the most prominent being the *financial institution distress*. The banking institutions could no longer meet their financial obligations to their customers and various stakeholders. It is evident that distressed banks were liquidated, depositors lost their deposits, investors lost their various investments, stakeholders lost their holdings and other sectors of the economy were adversely affected economically. Between 1990 and 2005, the financial distress was of greater intensity, both in scope and depth.

According to Ugwu, Olajide, Ebosede, Adekoya, Adepetun, and Oji (2009),the post 2005 consolidation exercise recorded the following problem:

- The Central Bank of Ghanasacked the Board and Management of Spring Bank Plc on January 5, 2007 for technical distress and falsified mergers and acquisition reports.
- The Central Bank of Ghanasacked the Managing Director of Wema Bank Plc in March 10, 2008 for technical distress and lack of transparency in reporting
- In August 14, 2009, the Managing Directors of the following banks were sacked for technical distress, poor corporate governance, destructive investment policies that had eroded the capital base and eating deep into customer's deposits, growing poor quality assets that earned no income and breach of budgetary control policies: Intercontinental Bank plc, Afribank plc, Finbank plc, Oceanic bank plc, and Union bank plc.
- In October 6, 2009, the Managing Directors of the Bank PHB plc, Spring Bank plc and Equatorial Bank plc were sacked in similar manner.
- To avoid waning of public confidence and runs in these affected banks and other institutions in the industry, the BOG had to quickly inject N620 billion in all the eight affected banks to keep them running.

The following are the factors that characterize the problems identified above.

- Non-compliance with the various monetary and fiscal policies which gave room to abuse of power, manipulations of figures, lack of transparency in their reports to BOG and outright fraud.
- There were absence of financial strategies in the industry that gave room for continuous appraisal of performance in order to sustain performance growth. Sustainable performance growth should meet the needs of the present without compromising the ability of the future generations to meet their own needs. The present growth of business in the industry has not been sustained to be able to prepare them for the future.
- The following sustainable performance growth strategies are either not instituted, poorly instituted or not reviewed during implementation thereby producing negative results: corporate governance, investment policy for effective assets and liabilities management, capital budgeting system, corporate planning, tax planning for effective fund management and payment of equitable tax, budgetary control and consideration for economic profit of investment.
- Absence of responsibility accounting where key performance iSECes are reviewed and variances analyzed and corrected to ensure better performance and sustainable growth. Such iSECes are capital, assets, profits, liquidity, dividend paid and tax paid. That was why during consolidation and recapitalization, only five (5) out of eighty-nine (89) banks could meet the minimum capital of N25billion. The implication of this is that 84 banks were distressed. The mergers and acquisitions option created opportunities for 70banks which were technically distressed to go for the option. 14 banks with total distress and whose cases were beyond

redemption went into liquidation. This was a position of inadequate capital base and worthless assets values for purchase/merger considerations. BOG had to revoke their operating licences (Ugwu, Olajide, Ebosede, Adekoya, Adepetun and Oji: (2009)

- According to BOG and SEC (1995) collaborative study, overhang of non-performing loans and advances, capital inadequacy, non-compliance with monetary policies, poor corporate governance, poor planning and control, lack of financial transparency, poor asset and liability management, macroeconomic instability, political instability, inadequate legal framework and economic recession are the contributing factors to distress in the system
- As the Gross Domestic Product (GDP) is the measure of total money value of all the goods and services produced in a country at a particular period of time, the contribution of the banking industry to the GDP has been affected by the distress. The position of the industry which occupied 3rd in contribution prior 1990 dropped as a result of the distress. Table below shows the evidence.

The distress in the industry has affected negatively the percentage contribution of the industry to the Gross Domestic product and also dropped to 5th position out of 33 industries in the economy. The BOG records revealed that if distress is resolved, the bank performance contribution to GDP will be better than the present position. Mismatch of assets and liabilities*:* The banks financed long term projects with short terms funds thereby created illiquidity problem. According to 2005 Central Bank report, the total assets to total available funds of distressed banks was 124.09% in 1995, and 154.47% in 1996. The industry position was 178.27% and 176.23% in1995 and 1996 respectively. The position for the unsound banks was 2,514% in 2003 and marginally unsound bank was 159.67% while the industry was 207.10%. In 2004, the position was 885.87% for the unsound banks, 186.67% for the marginally unsound banks while the industry was 223.64%. With these figures, there is clear evidence that these banks had liquidity problem which metamorphose into financial distress.

Despite the efforts of regulatory authorities to revitalize the affected institutions, Ghana banking industry continued to witness this financial distress even after consolidation. Moreover, copious studies like those reports and early warning signals on the vulnerability of the banking system in Ghana, comparatively, little has been done to provide a comprehensive assessment of the causes and strategies for the avoidance and resolution of the problem so that the industry can fully take its position as the bedrock of the national economy.

1.3 Objectives of the Study

Financial distress has been a phenomenal event in Ghanaian banking industry from pre-independence to date which seems to have defied all past economic reforms of Federal Government of Ghana and Central Bank of Ghana. The main objective of this study is to evaluate financial strategy as antidote to distress in the banking sector. In doing this, the study shall:

- Evaluate the strength of the relationship between financial strategy and sustainable performance growth in the banking industry.
- Examine the sustainability of the growth in the Ghanaian banking industry by evaluating the relationship between strategic planning (corporate governance, capital budgeting, budgetary control, tax planning and corporate planning) and performance.
- Assess the investment policies in the banks with a view to suggesting better policy for better management of assets and liabilities in the banking industry,
- Examine the relationship between Bank performance and Gross Domestic Product (GDP) with a view to determining the co-movement between the two.

1.4 Research Questions

The pertinent questions which this research work addressed therefore are:

i. To what extent is the relationship between financial strategy and sustainable performance growth in banking industry?
ii. To what extent will strategic planning impact on the performance of banks in Ghana
iii. To what extent are the existing investment policies of banks assisting in the quality of management of assets and liabilities in the banking industry?
iv. What is the relationship between bank performance and Gross Domestic Product?

1.5 Statement of Hypothesis

Usually a hypothesis is formulated with the aim of nullifying it and rendering the hypothesis insignificant.
The following are the hypotheses for this work:

- H_0: There is no relationship between financial strategy and sustainable performance growth for avoidance and resolution of distress in the banking industry.
- H_0: There is no relationship between strategic planning and business failure and bank liquidation in the banking industry.
- $H_{0:}$ Strategic planning and performance do not affect sustainability and stability in the banking industry
- $H_{0:}$ Investment policies do not affect assets and liabilities management in the banking industry.
- $H_{0.}$ There is no co-movement between bank performance and Gross Domestic Product.

It is to be noted that hypotheses 2 and 3 were formulated from objective 2 because strategic planning and performance could produce business failure and liquidation if not properly implemented, and could produce stability and sustainability if properly implemented.

1.6 Scope of Study

The population for this study is the banking industry, which is the financial bedrock of Ghanaian economy and consists of the 24 universal banks, the discount houses, the mortgage banks and the micro-finance banks; the two banking industry regulators-BOG and SEC; capital market regulator –NSE, and two professional bodies that control ethics in the banking Industry-Institute of Chartered Accountants of Ghana (ICAN) and Chartered Institute of Bankers of Ghana (CIBN). Before 2002, there were operations of commercial banks in Ghana until the reform in the financial sector converted all to universal banks. For the purpose of this work, the operations of all the commercial banks from 1998 to 2002 were taken into consideration as commercial banks, and the operations from 2002 to 2005 were considered as universal banks. The operations of the 24megabanks for 2006 and 2007 were considered as universal banks for adequate data and comprehensive analysis.

Sample Size: The sample selected consists of the present 24megabanks (universal banks) in the economy which resulted from the consolidation that took place in the banking industry in 2005, and the 5 regulators in the sector. The decision to focus on universal banking is judgmental and purposive because the sector is the major financial bedrock that services the economy and the recorded distress and liquidation in the economy are majorly from this sector which has shaken the root of the nation. Furthermore, since the issue of distress affects the whole economy, it is professionally right to involve all the banks because 89 banks reduced to 24 because of the problem of distress required adequate data that cut across the period before mergers and acquisitions and the post consolidation period. Five of the regulators were added to the sample for relevant information necessary for the work thereby making the sample size 29 corporate bodies.

Geographical Coverage: Even though this study was designed to cover the universal banks in the entire economy, it was however limited to Lagos and Abuja due to sampling constraints. Lagos is the headquarters of all the banks with the exception of Unity Bank Plc which is based in Abuja. The design of the study required that the primary and secondary data be obtained from the headquarters of the banks. Each banking organization is treated as a corporate entity in the samples selected. The five regulators are also located in Lagos and Abuja

Time Horizon: The time horizon for this study was 10years from 1998 to 2007 in which the audited accounts for this period were analyzed and interpreted.

The Situs: Covenant University was used as data collation and analysis center.

1.7 Significance of Study

The importance of this research cannot be overemphasized in view of what the banking industry has witnessed before independence and post-independence in the areas of economic recession, distress in the industry, collapse of banks and the inability of Ghanaian banks to integrate into the global economy (Soludo: 2004,p.48). The present economic reforms of the Federal Republic of Ghana have affected the banking industry very greatly. With the efforts of the Federal government for favourable and good environment for all banking operators and various investors in the economy and for the banks to play active developmental roles in the Ghanaian economy and be competent and competitive players in the African and global financial system, there was the need for this research work. The "financial distress" which has become a feature must be eradicated and become history. The project was designed to benefit the following operators of the economy: It will form a theoretical focus as a basis for solving any form of distress in the financial sector of the economy. The various financial strategies will become concepts for sustainable performance growth in the economy.

The Management of various banks operating in the economy will benefit immensely from this work. The recommendations contained therein about financial strategy, as necessity for sustainable performance growth in the banking industry will be of immense benefit to them. They will be able to review their objectives and take a critical look at the internal and external resources to achieve the set objectives. They will perform a critical analysis of their

weaknesses, opportunities and threats to be able to prepare a realistic budget and put in place necessary financial strategies that will ensure growth and continuity of businesses in the economy. They will be able to put in place budgetary control strategies on the management of their risk assets that can guarantee good earnings, sound liquidity, growth in capital and guide against distress.

They will have the opportunity to learn from past mistakes and misjudgments. The model introduced in this work will form basis of the new transformation agenda. Researchers and various universities will benefit from the work. The iSECes of sustainable performance growth in an economy will help them in their research work, publications, conferences and seminars. This thesis will also assist them to conduct further research in other areas highlighted in the last chapter of this work. The professional bodies will benefit as basis for policy formulation and enhancement of their curriculum in order to be relevant in Ghanaian economy. Potential investors and existing investors will benefit, as it will help them in their planning and the execution of various plans concerning new investment and diversification of investment in the banking industry. The government will benefit immensely as they have the responsibility of providing enabling environment for all operators in the economy. They will have to put all the various financial strategies into consideration in formulating policies and regulations for the economy. The government will benefit most especially in the areas of corporate governance, which has been a major problem in the public sector, and tax planning, as many operating companies in the economy are known to be evading and avoiding taxes, according to Chartered Institute of Taxation of Ghana CITN (2005). It will assist them in the proper planning of their tax system to avoid leakage. The work will have a significant impact on the economy.

1.0 Preview of Research Methodology

The study is an empirical work which applied on samples chosen from population to evaluate the impact of financial strategy for sustainable performance growth in the Ghanaian banking industry in order to avoid and put an end to financial distress. The population for the study is the banking industry which consists of universal banks, the mortgage institutions, the micro-finance banks, the discount institutions, and the various regulators in the industry viz: BOG, SEC, ICAN, CIBN and NSE. Using Judgmental and purposive sampling techniques, the study covers all the 24 consolidated Universal banks in the economy plus five regulators because of data collation and analysis. Primary and secondary data were used for the study. The instrument for the primary data is a corporate questionnaire developed for field work on the five stated hyphotheses, while Macro data for ten years from 1998 to 2007 were obtained from Bank of Ghana (GoG)Annual Statistical Bulletin, Ghanaian Stock Exchange Facts Book, and Ghanaian Deposit Insurance Corporation (SEC) Annual Bulletin for the secondary data. In the secondary data, we considered the data of all the commercial banks from 1998 to 2001, universal banks from 2002 to 2005 and megabanks for 2006 and 2007.This is to enable us analyze the complete macro data for the industry between 1998 and 2007.

The primary data were analyzed using Multivariate Analysis of variance (MANOVA) which is a parametric test technique. The secondary data which were the bank performance from 1998 to 2007 were analyzed using two principal statistical tools viz: Multiple linear Regression and Analysis of growth change in dependent and independent variables. Multiple linear regression was applied in finding the relationship between the independent variables and the dependent variables with a view to computing their significant ratios, homogeneity and the Analysis of Variance (ANOVA) to determine the co-linearity of the variables. The second method used was to determine the co-movement between the dependent and independent variables, analysis of specific trends in their growth changes over two-five years' period and the ten years' period.

2.0 LITERATURE REVIEW

Strategy is grounded in the array of competitive moves, and business management of an organization depends on how to produce successful performance. Strategy, in effect is management's game plan for strengthening the organization's position, pleasing customers, and achieving performance targets. Strategy includes the goals and major policies of the organization. Managers device strategies to guide how the company's business will be conducted and to help them make reasoned, cohesive choices among alternative courses of action. The strategy managers decide or iSEC ate that among all the paths and actions we could have chosen, we decided to follow this route and conduct our business in this manner. Without a strategy, a manager has no thought-out course to follow, no roadmap to manage by, no unified action program to produce the intended results. Indeed, good strategy and good strategy execution are the most trustworthy signs of good management. Thompson and Strickland (2005:3) stated that managers must combine good strategy making with good strategy execution for company performance to approach maximum potential. Financial strategy is a combination of financial tools for the reengineering of an organization towards achieving the maximum potentials. They highlight five tasks of organization strategy which include:

Deciding what business the company will be in and forming an strategic vision of where the organization needs to be headed. In effect, this is infusing the organization with a sense of purpose, providing long-term direction,

and establishing a clear mission to be accomplished. Converting the strategic vision and mission into measurable objectives and performance targets. Crafting a strategy to achieve the desired results. Implementing and executing the chosen strategy efficiently and effectively. Evaluating performance, reviewing new developments, and initiating corrective adjustments in long-term direction, objectives, strategy, or implementing in light of actual experience, changing conditions, new ideas, and new opportunities.

2.1 The Evolution of Banking in Ghana.

The evolution of banking in Ghana has been brought to fore to study deep into the history of banking and bring out the salient points that led to the various crisis the industry has been passing through from pre-independence to date.

***The Colonial Era 1892-1957*:** Lagos Colony was colonized by the British in 1861, and banking was introduced into Ghana when the African Banking Corporation (ABC) was established in 1892.The operations of ABC were later taken over in 1894 by the British Bank for West Africa BBWA (which later became Standard Bank and subsequently, First Bank of Ghana). The period which pre-dated the attainment of national sovereignty and the establishment of the Central Bank of Ghanais viewed here as the colonial era. According to the collaborative study carried out by Bank of Ghana (GoG)and Ghanaian Deposit Insurance Corporation (SEC) (1995:2-6), this era was a period of free banking. The early stages of the Ghanaian financial system were synonymous with commercial banking, and owing to Ghana colonial heritage, not only were the pioneer commercial banks of foreign origin but also the banking system itself were designed to facilitate colonial business interests.

The period is usually referred to as the era of “free banking” or period of banking boom” in Ghana because, apart from the complete absence of any laws governing the establishment and running of the banks during this period, the setting up of banks was not related to the capacity of the economy to effectively absorb the sharp growth in financial assets. Consequently, most of the banks were hurriedly established and they also hurriedly went into voluntary liquidation or were closed down by the police. According to Agene, (1995)) this era was characterized by the dearth of banking legislation and regulations or directives which resulted in banking becoming a free-for-all affair leading to gross misconduct and abuses. The second bank that was set up in Ghana was the Anglo-African Bank established in 1899. It was renamed Bank of Ghana, which was in competition with BBWA. As analyzed by Agene, Bank of Ghana was absorbed by BBWA in 1912 when West African Currency Board (WACB) was formed. Colonial Bank, based in West Indies opened business in Lagos in 1916. It was taken over by Barclays Bank, Dominion, Colonial and Overseas (DCO) now known as Union Bank of Ghana Plc.

BOG and SEC’s (1995) collaborative study reveals that several other foreign and a host of indigenous banks were established. The establishment of indigenous banks was initially propelled largely by nationalistic consciousness rather than the existence of relevant resources, including basic skilled manpower for running such institutions. Consequently, most of the early indigenous banks collapsed in rapid succession, the way they were established. Banks that failed during this period were largely those with problem of inadequate capital, fraudulent practices and bad management. Appendix 1 shows the list of failed banks during this era. According to Olalusi (1992), discriminatory lending practices by expatriate banks spurred indigenous entrepreneurs into banking; it was the imperatives of economic nationalism and economic development which were primarily responsible for government interest in banking. As the country prepared for political independence in 1960, efforts to establish banks were intensified by some nationalist who rightly recognized the pivotal role banks play in economic emancipation and development. This also accounted for the takeover of the surviving indigenous banks by the regional governments; particularly after 1954.The banks were expected to accelerate the economic and social development of the regions by bringing banking services to the doorsteps of the people in the regions. It was unfortunate that the establishment of the government owned banks, which started out, as a blessing to indigenous banking became its bane. The regional governments, which were later, succeeded in the 1970s by state governments were over the years blamed for the insurmountable problems, which the state-owned banks experienced.

According to Olulana, (2000: 6-7) and was corroborated by BOG and SEC’s study, in 1952 the Ghanaian government took the very first step to make regulative legislation on banking. This was expected to curb the excessive activities of the bankers and provide a remedy for the losses then suffered by innocent banking public. Thus the banking Act 1952 was put in place as premier legislation on banking business in Ghana. The authorized capital for indigenous banks by this Act was ₤25, 000, but could commence operations after paying ₤12, 500, and for expatriate banks, minimum capital was ₤100,000. The Central Bank Act 1958 was passed in 1958, which created the apex bank in Ghana for the first time. The major characteristic of the colonial era was the unregulated banking practice, which led to the phenomenal distress and liquidation of banks. Onoh, (2002:15-30) in his study gave the following reasons for the collapse of the pioneer indigenous banks:

- Absence of regulatory authority and lender of last resort. The West African Currency Board (WACB) established in 1912 was not endowed with regulatory and supervisory powers.
- Undercapitalization and over branching.
- They carried disproportionate overhead bills, which generated debt equity ratios inconsistent with the level considered appropriate for sound banking operations.
- Poor management and fraud. They practiced lending without scrutinizing the credit worthiness of borrowers. Advances were made to finance activities, which yielded no returns; fraud was rampant because there was no supervisory authority to detect frauds.
- Poor customer Patronage. Colonial government patronage could not be attracted because expatriate firms patronized only the expatriate banks to the neglect of indigenous banks.
- Poor liquidity. There was no authority to establish and enforce a minimum liquidity ratio for the banks and to demand monthly or periodic information on the ratio. There was no definition of what should constitute the liquid assets of banks until the Bank Act of 1962 when this was stated and approved.
- Poor quality manpower. Because of the inexperienced management personnel, indigenous banks were unable to carry out balance sheet analysis for detecting potential capital or liquidity problems. There was no statistical analysis of the trends of deposits, bad and doubtful debts and their implications to the banks operations.

The Independence Era 1957-1970: According to BOG and SEC (1995) collaborative study on distress in the financial system, the appreciation of the developmental role of a stable and efficient financial system was demonstrated by the concerned efforts to have a central bank established for Ghana in spite of the reluctance of the colonial authorities. These efforts culminated in the enactment of Central Bank of Ghana Act in 1958 and the commencement of operations of the Bank in July 1959. This period coincides with the nationalistic struggle for self-rule and independence. According to Agene, (1995:61-62) the shortcomings of West African Currency Board provided a very strong basis for the agitation for the founding of the Central Bank of Ghana(BOG). The establishment of the Central Bank of Ghanaand its commissioning of the first set of indigenous currency notes and coins on 1st July 1959 is regarded as an important watershed in the annals of banking in Ghana, since most foundations of the Ghanaian money and capital markets were laid in that year. According to the BOG (2000:122-155) the Central Bank Act of 1958 which established the Central Bank of Ghana, conferred on the Bank a number of functions and powers to control the operations of banks. This Act has been amended on several occasions to reflect changing economic circumstances and thereby give the Bank the necessary tools to deal with the changing economy. Within this period also, the Investment Company of Ghana (which was restructured to form the Ghanaian Industrial Development Bank, which became Ghana's pioneer development bank) was established in 1959. Four commercial banks were also established in 1959 namely: (a). Banque de l'Afrique Occidentals formerly called Bank for West Africa but subsequently changed to the International Bank for West Africa Limited (now Afribank PLC), (b). Bank of Lagos which surrendered its license in 1965, (c). Berini (Beirut-Riyad) Bank,and d.Bank of the North.

A further analysis showed a major development of the introduction of merchant banking services into Ghana during the independence era. The Ghana Acceptances Limited (NAL) was set up in 1960 to perform the function of a discount house and became the pioneer merchant bank in Ghana. The political uncertainty which led to the outbreak of a civil war in 1966, and which lasted until January 1970, made it impossible for the granting of new licence for bank establishment between 1962 and 1970. (BOG, 2000)

The Indigenization Era 1970-1985: According to Ogowewo (1995:915-926) Ghana had in the past had a certain distrust of foreign investment. Reflecting the dependency theory of foreign investment, this distrust led to the enactment of "anti-investment laws" in the 1970s. The view was that foreign control of significant sectors of the economy tended to impede economic development. The restrictive approach to foreign investment was also informed by the experience of colonial rule, under which the economy was controlled substantially by foreign investors, and this trend continued even after independence. The Ghanaian government attempted to reverse this pattern of ownership and control by indigenizing the economy. A systematic policy emerged with the Second National Development Plan (1970-1974), which embodied the first national policy on indigenization. To carry out this policy; the Ghanaian Enterprises Promotion Decree 1972 was promulgated. The policy it adopted was one of restricting foreigners to designated areas of the economy and compelling their divestment from areas of the economy in which they were now barred.

Agene, (1995:62-64) explained that the following programmes and activities characterized the period: economic reconstruction and development, government incursion into the banking scene, indigenization and rural banking. At the end of the Ghanaian civil war in January 1970, the nation embarked on post war reconstruction and development, setting the stage for the indigenization of the country's financial system, particularly the banking sector which occupies the commanding heights of the nation's economy. Indigenization has been broadly defined as an

evolutionary process by which the natives of a country are enabled and are seen to acquire ownership, control and management of their economy (Nwankwo, 1980 as cited in Agene, 1995:62). The period heralded the establishment of state-owned banks by the governments of the twelve states of the nation, and was complemented by the formation of more development banks by the Federal Government. The following development banks were established to complement the efforts of the Ghanaian Industrial Development Bank: (a). Ghanaian Bank for Commerce and Industry (NACB) was set up in April 1973 to provide equity capital and loans to indigenous persons and organizations engaged in commerce and industry, for long and medium term investment, (b). The Federal Mortgage Bank of Ghana was constituted in July 1977 from the Ghanaian Building Society, which had operated for twenty years previously. (c) The Ghanaian Agricultural Bank was established in 1973 but restructured in 1978 to include the finance of co-operatives and therefore renamed the Ghanaian Agricultural and Cooperative Bank (NACB).

This period was also characterized by the rural banking scheme, which was recommended for establishment by Okigbo Financial Systems Review Committee in 1976. According to Olalusi, (1992:285-289) the Committee saw the need for rapid transformation of the rural environment through deliberate policies which would promote rapid expansion of banking services in the rural and near rural areas and hence recommended that: "the banks should actively facilitate the transformation of the rural environment by promoting the rapid expansion of banking facilities and services and banking habit in the rural and near rural communities. They will thus serve as paying and receiving stations for hand-to-hand currency and provide facilities for remittances. They will provide savings deposit facilities for their customers and thereby help to mobilize rural savings. Most important of all, they will serve as vehicles for the creation of credit in the rural areas, this credit will take the form of equity and loans for small scale farmers and entrepreneurs" The analysis by Agene (1995) shows that the overall impact of the rural banking programme and other related policy measures adopted during the period, was that the number of licenced commercial and merchant banks rose from 14(excluding development banks) in operation at the close of the independence era in 1970 to 45, while the number of their branches reached 1,323 by December,1985.

Ajeigbe, (2009:10) stated that the nationalization of the major banks also heightened focus on compliance with the allocative policy on lending in accordance with the Banking Decree No.1 of February 1969.Thus, direct control measures such as sectoral credit guidelines and interest rate controls were used to influence allocation of resources to the public and preferred sectors of the economy, notably agriculture and manufacturing. Ghanaian banking during the indigenization era was fairly stable as Government was unwilling to allow banks in which they had interest to fail no matter their financial condition and or quality of management.

The Privatization and Commercialization Era 1986-1992: According to BOG, (2000:28-30) the demand management policies, which were pursued between 1981 and 1985, did not restructure production and consumption patterns in the national economy, it became necessary to introduce a structural adjustment programme (SAP) by 1986. The structural adjustment programme was introduced, among other reasons, to intensify the growth potential of the private sector. Ajeigbe, (2009:11-16) explained that the deregulation of the financial system was embarked upon in 1986 as part of the Structural Adjustment Programme (SAP). The sharp fall in oil revenues in the first half of the 1980s, accumulated trade arrears and increased debt service burden had precipitated an economic and consequently, liberalization of some of the controls over the financial markets. The Central Bank of Ghanaissued new Prudential Guidelines in November 1990 to ensure proper credit classification and income recognition, as part of the measures to promote financial health of banks. The relaxed licensing requirement had led to the establishment of 79 banks between 1986 and 1991, and the BOG, in the light of the emerging signs of distress, suspended licensing of new banks with immediate effect. The Banking and Other Financial Institutions Decree (BOFID) was also enacted in 1991 to strengthen and extend the powers of the BOG to cover the new financial institutions. BOFID Decree No.25,1991 replaced Banking Decree No.1,1969.

According to BOG and SEC (1995:5-6) collaborative study, the introduction of Structural Adjustment Programme (SAP) was a deliberate response to the severe distortions that had characterized the Ghanaian economy, especially since 1982. The central focus of the economic reform programme was the dismantling of controls in the economy, including the financial sector which was expected to play a pivotal role in the reform process. The major objective of the deregulation of the banking industry was to enhance economic efficiency and effective resource allocation through service-driven competition and improvement in quality and spread of banking service delivery. According to the study, the key measures introduced included the following: Relaxation of the conditions for licensing new banks. This led to a phenomenal growth in the number of banks in Ghana; from 41 in 1986 to 119 in 1991.This phenomenal growth resulted in several challenges for the industry and subsequently forced the Federal Government to place an embargo on the licensing of new banks, effective April 1991. The introduction of the Inter-bank Foreign Exchange Market (IFEM) and the establishment of the system of Foreign Currency Domiciliary Accounts, which led to increased earnings for many banks. Deregulation of the interest rate regime resulting in the unprecedented rise in lending rates which was a great disincentive for long-term investment although it encouraged significant increase in

savings mobilization. Enhanced interest rate management was introduced through the following measures: all controls on interest rates was removed in August 1987 with BOG fixing only its minimum rediscount rate (MRR) to iSECate its desired direction of interest rates.; prescription in 1991 of a maximum margin between each bank's average cost of funds and its maximum lending rates with a later prescription of savings deposit rate and maximum lending rate; restoration of partial deregulation in 1992(banks only required to maintain a specified spread between their average cost of funds and their maximum lending rates);removal of maximum lending rate ceiling in 1993;restoration of direct interest rate controls in 1994.

Promulgation of new BOG and Banks and Other Financial Institutions Decree 24 and 25 of 1991, respectively, to strengthen the regulatory and supervisory capacity of the BOG. Establishment of the Ghanaian Deposit Insurance Corporation (SEC) with the promulgation of Decree 22 of 1998, to safeguard customer deposits and promote banking stability. Licensing of Discounting House to enhance efficiency in money market operations. Re-introduction of Stabilization Securities as an instrument for checking excess bank liquidity. Introduction of Open Market Operations (OMO) to influence the level of liquidity in the economy in place of the inefficient direct control through credit ceiling. Establishment of the Ghanaian Inter-Bank Settlement System to enhance inter-bank market transactions and ensure a more efficient payment system; and Promulgation of the failed Banks (Recovery of Debts) and Financial Malpractices in Banks Decree 18 of 1994 to help sanitize the financial services industry.

Bank Rehabilitation and Restructuring Era (1992 to date): According to Agene (1995), state governments-owned banks had shown signs of financial distress since the late 1980s, but government's posture that banks should not be allowed to fail postponed the doomsday for such banks. The rapid upsurge in the number of licensed banks between 1987 and 1991 together with the creation of specialized financial institutions like community banks, which numbered 1050 by July, 1994 and the peoples Bank of Ghana which opened 271 branch offices between 1989 and 1994, heightened competition for both funds and manpower in the banking industry. Furthermore, the withdrawal of about N6billion in respect of credits backed with foreign collaterals and the transfer of government's deposits away from the licensed commercial and merchant banks to the Central Bank of Ghanain 1989 caused panic in the banking system. This necessitated a joint Ghanaian Deposit Insurance Corporation SEC and Bank of Ghana (BoG) accommodation facility to the tune of ¢2.3billion for thirteen banks. Since then, the banking industry has witnessed a steady increase in the number of financially distressed banks. The number of insolvent banks grew from seven in 1988 to 16 in 1992 and rising further to over 40 in 1994.

Onwumere, (2005:10-13) argued that countries embark on economic policies, plans, programmes and reforms in order to enhance the growth and development of their economies. While economic growth generally refers to increases over time in a country's real output per capital conveniently measured by increases in a country's per capital Gross National Product (GNP), economic development can be viewed as a process of growth which should be self-reliance in the abundant utilization of resources. Banking reforms have been undertaken in Ghana with the objectives of: (a). improving the financial strength and lending capacity of banks through recapitalization, (b). To promoting real banking activities, (c). To protecting depositors' funds, (d). To strengthening prudential regulations, (e). To promoting competition while avoiding market failures, (f). To checking insider abuse, and (g). To evolving a sound banking industry and by extension, a more efficient financial system. Onwumere posited that the country's development remains far-fetched in spite of several years of planning and adoption of several policies.

The Nature of Bank Reforms in Ghana: According to BOG, (2000:14-60) and Onwumere, (2005:13-18), the history and nature of bank reforms in Ghana take the following order:

The Era of Banking Regulation (1959-70): This was a period during which several legislations were enacted to correct past defects and distortions that led to bank failures in the system. The Central Bank was established in 1959 following the enactment of the Central Bank of GhanaAct of 1959. The 1958 Ordinance (Ammended) retained ₤12,500 as paid up capital for indigenous banks. Profits transferable to reserve fund was increased from 20% to 25%, while banks were restricted from owning real estates except where absolutely necessary. The 1961 amendment of the Ordinance concentrated on the liquidation of banks by providing for the appointment of receiver and liquidator. The Ordinance was further amended in 1962 which raised minimum paid up capital of existing indigenous banks from ₤12,500 to ₤25,000 given 7 years to comply. Expatriate banks were to keep within Ghana assets valued for at least ₤25,000. Banks were allowed to write off losses before effecting the transfer of 25% of profits to reserve fund, while BOG was empowered to adopt some flexibility in applying the definition of liquidity when computing liquidity ratio.

The Companies Act of 1968 provided that foreign banks operating in the country were required to incorporate their businesses in Ghana. The 1969 Banking Act provided that: (a). Adjusted minimum paid-up capital requirements for indigenous banks should be ₤300,000 while expatriate banks should be ₤750,000 (b). Provision for the first time of capital deposit ratio of between 10 and 30 per cent and capital loan ratio of between 25 and 33. 3%, (c). BOG was empowered to monitor and vet advertisement by banks and to authorize bank amalgamations and opening or closure

of bank branches. Banking regulations during this period were largely prudential to ensure banking practices and customer protection.

The Era of Guided Regulation (1970-1985): This was guided by the passion for self-reliance. The government took actions that altered the banking industry landscape. The following characterized this period: The government promulgated the Indigenous Decree, 1972 which was amended in 1977, which required Ghanaians to dominate the ownership, management and control sections of the economy. The Federal Government acquired controlling interests in the then existing three expatriate banks in Ghana, viz: First Bank, Union Bank and United Bank for Africa. The Federal Government of Ghana set up Financial System Review Commission (the Okigbo Commission) in order to strengthen the operational efficiency of the financial system. The Federal Government established wholly owned banks to accelerate the pace of economic development: The Ghanaian Agricultural and Cooperative Bank, the Ghanaian Bank for Commerce and Industry. Reconstitution of the Ghanaian Building Society to form a new Federal Mortgage Bank. The states of the Federation were allowed to establish banks, which led to the establishment of state owned banks. Intensive public sector intervention by way of direct credit, and selective credit controls imposed on the size of lending to the private sector, sustained increase in paid-up capital of new banks to N25million for commercial banks and N50million for merchant banks, and strict control of interest rates. The government approved preferential treatment to certain priority sectors such as agriculture and manufacturing in terms of allocation of credit and interest rates on deposits and loans. The government introduced stricter foreign exchange control practices in 1982 with the issuance of import license to some approved individuals and companies supported by trade restrictions.

Era of De-regulation (1986-1995): This was a period of expansionary banking era. This was largely the Structural Adjustment Programme (SAP) era. The Federal Government introduced the SAP in 1986 in order to open up the country with the objectives of achieving the following: (BOG, 2000). Achieving balance of payments viability in the short to medium terms. Laying foundation for sustainable non-inflationary growth and Improving the efficiency of the private and public sectors. The notable regulatory reform measure in the banking industry, in line with SAP was de-regulation. The following were the events in the industry during the period in addition to the ten points stated under privatization and commercialization: The introduction of prudential Regulations-Prudential Guidelines in 1990. It was to sanitize banking operations in the country, and stem financial distress. Ghanaian Export and Import Bank (NEXIM) was established in 1991 to promote export of non-oil goods through the provision of credit and risk bearing facilities. This was in addition to National Economic Reconstruction Fund (NERFUND) established in 1989 to provide easier access to a variety of credit for small and medium scale enterprises. BOG review (2000) shows that the industry witnessed cut-throat competition with many; especially the new entrants adopting all kinds of strategies to outwit each other. The branch network of banks increased astronomically. The merchant bank branches increased from 26 in 1985 to 144 in 1994 while branches of commercial banks within the same period, increased from 1,297 to 2,541. Competition led to innovations in products and service delivery leading to a critical overhaul of the banking industry. When the Central Bank Governor introduced the current reforms, the banking industry's operational performance was not in the best of states. Bank ratings of licensed banks was carried by BOG using CAMEL parameters of the prudential guidelines of 1990. CAMEL means: C=Capital adequacy; A=Asset quality; M=Management competence; E=Earnings; L=Liquidity.

Akingbola, (2001:6-11) in his analysis of the banking environment posited that without doubt, one development which has posed the greatest challenge for the financial industry within the last decade is the crisis of confidence arising out of the pervasive distress that shook the industry in recent years. The distress saga, which at first emerged mainly within the non-bank sub-sector soon spread to the mainstream institutions in 1991. By 1995, the problems had gone bad enough to threaten the entire banking system. Expectedly, the problem prompted an unprecedented confidence crisis within and outside the industry, which resulted in serious disability for not only the financial system, but also the wider economy. He further stated that it was when Central Bank of Ghanatook courageous move to take out a record of 26 banks at a time, that public confidence gradually began to return to the system. In his conclusion he put the total number of banks already liquidated at thirty-one.

From the background to this study, it is observed that Ghana has implemented various reforms from pre-independence to date with a view to ensuring that the banking industry occupies its rightful position in the development of Ghana economy. However, the phenomenal distress witnessed in the industry prompted our interest to conduct a research work in this area. Onwumere, (2005:10-11) in his research work concluded that "the country's development remains far-fetched in spite of several years of planning and adoption of several policies". According to Uchendu, (1996:15-21) the financial sector reforms have aided the enormous development of the sector and the growth of the Ghanaian economy. The output of the economy as evidenced by the Gross Domestic Product, doubled from N54.1billion in 1970 to N104.4billion in 1994 provides an iSECation for this. The financial sector's contribution to the Gross Domestic Product (GDP) rose from 3.3 per cent in 1985 to 4.5 per cent in 1990 before declining to 1.4 per cent in 1994, as the economy decelerated from 9.4 per cent in 1985 to 1.2 per cent in 1994.Despite the robust growth

in financial institutions and assets and profitability, some problems remained while new ones developed, the most prominent being the financial institutions distress. He further explained that the impact of the sector on the rest of the economy was limited; especially since the early 1990s.The rapid expansion of the financial sector as a result of the reforms was identified as one of the contributing factors to the distress facing the financial sector (BOG, 2000). This is related to the thin spread of qualified management staff among the new institutions. As a result, poor management and control contributed to expanding non-performing loans, embezzlement and mismatch of funds, resulting in part to the current financial sector distress. The initial success of the structural adjustment programme and the growth of the Ghanaian economy were attributed to the financial sector reforms. However, the negative growth experienced by the economy since 1991 and the persistence of inflationary pressure are regularly linked to the failure of the financial reforms (BOG, 2000). That the improper functioning of the financial markets led to the problems of the real sector, while on the other hand, the lack of productive investment climate rendered ineffective the enormous resources and opportunities generated by the financial sector.

2.3 Competing for the Future

Hamel and Prahalad, (2000:5-19) recognized that restructuring is ultimately a dead end, and smart companies have moved on to reengineering their processes, because it aims at rooting out needless work and getting every process in the company pointed in the direction of customer satisfaction, reduced cycle time, and ensure total quality. Reengineering through strategic planning offers the hope and reality. However, reinventing regenerating strategy propel sustainable growth. In their research work, "From organizational transformation to Industry transformation" which centered on IBM, AT&T and Hewlett-Packard, they came out with the following results: The organizational transformation challenge faced by so many companies today is, in many cases, the direct results of their failure to reinvent their industries and regenerate their core strategies a decade or more ago. Many observed that IBM had, in the early 1990s, the wrong kind of organization, skills, systems, and behaviours for a radically transformed information technology industry; such observation missed the deeper point. The real issue was that it woke up far too late to recognize its organization, skills, and people in time to intercept the trends that were dramatically reshaping its industry. For much of the 1980s, IBM had been driving toward the future while looking out through the rear-view mirror. Despite spending close to $6billion a year on R&D and hiring the best and brightest worldwide, IBM missed, as a corporation, almost every important clue as to how its industry was changing. In contrast, the organization and skills of AT&T and Hewlett-Packard 20 years ago were just as inappropriate to today's industry context as were IBM's. Yet on average, HP and AT&T moved more quickly to adapt to the changing industry environment than did IBM. It was HP's deep insights into opportunities like engineering workstations, reduced instruction set (RISC) architecture, and the market for small printers and other peripherals that propelled the company's transition from an instruments company to a ground-breaking information technology company.

They concluded that successfully managing the task of organizational transformation could make a firm lean and fleet footed; it cannot turn a firm into an industry pioneer. To be a leader, a company must take charge of the process of industry transformation. Top management's primary task is reinventing industries and regenerating strategy more than reengineering processes. To create the future, an organization must change in some fundamental way the rules of engagement in a long-standing industry, redraw the boundaries between industries and create entirely new industries. A capacity to invent new industries and reinvent old ones is a prerequisite for getting to the future first and a precondition for staying out in front.

2.3.1 Bank of Ghana (Gog)And Securities and Exchange Commission (Sec)Definition of Distress and Analytical Framework

According to BOG and SEC's (1995:32-39) collaborative study, in the ordinary parlance, the word distress connotes unhealthy situation or a state of inability or weakness which prevents the achievement of set goals and aspirations. A financial institution will be described as unhealthy if it exhibits severe financial, operational and managerial weaknesses. The broad objectives and aspirations of a typical financial institution, on the other hand, will be to meet its obligations to its customers as and when due as well as to its owners and the economy within which it operates. They stated further that it is possible to describe a distressed financial institution as one with severe financial, operational and managerial weaknesses which have rendered it difficult for it to meet its obligations to its customers, owners and the rest of the economy as and when due. Distress of a financial intermediary is often technically used to describe two distinct, but closely related states or conditions of the institution, namely, insolvency and illiquidity. While insolvency refers to a condition in which the sum of assets of an institution is less than the sum of its liabilities, a situation which prevents it from honouring its obligations to depositors and other shareholders, illiquidity, on the other hand, describes the problematic cash-flow position of a firm. A technically insolvent bank could remain

sufficiently liquid long after it became insolvent, particularly if it has a large and stable deposit base, a bank could run into liquidity problems arising from a mismatch between the maturity profiles of its assets and liabilities.

Distress in the financial services industry will therefore occur when a fairly reasonable proportion of financial institutions in the system are unable to meet their obligations to their customers as well as their owners and the economy as a result of weaknesses in their financial, operational and managerial conditions which have rendered them either illiquid and or insolvent. In other words, financial sector distress can be described as a situation in which a sizeable proportion of financial institutions have liabilities exceeding the market value of their assets which may lead to runs and other portfolio shifts and eventual collapse of some financial firms. Extent and Depth of Distress: They asserted that based on the extent and depth of the problem, financial system distress can either be of generalized nature or systemic. Generalized distress exists when its occurrence is spreading fast and cuts across all the sub-sectors of the industry but its depth, in terms of the ratio of total deposits of distress institutions to total deposits of the industry; the ratio of total assets of distressed institutions to total assets of the industry; and the ratio of total branches of distressed institutions to total institutional branches of the industry; among others, have not adversely affected the confidence of the public in the financial system. The problem may become systemic and of serious concern to the relevant supervisory/regulatory authorities when its prevalence and the contagious effects become endemic and pose some threats to the stability of the entire system, with its attendant negative effects on the nation's payment system, savings mobilization, financial intermediation process and depositors confidence. Under this situation, the ratios of the relevant variables should have risen to a level that public confidence in the system would be completely eroded. They explained that the Ghanaian case can be described as generalized and not systemic because of the following reasons: Available data as at the time of report iSECated that the number of distressed commercial and merchant banks had reached 57 as at the end of the first quarter of 1995. Total deposits of these distressed institutions stood at N47.9billion or 24.6percent of the banking sub-sector's total while their total assets stood at N68.5billion or 18.5percent of the total assets of all banks. Even when these ratios could be considered high, the public confidence in the entire financial system has not been adversely affected to a level that can trigger runs on the system.

In measuring the distress situation, they explained that the categorization of a financial organization as a problem or distressed institution is usually based on the CAMEL rating system. Under this system, the regulatory/supervisory authorities assess a financial institution's performance in five areas, namely, capital adequacy, asset quality, management competence, earnings strength and self-sustainability in terms of its liquidity position. Based on these parameters, appropriate financial ratios are developed for depicting the condition of the financial institution under consideration. They further explained that financial institution in distress is usually one where the evaluation depicts poor condition in all or most of the five performance factors as follows: Gross under-capitalization in relation to the level of operation; High-level of classified loans and advances; Illiquidity reflected in the inability to meet customers' cash withdrawals; Low earnings resulting from huge operational losses; and Weak management as reflected by poor credit quality, inadequate internal controls, high rate of frauds and forgeries, labour turn-over, etc.
This collaborative study used a survey that was designed to generate a wide range of information pertinent to the subject of distress and targeted at financial institutions, their clients and the regulatory/supervisory agencies. They solicited information in the following areas:

i. Financial operators' perception of the nature, extent and causes of distress in the Ghanaian financial system generally, ranking the causes as very strong, strong and marginally weak.
ii. Their assessment of the various distress resolution options, including the role of the respective regulatory/supervisory agencies.
iii. Financial operators' assessment of their individual situation with regard to the distress problem, ranking their condition in the scale as healthy, mildly distressed, terminally distressed;
iv. Their views as to what contributed to their perceived condition;
v. Financial operators' suggestions for ensuring a faster and more effective resolution of the distress problem;
vi. The perception of customers of financial institutions about the nature, extent and causes of distress in the financial services industry as well as their assessment of the roles of the regulatory/supervisory agencies.
vii. Customers' suggested remedies for effective resolution of the distress situation;
viii. Supervisory/regulatory agencies' perception of the causes of distress situation, ranking as very strong, strong and slight;
ix. Supervisory agencies' assessment of existing distress resolution measures and fresh suggestions for ensuring a lasting solution; and
x. Government's suggestions for ensuring a lasting solution to the problem.

In analyzing the result of their survey they explained that the various institutions in the sample acknowledged that the problem of distress existed and has indeed infested many of them. The results showed that all the factors commonly cited were indeed the causes of the distress condition in the Ghanaian financial services industry. The

following were the factors responsible from the survey results: institutional factors, political and economic factors. In the institutional factors some of the critical factors are: poor lending practices, bad management, inadequate internal supervision, fraudulent practices and undercapitalization. On the performance of the Supervisory/Regulatory Authorities, most respondents in the banking sub-sector rated the monetary authorities' performance poorly, except in respect of the introduction of the prudential guidelines. Performance in most other areas of responsibility, namely, interest rate policy, exchange rate management, liquidity management, open market operations, supervision and discount window operations was rated low by the respondents. The use of stabilization securities was naturally scored very low mainly because of the instability its use by the monetary authorities caused many of the banks. Frequent changes in monetary policy were also blamed for making efficient planning difficult.

In their discussion on how to measure distress, the work gave the following measures as resolution to distress in the banking industry: Beef up the level of supervisory personnel, followed by the need to enforce compliance with prudential guidelines, ensure stable macroeconomic environment to guarantee realistic exchange and interest rates; discontinuation of the use of stabilization securities and curb abuses in clearing houses. Suggestions to mitigate economic and political factors ranged from the need to deregulate the economy to the necessity to eradicate corruption and enforce law and order to enhance security of life and property. They stated that the regulatory and supervisory authorities need to adopt the following measures for distress resolution: Short-run measures-

i. Comprehensive framework for failure resolution.
ii. Effective supervision and compliance enforcement through imposition of sanctions.
iii. Mergers, acquisitions, sales and restructuring as well as liquidation of terminally distressed banks.

The long-run, measures suggested were:

i. Amendment of existing legal provisions to strengthen the performance of the industry.
ii. Restoration of macroeconomic stability.
iii. Restructuring and self-regulation in the financial services industry.

The supervisory and regulatory authorities still needed to be given more powers to enable them overcome the deficiencies of the existing legislations, to check illegal activities in the system and to allow them act decisively and promptly in an emergency. In the conclusion of the study they demonstrated that the Ghanaian financial system including the capital market has been experiencing varying degrees of distress of which the causes are both endogenous and exogenous to the system. The study has also established that, although the spread of distress in the financial system is generalized, it has not become systemic. On the causes of the distress, the study showed that factors endogenous to financial institutions were mainly responsible for their distress conditions. In order of importance, these factors included poor management, inadequate capitalization, bad loans, and undue interference of board members. Both economic factors and political instability had therefore merely exacerbated the distress problem. With regard to the proposals for distress resolution, the study gives strong preference for a comprehensive distress management strategy rather than ad hoc measures to prevent the problem from infesting the entire system. Equally high priority is given to the need to overhaul the management of the various institutions, recapitalization and strengthening of internal controls, in that order.

2.3.2 Strategic Planning and Sustainable Performance Growth

Strickland and Thompson, (2005: 2-29), analyzed the theoretical framework of strategic planning as management's game plan for strengthening the organization's position, pleasing customers, and achieving performance targets. Managers must combine good strategy making with good strategy execution for company performance to approach maximum potential. They looked at strategic planning from companywide perspective and distinctively identified two types of performance yardsticks called financial objectives and strategic objectives. Financial objectives are important because without acceptable financial performance, an organization risks being denied the resources it needs to grow and prosper. Financial objectives relate to such measures as earnings growth, return on investment, borrowing power, cash flow, and shareholder returns. Strategic objectives however, concern a company's competitiveness and long-term business position in its markets: growing faster than the industry average, overtaking key competitors on product quality or customer service or market share, achieving lower overall costs than rivals, boosting the company's reputation with customers, winning a stronger foothold in international markets, and capturing attractive growth opportunities. The analysis further explained that strategic objectives serve notice that management not only intends to deliver good financial performance but also to improve the organization's competitive strength and long-range business prospects.

Akinboboye, (2007:30-33), in his contribution stressed that strategic planning is a discipline which can include innovative elements but essentially focuses on the rigor of making sure how to get from point A to point B

without falling off the cliff. That three things are to be considered in strategic planning: Thoughtfully define your destination, realistically identify your current position and anticipate tectonic shifts and plan for them. This is about ability to predict the future by analyzing historical data, studying trends, observing customer behaviours, studying competitive moves and overall, being watchful of tectonic shifts. Every major technological innovation is a classic example of tectonic shift. Miller and Cardinal, (1994:.1650-1662), see strategic planning as a strategy that positively affects performance, or more specifically, the amount of strategic planning a firm conduct positively affects its financial performance. They developed an encompassing model as a series of contingency hypotheses. The hypotheses reflect two sets of variables: Substantive contingency variables and methodological contingency variables.

In considering substantive contingency variables, they assessed firm size, capital intensity and turbulence. They explained that in firm size, one of the major purposes of strategic planning is thinking about how to attain and maintain firm-environment alignment. From the perspective of adaptive thought, small and large firms benefit from strategic planning to similar degrees. For small firms, adaptive thinking is very valuable because it can help executives overcome the vulnerability of their firms by helping them avoid missteps. For large firm, adaptive thinking is very valuable because it can help to create an internal environment not conducive to dysfunctional inertia. A second major purpose of strategic planning as explained by them is to help managers integrate and control various parts of a firm. Such integration and control involves multiple parts of the firm contributing directly or indirectly to a unified strategic planning process and being held accountable for any incongruity with an existing plan. They asserted that in contrast to the benefits of adaptive thinking, the integration and control benefits of strategic planning are greater for large firms than for small ones, because large firms are more complex and therefore more difficult to integrate and control than small firms.

In their assessment and analysis of capital intensity, they asserted that capital-intensive firms possess capital assets that are expensive relative to the annual output values of the firm. That these assets tend [1] to require long periods of consistent use to produce an adequate return on investment, to be difficult to adapt to uses for which they were not originally designed, and to require long lead times for the accomplishment of moving from intent to acquire through acquisition to full use. With respect to long-term adaptive thinking, strategic planning is critical for capital-intensive firms because capital asset requirements must be accurately determined far in advance. Armstrong, (1982); Pearce et al., (1987) (as cited in Miller and Cardinal, 1994), stated that the effect of strategic planning on performance is contingent upon the level of turbulence firms face. Miller and Cardinal suggested that the most common line of reasoning is that executives in firms facing high turbulence must rely on large amounts of strategic planning to cope with changing, unpredictable conditions, while executives in firms facing low turbulence need less strategic planning. That comprehensive analysis is critical in turbulent industries so that changes can be properly classified as transient or non-transient.

2.3.3 Financial Strategy in the Banking Industry

Aziz (2007) averred that Malaysian banking industry has been significantly transformed and reinvented, and that the restructuring, consolidation and rationalization efforts that were undertaken in the banking sector have placed the financial sector on a stronger foundation. The industry has recorded favourable performance and increased resilience. This was achieved with the successful integration of business processes and redeployment of resources to support new areas of growth. Financial reforms have changed the environment. Progressive deregulation and liberalization have increased the flexibility to financial institutions, while also resulting in new business opportunities and increase competition. These developments have strengthened the incentives for improved performance. With the strategy adopted, the financial sector as stated by Aziz has evolved from being an enabler of growth to become an importance source of growth. He stressed the need for continued reinvention of strategies and transformation of the industry in three major areas: (i) Human Capital Development which is vitally important for the future development and growth of financial sector.

This will become the pivotal factor determining the capacity to reinvent and transform (ii) Financial inclusion which involves strategies that are aimed towards consumer outreach, and promoting financial inclusion will serve to increase access to financial services for all segments of society, promote more balanced growth while at the same time, providing new sources of revenue for the financial industry. In the area of product development, both the interest of consumers and businesses will be taken into account. With these, financial institutions that demonstrate their ability to act responsibly can look forward to greater business flexibility to innovate. He further said that financial institutions that uphold the necessary principles in their business strategies stand to reap long-term gains from enhanced franchise value, a strong reputation and positive association with socially responsible values that will engender public trust and confidence. (iii) The need for banking institutions to enlarge their sphere of influence going forward given the changing environment. Banks will increasingly be exposed to extend developments and the focus of market discipline. Banks need to leverage on the network economy through strategic alliances. With global integration deeping further

at the same time that competitive forces are exerting pressures on margins, the way forward would be to build strategic alliances to capacity and expand reach while containing costs. Aziz concluded that banks need to influence communication strategies. With increasing market discipline, effective communication has become more critical. Institutions will need to be more active in responding to consumers and business expectations and the building of long term customer relationships in order to be able to implement longer term business strategies.

www.sap.com/banking (2010) stated that banks face many challenges in today's dynamic market place. In a global economic environment that has become increasingly competitive, the institutions need efficient development of products that can quickly satisfy a more demanding customer base and build long-term customer trust. The industry must enhance risk management and address a broad range of regulatory changes that require reporting with greater standardization and transparency. They must optimize both internal and external innovation, while seeking operational excellence at all levels. Meeting these challenges requires new business and information technology strategies that boost revenue, improve operational efficiency, cut costs, and enhance the overall management of the banking business. The result of their survey shows that 82percent have strategic plans for growth over the next three years. Of these, 72percent expect growth to come primarily from cross-selling products to existing customers. Another 22percent expect growth from new customer acquisition and 6percent from mergers or acquisitions.

3.0 RESEARCH METHODOLOGY

The study is basically an empirical and descriptive work involving the study of sample chosen from the population to assess the impact of financial strategy as determinant support for the avoidance and resolution of distress in Ghana banking industry, in order to put an end to this national phenomenon. It is aimed at ensuring sustainable performance growth that will achieve this feat.

3.1 Study Area:

This study was centered on financial distress in Ghana banking system. The study covered the 24 emerged mega banks after the completion of bank consolidation through mergers and acquisition in the Ghana banking system, and the five regulators in the banking sector viz: Central Bank of Ghana (BOG), Security & Exchange Commission (SEC), Institute of Chartered Accountants of Ghana (ICAG), Chartered Institute of Bankers of Ghana (CIBN) and Ghanaian Stock Exchange (NSE)

3.2 Research Design

This study was designed to find out if financial strategy would lead to sustainable performance growth that would serve as antidote to distress in Ghanaian banking industry. The study is broken into the following: The banking industry was taken as the population for the research work. All the 24 universal banks, and the five regulators were taken as representative samples in view of the recent consolidation that reduced the operating 89 banks to its present number of 24. This was to give easy access to information directly from the banks, from Ghana stock exchange (NSE) Bank of Ghana (GoG) Annual Bulletin, Securities and Exchange Commission (SEC)Annual Bulletin, National Bureau of Statistics Publications. Two types of data were used for the study:

Primary data were obtained from response to corporate questionnaire from the target group, which was each corporate entity in the banking industry i.e. the 24 banks, the three regulatory authorities (Central Bank of Ghana, Ghana Deposit Insurance Corporation and Ghana Stock Exchange) and two of the professional bodies that control and regulate professional ethics in the industry (Chartered Institute of Bankers of Ghana and Institute of Chartered Accountants of Ghana)

Secondary data was collated from ten years past performance of the 24 megabanks that made up the sample to determine and evaluate the relationship of capital, assets quality, profitability, liquidity, dividends paid, tax paid and Gross Domestic Product (GDP) from 1998 to 2007 (10 years). Qualitatively, the impact of management on the performance was analyzed which effect will be determined by the type of corporate governance in place in each institution. The secondary data was to determine the correlation between bank performance and Gross Domestic Product and also the growth change in all the iSECes to determine the co-movement between banks performance and GDP. GDP is an acceptable variable used to measure the performance and growth of an industry in an economy. To obtain accurate and relevant study for the industry, macro data for all the commercial banks before 2002 were obtained, macro data for the banks from 2002 to 2005 were obtained and macro data for the consolidated banks for 2006 and 2007 was obtained. The set of data for all the financial variables for the ten years was aggregated for the analysis. The data were the performance iSECes on capital, assets, profits, liquidity, dividend and tax paid.

Data obtained from the corporate questionnaire (primary data) were analyzed through SPSS to evaluate the objectives of the work and determine the positions of the five hypotheses through the various statistics computed.

The macro data compiled from the sampled banks (24banks) for ten years from 1998 to2007 were analyzed to determine the performance trend of the growth variables. The trend was compared with Gross Domestic product (GDP) as dependent variable to determine their co-movement and correlation. Decision was then taken to determine if financial strategy is the real financial technique for sustainable performance growth that will avoid and permanently resolve distress in the Ghanaian banking industry. Financial Strategy is defined as the application of accounting tools, skills and techniques to achieve the corporate objectives, corporate goals and to ensure an organization achieve a performance for sustainable growth. The questionnaire is broken into five sections with each section containing research questions that addressed and evaluated the main objective, the four specific objectives and the five hypotheses.

3.3 Population, Sample Representatives and Sampling Technique

The population for this study is the banking industry in Ghana which is made up of the 24 consolidated universal mega banks, all the mortgage institutions in Ghana , all the micro-finance banks in Ghana ,all the discount institutions, and the five regulatory bodies that have direct link with banking business in Ghana viz: the two supervisory and regulatory authorities-BOG and SEC that issue monetary policies for the industry , regulate the operations of the industry , are involved in monitoring the banks and sell or liquidate distressed banks , two professional bodies that have been regulating ethics in the industry for more than a decade and support the BOG and SEC in policy issues and mergers and acquisitions of banks in the industry -ICAN and CIBN and the capital market regulatory body that handles the industry capital floating and daily trading of their shares -NSE

The study covers all the 24 consolidated universal banking institutions and the five regulatory bodies in Ghanaian banking industry. The decision to use all the consolidated 24 commercial mega banks and the five regulators was based on the following:

a. Quoted companies by law as stated in Companies and Allied Matters Act-CAMA 1990 as amended are obliged to furnish and publish their annual audited accounts for shareholders and all stakeholders. Companies that are not quoted are also by law obliged to have their accounts audited by independent auditors. All the accounts of banks must be submitted to Central Bank of Ghanafor the preparation of the annual statistical bulletin. Hence i accessed the needed information of the 24 universal banks from the Central Bank Annual Statistical Bulletin, Ghana Insurance Deposit Insurance Corporation (SEC) Annual Bulletin, and Ghana Stock Exchange.
b. The management of these banks is separated from the owners and by law of CAMA are obliged to render stewardship account to shareholders and other stakeholders every financial year.
c. The accounts are statutorily audited by independent professional auditors who will submit the results to members during Annual General Meeting of the organization
d. The daily trading in the shares of the quoted banks are published in the daily newspaper and on the daily network news in the television stations.
e. The universal banks are the major bedrock of the economy. Any negative event in this sector will reflect in the general performance of the economy.
f. All the five regulatory authorities were added to the samples for their opinion and data collection where necessary.

The secondary data on capital, assets, profit, liquidity, dividend and tax paid required from the various banks covered ten years from 1998 to 2007.This is the period that generalized distress manifested in the industry and has shaken the foundation of Ghanaian economy which is yet to be resolved, and adequate data are available in Central Bank of Ghana, Ghanaian Deposit Insurance Corporation and Ghanaian Stock Exchange for this period. The sampling method adopted is judgmental /purposive sampling method. Having weighed the present financial system that consolidated the 89 banking institutions to 25megabanks and later reduced to 24 banks due to another merger, all the banks were represented in the work to give a determined and meaningful resolution to the crisis. Macro data obtained from Central Bank of Ghana, Ghana Deposit Insurance Corporation and Ghana Stock Exchange was used for full representation of all the banks before and after consolidation.

3.4 Performance ISECes

The following performance iSECes were analyzed using secondary data to determine sustainable performance growth in banking industry: Capital, liquidity, asset quality, profitability, dividend payment, and tax paid which are quantitative and corporate governance, which is qualitative in nature. Capital adequacy: Capital is the amount of the owners' interest in the assets of a business. Capital refers principally to funds contributed by the company owners' which consists mainly stock, reserves, and those earnings that are retained in the company.

Capital performs several indispensable jobs in the operation of a company, such as supplying resources to get the company started, providing a base for growth and expansion, defending the company against risk, and maintaining public confidence in the company's management and stockholders. The level of capital in each bank determines the rate at which its services and products can be integrated to customers' desire, needs and locations of potential customers and markets. In the present global integration of the world economies to various countries, the level of capital determines a bank ability to fully integrate its services and products to the global economy. Capital adequacy can be measured where the volume of business has grown more than the capital plus interest, then this formula should be applied to determine the level of increase: Percentage growth in turnover X Percentage growth in inflation X Initial capital requirement. The research evaluated and determined the effects and contribution of capital as a variable in the determination of financial strategy for performance growth and its correlation to GDP.

Asset quality: Assets are properties or items owned by a company that are of value which are used to earn income or can be used to pay debts. Financial institutions assets are their gross loans and advances upon which the ratio of performing loans and advances to the total loans and advances will reflect in their profit level. The quality of their risk assets and other fixed assets will enhance the provision of services to the customers. Banks can strengthen their risk assessment policy during a financial year leaving the banks on a stronger footing. The quality and performance of the banks' risk assets portfolio will have significant impact on their liquidity and solvency. The impact of good risk asset and other assets management to earnings and Gross Domestic Product was assessed.

Profitability: This is the system of making or yielding profit by an organization. The ultimate standard of performance in a market-oriented economy is how much net income remains for the owners of a business organization after all expenses are charged against revenue. Most managers will look at both pretax net income and after-tax net income to measure the overall financial success or failure of an organization. The work evaluated the correlation of profitability to GDP and its impact on sustainable performance growth. The acceptability of products and services, quality of service provision, the performance of the trading assets will determine the sustainability of profit for growth, expansion and contribution to the economic development of other sectors of the national economy.

Liquidity: This is a state of a company being liquid/having more than enough funds to operate their business. One of the most important tasks faced by the management of any bank is ensuring adequate liquidity. A company is considered to be liquid if it has ready access to immediate spendable funds at reasonable cost at precisely the time those funds are needed. This suggests that a liquid company either has the right amount of immediately spendable funds on hand when they are required or can quickly raise liquid funds by borrowing or selling assets. Lack of adequate liquidity is often one of the first signs that a company is in serious financial trouble. The troubled company usually begins to lose funds/deposits, which erodes its supply of cash and forces the institution to depose of its more liquid assets. The work evaluated the correlation of liquidity to GDP and its importance in determining the sustainability and stability of business.

Dividend payment: Stock price maximization is the most important goal for most corporations. What determines stock price is the ability of a company to generate cash flows now and in the future. Three factors however determine cash flows, which are: The current level of sales and the expected future growth rate in sales. The amount of after-tax profit that the company can keep after it has paid its employees and suppliers. The amount of money a company must invest in plant and equipment. It takes cash to create cash. Reducing asset requirements tends to increase cash flows, which increases the stock price. Companies that successfully implement just-in time inventory systems increase their cash flows, because they have less cash tied up in inventory. The amount of dividend paid to shareholders determines the maximization of the wealth of the investors. The growth in it determines the fulfillment of one of the corporate objectives. The evaluation was carried out to determine its correlation with GDP.

Tax paid: A tax is an enforced contribution of money, enacted pursuant to legislative authority, which is assessed in accordance with some reasonable rule of appointment on persons or property within the tax jurisdiction. According to Chartered Institute of Taxation of Ghana (CITN), this tax is taken by the nation in exercise of its sovereign rights, for the support of government, for the administration of the law, and as the means for continuing in operation the various functions of the state. The compliance with various tax legislation, the understanding and application of such laws determine the tax paid annually to meet the purposes created for it. The size of the bank annual business determines the quantum of tax paid to the government. This was evaluated to determine the correlation with GDP. The professional ability of a bank management to understand tax laws, tax planning and compliance with various fiscal policies on tax matters will engender adequate payment of equitable tax. The level of annual tax paid depends on the level of sustainable growth achieved in the banking institution.

Management: This is the body of those in positions of administrative authority. For the core competence perspective to take root in an organization, the entire management team must fully understand and participate in the five key competence management tasks mentioned thus: Identifying existing core competence; establishing a core competence acquisition agenda; building core competence; deploying core competencies and protecting and defending

core competence leadership. (Szekely,2005). Though management is not part of the financial variables, but the working of these variables cannot achieve result without good management. When good corporate governance is in place in an institution, it will produce good management. The issue of corporate governance in the banking industry is a big concern as the current problem in the industry started from poor corporate governance. It formed part of iSECes in the model derived for resolution to the problem of distress.

3.5 Restatement of Hypotheses.

The following are the hypotheses tested for this work: They are stated in null forms.

- H_0: There is no significant relationship between financial strategy and sustainable performance growth for avoidance and resolution of distress in the banking industry.
- H_0: There is no significant relationship between strategic planning and business failure and liquidation in the banking industry.
- H_0: Strategic Planning and Performance do not affect sustainability and stability in the banking industry.
- H_0. Investment policies do not affect assets and liabilities management in the banking industry.
- H_0. There is no co-movement between bank performance and Gross Domestic Product (GDP).

3.6 Data Collection Techniques

Primary Data: Instrument: Corporate questionnaire was used to collect data from the respondents. A corporate questionnaire is a set of questions planned, designed and administered to each of the banking institutions and regulators in order to obtain responses that will be analyzed and interpreted by the researcher to arrive at possible solutions to the research questions. The questionnaire was designed to ask relevant questions on whether financial strategy would enhance performance growth in the banking industry in order to mitigate financial distress. As the views of an individual in one section of the sample is relevant in analyzing the answers given by another individual in another section, the questionnaire featured questions on all aspects relevant to the study. A questionnaire was given to each of the twenty (24) universal banks to complete and one each to the five (5) regulators. That means twenty-nine copies of questionnaire were issued to the respondents in the industry

The questionnaire was close-ended and designed in a simple-to-answer form as it provides columns for the respondents to tick any of Strongly Agree, Agree, and Disagree, strongly disagree or undecided options. The five alternatives ensured that respondents gave accurate answer as they could only tick under "undecided" where they are not sure. Personal interview: Personal interview was conducted with ten CEOs/MDs and a representative of each of the other fourteen banks that are represented in the study. While five other institutions believed that information from their financial statements would satisfy the need of the research. The purpose was to collect information directly from the top management saddled with the responsibility of leadership and formulation of policies and strategies that would determine the fortune of the banks in terms of business operations, growth and sustainability. The questions were structured to cover all the areas of the study in order to discover salient points using their professional experience.

Secondary Data: Ten (10) years published accounts (Macro data) of the sample banks from 1998 to 2007 were obtained from Central Bank of Ghana, The Ghanaian Stock Exchange and Ghanaian Deposit Insurance Corporation Annual Publications. The macro data were used for statistical analysis to determine the impact of the six quantitative performance iSECes/variables and one qualitative variable on the banks. The banks refered to in this study are the universal banks. The Gross Domestic Product (GDP) of the nation for the same period (10years) was taken as dependent variable upon which the six quantitative performance iSECes/ variables (independent variables) i.e. Capital, Asset quality, Profitability, Liquidity, Dividends paid, and tax paid were analyzed. This is to analyze the relationship between GDP and bank performance over the years to determine the trend of its contribution to the nation's fortune, the change in their growth and if there is co-movement and correlation between them.

Reliability and Validity Test: Validity and reliability tests were carried out to ensure that the work is perfect and serves the purposes it is meant to serve.

Validity Test: The testing of validity is to know if the questionnaire measures what it is supposed to measure or if the real content of the work is measured. In measuring the content validity, the questionnaire was given to three independent assessors aside from the supervisors. The questionnaire was assessed by the Directors of Research of Institute of Chartered Accountants of Ghana and Chartered Institute of Bankers of Ghana. The sampling validity was carried out with the same independent assessors to certify that the sample representatives are adequate representation of the population. The questionnaire was presented to the supervisors of this work and other assessors to ensure that the questions were appropriate to elicit responses with the potential to solve the problem of distress in the banking industry.

Reliability Test: This is to test the scales's internal consistency. That is the degree to which the items that make the scale (research questions) hang together if they are measuring the same underlying construct.

4.0 DATA ANALYSIS

With the mean of 4.6786 and a low standard deviation of .4756, transform to the fact that financial strategy as stated in the first question provides a central purpose and direction to the activities of the banking industry. The respondents' 100percent agreement iSECates that it will impact the performance of the organizations with low risk. In the second question the respondents disagreed with the statement in the negative form which gave a mean of 2.2500 with a minimal risk of .4410 which means that financial strategy correlates with the business of banking and should form part of policy formation for a stable industry. The responses to the third question iSECate a mean of 4.7500 which is high and a low risk (SD) of .4410. The respondents' total agreement to this questions shows that financial strategy will strongly support performance and growth and the understanding by the banking industry will transform their business to achieve sustainable performance growth. The respondents' response to the fourth question shows divergent opinions though with the highest percentage of 89.3percent in agreement with the research statement. The divergent opinion of 10.7percent gave the reason why the standard deviation (the risk) is .7228 though less than 1. However, with the high mean of 4.1786, the financial distress and liquidation of banking institutions can be attributed to poor implementation of financial strategy or non-availability of financial strategy. Question five statistics figures show the highest mean in this group with 4.8214 and the least standard deviation which is .3900. The respondents' strong belief in periodic review of performance and applicability of responsibility accounting with instant remedial action will lead to performance growth.

With total disagreement of 96.4percent (53.6percent disagreed and 42.8percent strongly disagreed) to the research statement number 6 stated in negative form, a mean of 2.6071 and a low risk level of .5669, it is concluded that poor strategic planning led to the liquidation of those banks affected. This is evident that strategic planning cannot be separated from bank operations and activities. The response to the seventh statement shows a mean of 4.3571 which is a reflection of the 92.9percent agreement by the respondent to the content of the question. 0.9512 standard deviation is at a reasonable level and causes no dispersion from the operations of the bank. Therefore, good tax planning in the banking industry and compliance with tax laws will reduce tax liability. The response to question eight shows a 100percent agreement of the respondents to the contents. A mean of 4.7143 is very reasonable and a standard deviation of .4600 is an iSECation that the content of the question matches the objectives of the banking industry. Therefore, effective budgetary control in the industry cannot be separated from profitability and liquidity growth. It is a strategy that will support sustainable performance growth.

With a mean of 2.1785 for question nine and a total disagreement of 96.4percent by the respondents to the content of the question, and a standard deviation of .4756 which constitutes no risk to the business of banking, it shows that leadership cannot be separated from the activities of banking business. Leadership therefore has a very strong relationship with the performance and business growth in the industry. Good leadership will propel good business, while bad leadership will destroy the business. The mean computed for question ten is 4.7143 with a standard deviation of .4600 while all the respondents are in agreement that training is very important to the business of banking. With a low standard deviation, it shows training cannot be separated from banking. Therefore, management training of staff professionally on the job focuses them to achieve the main objectives of the organization for investors' wealth maximization and value maximization of the company.

The response to question eleven on technical ability and managerial skills with 17.9 percent strongly agree, 42.9percent agree, 25percent disagree, 10.7strongly disagree and 3.6percent undecided. With mean of 3.6071 and standard deviation of 1.0306, it shows that technical ability and managerial skills of staff are very important to solving financial distress. This means that technical ability and managerial skills may not fully be a major cause of financial distress. However, with total agree-percentage of 60.7percent, lack of technical ability and managerial skills cannot be separated from financial distress. The mean of 4.6786 on question twelve on profitability is a reflection of good response to the content of the question, which manifest in the 100percent total agreement from the respondents. With a low standard deviation of 0.4756, it shows that profitability cannot be separated from capital growth, liquidity growth and performance growth. Therefore, profitability is a very strong variable for growth. It will have positive impact on capital growth, liquidity growth and performance growth while lack of it will negate the objectives of the business and bring distress into manifestation. The response to question thirteen shows 71percent in total disagreement with the content of the question stated in negative term.17.9percent undecided shows their lack of knowledge of corporate planning. However, with a mean of 2.4286 and standard deviation of .9974 which is below 1, it shows that corporate planning is very important to the business of banking. If the management of the liquidated banks in the banking industry in Ghana had embarked on corporate planning, the banks would have been salvaged from total collapse. With a mean of 2.3571 and standard deviation of .6215 which is reasonable and an aggregate disagreement percentage of 92.8 to the content of question fourteen, it shows that capital growth is a considerable factor for business expansion; hence there should be profit retention from periodic profit after tax.

The overall analysis of this section shows that financial strategy has a very strong relationship with sustainable performance growth in the banking industry. Financial strategy is a very strong accounting technique to achieve sustainable performance growth in the banking industry. A banking institution will maintain sustainable performance growth with full adoption and implementation of financial strategy.

4.1 Examination of the Relationship between Strategic Planning and Performance for Business Sustainability and Stability of Business in the Banking Industry.

The iSECes used for analyzing the result of the field in this section are: Mean, Standard Deviation (SD), Strongly Agree (SA), Agree (A), Disagree (D), Strongly Disagree (SDA) and Undecided (UD) (Appendix 6). The field result of question fifteen shows a 100 percent in total agreement with corporate governance as a determinant for corporate existence. This reflects in the mean of 4.6429 which is high while a standard deviation of .4880 is low which shows that corporate governance cannot be separated from corporate existence. Therefore, there is a strong relationship between corporate governance and corporate existence to ensure increased capital, liquidity, profitability and efficiency in resources management. The result to question sixteen shows 75percent strongly disagree and 21.4percent disagree. The 3.6percent 'agree' is insignificant. The mean of 2.2857 is reasonable in relation to the content of the question which is in negative form, and with a mean of .5345 which is reasonable and low; it shows that there is a strong relationship between corporate governance and financial reporting because shareholders are interested in performance and leadership of the organization.

The field result to question seventeen shows 64.3percent strongly agree, 32.1percent agree while 3.6percent disagree is insignificant. Therefore, a total of 96.4 percent agreement with the content of the question, a mean of 4.6071 which is high, and a low standard deviation of 0.5669, shows that corporate governance cannot be separated from stable and viable banking business which will produce sustainable performance that will generate better performance iSECes of adequate capital, quality earning assets, stable profitability, good liquidity, payment of good returns on investment and equitable payment of tax. Poor corporate governance can result into downturn in business, financial distress and effectual liquidation. The 92.9percent response in total disagreement with the content of the question, and a mean of 2.5714 which is reasonable, a standard deviation of .6341 in the result of the field work of question eighteen, shows that corporate governance cannot be separated from sustainable growth. Therefore, there is a strong relationship between corporate governance and sustainability and performance. The result of the field work to question nineteen shows 96.5 respondent's total agreement to the content of the question while 3.6percent strongly disagree is insignificant and should be ignored. The mean of 4.4643 is high and reasonable while the standard deviation of 0.6929 shows homogeneity between boardroom upheavals and crisis in the banking institutions which in effect will have a strong negative impact on business performance.

Therefore, good corporate governance that will bring stability into the board will enhance customers' patronage and expansion of business. The field result to question twenty shows 3.6percent strongly agree and 10.7percent agree which reflect a low position compared to 32.1percent disagree and 50.0 percent strongly disagree with the content of the question. 3.6percent undecided is very insignificant. Therefore, with a reasonable mean of 2.6071 and a standard deviation of 0.8751, there is homogeneity between poor corporate governance and shareholder's loss of their investments. Therefore, good corporate governance will ensure the safety of shareholder's investment and depositors' deposits as the two variables cannot be separated from each other. The respondents' response of 75.0percent strongly agree and 25percent agree to the content of question twenty-one, high mean of 4.7500 and 0.4410 reasonable standard deviation, there is a strong relationship between consistence in board constitution, knowledge of board members of the operating environment and growth and expansion of business. There is homogeneity in their relationship. With afore analysis of questions fifteen to twenty-one, it shows that there is a strong relationship between strategic planning that will produce good corporate governance and performance for business sustainability and stability in the banking industry.

4.2 Assessment of the Relationship between Investment Policy and Management of Assets and Liabilities for Sustainable Performance Growth in the Banking Industry

The iSECes for analyzing this section are Mean, Standard Deviation (SD), Strongly Agree (SA), Agree (A), Disagree (D), Strongly Disagree (SD) and Undecided (UD). The respondents' rate of response to question twenty-two shows 60.7percent disagree and 28.6strongly disagree to the content of the question with a total of 89.3 percent in disagreement, while 10.7percent of the respondent agreed to the statement. With the mean of 2.8214 and a standard deviation of .6118, it means that non-performing loans and advances in the banking industry cannot be separated from the management of the loans and advances. It has nothing to do with the nature of securities pledged for these facilities. The result to question twenty-three shows that there is a strong relationship between good investment policy and effective management of assets and liabilities. Hence they enhance returns on investment and liquidity availability

and quality earning assets. The result shows 75percent strongly agree, 17.9percent agree, and 7.2percent in disagreement which is not significant to reject the mechanism. The mean of 4.6429 is encouraging while the standard deviation of .7310 is an iSECation that good investment policy cannot be separated from managing the assets and liabilities of the bank effectively. Therefore, good investment policy will result into effective management of assets and liabilities which in return will enhance returns on investment and liquidity availability. The statistical analysis of the field result of question twenty-four shows 42.9percent strongly agree, 46.4 percent agree totaling 89.3percent in agreement while 3.6percent each on disagree, strongly agree and undecided are insignificant. The mean of 4.2143 and standard deviation of 0.9567 show the strong relationship between good appraisal system and performance and redemption of such facility. Therefore, a good appraisal system will have impact on the realizability of the facility on maturity.

The statistical result of respondents to question twenty-five which was stated in negative form shows that 46.4 disagreed, 50percent strongly disagreed while only 3.6agreed. The total disagreement of 96.50percent, a mean of 2.5357 and standard deviation of. 5762 show that there is a very strong relationship between growing assets more than liabilities in the banking industry and financial distress. It means growing assets more than liabilities will create liquidity crunch and business failure. The respondents' response to question twenty-six shows the following statistical information: 64.3percent strongly agreed and 35.7percent agreed. Zero percent was recorded for each of disagree, strongly disagree and undecided. The 100 percent total agreement to the question, 4.6429mean and standard deviation of .4880 is an iSECation that good capital budgetary system has strong relationship with liquidity management and timely replacement of productive assets. The statistical analysis to question twenty-seven shows that 50percent strongly agreed to the statement, 42.9percent agreed totaling 92.9 in agreement. The 7.1percent that disagreed is not significant.

However, the 4.4285mean and standard deviation of .6341 is an iSECation that, there is a strong relationship between good investment appraisal system and shoring of the capital base of banks in relation to business activities and growth in the banking industry. The statistical analysis of the result of research question twenty-eight reflects that 60.7percent strongly agreed with the statement, 25percent agreed making it a total of 82.7percent in agreement. 10.7percent strongly disagreed while 3.6 percent were undecided. The 4.2857 mean is high enough to go in line with the 82.7percent support for the research statement. However, the standard deviation of 1.1501 is a reflection of the significant impact of opposite opinion of a total of 14.3percent disagreement with the statement. From this analysis, it can be concluded that using depositor's money to buy assets for operational activities is a bad investment policy, which means the shareholders' funds meant for this purpose are no longer available and therefore shifting the source of purchase to depositors will have significant negative impact on liquidity.

The negative impact is financial distress in the industry. The respondents' reaction to question twenty-nine shows that 14.3percent strongly agreed, 67.9percent agreed making a total agreement of 82.2percent to the research statement. 10.7percent disagreed, 3.6percent strongly disagreed and 3.6percent undecided making it a total of 17.9percent in the adverse opinion. This analysis and the reasonable mean of 3.8571 and reasonable standard deviation of .8483 show that there is a strong relationship between good investment policy to buy adequate fixed assets and tax benefits to enjoy reduction in tax liability for liquidity retention in the organization. The respondents reaction to research question thirty shows the following statistics: 46.4percent in strongly agree,50percent agree making it a total of 96.4percent in agreement, while others are zero percent disagreed, zero percent strongly disagreed and 3.6percent undecided.

This analysis combined with 4.3571 reasonable mean and comfortable standard deviation of .8262 shows that compliance with Central Bank of Ghana monetary policy by banks on liquidity ratio has a very strong relationship with resolving financial distress in the banking industry. From the analysis of responses in this section, it is concluded therefore that there is a strong relationship between good investment policy and better management of assets and liabilities and this will achieve sustainable performance growth for the industry and will produce good performance iSECes of quality assets, profit, and liquidity. The quality of investment policies in banks determines the type of the management of assets and liabilities. It also has a very strong impact on the appraisal of every credit proposal and valuation of assets used as collateral for the loans and advances.

4.3 Evaluation of the Relationship between Bank Performance and Gross Domestic Product to determine their Co-movement

The iSECes used for the analysis of the field work of this section are Mean, Standard Deviation (STD), Strongly Agree (SA), Agree (A), Disagree (DA) Strongly Disagree (SDA) and Undecided (UD). (Appendix 8)
The statistical results of question thirty-one reveal the following: 39.3percent strongly agreed to the research question, 42.2percent agreed making a total of 82.2 total agreement to the research question. 7.1percent disagreed, another 7.1percent strongly disagreed while 3.6percent undecided reflecting a total of 17.8percent in disagreement. The mean

of 4.0714 which is reasonable, a standard deviation of 1.0516 though high because of the 17.8percent dissent opinion combines with a total agreement of 82.2 percent, it shows that there is co-movement and constant relationship between bank performance and Gross Domestic product(GDP). The respondents' reaction to question thirty-two shows that 53.6 percent strongly agreed to the research question, 46.4 percent agreed showing 100percent in favour of the research question, while the other result variables recorded zero percent. With this information and a high mean of 4.5357 and a low risk of .5079, it shows that there is a very strong relationship between a change in economic performance iSECes and performance of banks and Gross Domestic Product.

The result of question thirty-three which was in negative form shows that 28.6percent disagreed while 71.4percent strongly disagreed reflecting a 100percent in disagreement with the question. This result and the mean of 2.2857 and a very low risk of .4600, it is therefore concluded that the distress in the banking industry will have negative effect on Gross Domestic product as other sectors of the economy cannot operate without the banking industry. This shows that the banking industry is the bedrock of the nation. The field work result of question thirty-four shows that 50percent strongly agreed with the statement, another 50 percent agreed making a 100 percent respondents support of the question while other result variables recorded zero percent each respectively.

This respondents' position combined with a high mean of 4.5000 and a reasonable standard deviation of .5092, shows that financial strategy will serve as antidote to distress. It is therefore concluded that with financial strategy serving as antidote to financial distress in the banking industry, the industry will take its position as the bedrock of the national economy and will have positive impact on the Gross Domestic Product. The statistical result of the respondents' reaction to the last question i.e. research question thirty-five shows that 60.7percent strongly agreed, 39.3percent agreed making a total of 100percent total support to the question. Other result variables recorded zero percent each respectively. With this result and a high mean of 4.6071 and a low risk value of 0.4973, it means there is a strong relationship between financial distress, Gross Domestic Product and Ghanaian position in the international community. Therefore, financial distress is a killer disease in the banking industry, which if not checked will negatively affect Gross Domestic Product and the position of Ghana in the international community vis-à-vis globalization.

From the analysis of the results of field work in this section, it shows that there is a very strong relationship between bank performance and Gross Domestic Product (GDP). This means that when financial distress in the banking industry have negative effects on bank's performance iSECes of capital, asset quality, liquidity, profitability, dividend paid and tax paid, it will have reciprocal effects on Gross Domestic Product which shows a co-movement between them. From analysis of 4.4.1 to 4.4.4, all the financial strategies that will give birth to sustainable performance growth show positive results from the survey work. The respondents fully supported corporate governance, capital budgeting, budgetary control, tax planning, corporate planning, Investment policy and economic profit of investment that will enhance profitability provide adequate capital, enhance liquidity, result into quality earning assets, ensure constant returns on investment through dividend payment and ensure equitable payment of tax. These results prove and evaluated us maintain objective that financial strategy will serve as antidote to financial distress in the banking industry. It also proves the four specific objectives positively.

5.0 EVALUATION OF THE RESEARCH

These are the findings from the survey work to evaluate if financial strategy would serve as determinant for the resolution and avoidance of distress in Ghanaian Banking industry.

5.1 Empirical Findings:

The following are the findings from the empirical work carried out. All the respondents believed in strategic management system, and that it should be installed for planning the realization of the objectives of an organization, formulation of policies for profit sustainability, market penetration and for adequate equity and working capital. 100 percent of the respondents believed that financial strategy provides a central purpose and direction to the activities of the banking institutions, which will positively impact the performance of the organization. 89.2percent of the respondents agreed that the financial distress and liquidation of banking institutions in Ghanaian economy were as a result of non-availability of or poor implementation of financial strategy.10.8percent disagreed with the assertion.100 percent of the respondents believed that responsibility accounting provides periodic review of performance and instant remedial action that support performance and maintain growth in the banking industry. 96.5percent of the respondents believed that financial distress and banking institutions liquidation in Ghana could be attributed to poor strategic planning in the banks affected.3.5percent disagreed with this.

92.9percent of the respondents believed that poor tax planning and non-compliance with tax laws can lead to large cash outflows in the payment of tax liabilities and penal charges which have negative impact on liquidity of the banks.7.2percent disagreed with the belief. 100 percent of the respondents believed that effective budgetary control in

the banking industry would enhance profitability and liquidity growth 96.9 percent of the respondents believed that leadership in the banking industry has a very strong relationship with performance and business growth, and also creates an excellent organization. 3.6percent disagreed with the assertion. 100 percent believed that profitability is a very strong variable for growth, and will have positive impact on capital growth, liquidity growth and performance growth. 100percent of the respondents were of the opinion that corporate governance is a determining factor for corporate existence to ensure increased capital, liquidity, profitability and efficiency in resource management 96.4 percent of the respondents believed that boardroom upheavals and crisis in the banking institutions have very strong negative impact on customers' patronage and expansion of business, and that it causes financial distress in the banking industry. 3.6percent disagreed with this position. 100 percent believed that consistence in the constitution of the board of directors and knowledge of the operating environment by the directors motivates the growth and expansion of business.

89.3percent of the respondents believed that poor management of loans and advances results into large amount of non-performing loans and advances.6.7percent did not believe in the position. 92.9percent of the respondents believed that good investment policy and effective management of assets and liabilities will enhance returns on investment and liquidity availability.7.3percent disagreed with this assertion. 100 percent of the respondents believed that a good capital budgetary system is a necessity for liquidity management and timely replacement of productive assets. 82.2percent of the respondents believed that it is a good investment policy for a bank to buy adequate fixed assets for operational activities in order to enjoy tax benefits for reduction in tax liability and retention of liquid funds.17.8disagreed with tax principle. 96.4percent of the respondents believed that compliance with Central Bank of Ghana monetary policy by banks on liquidity ratio is a key factor for resolving distress in the banking industry. 3.6percent disagreed.

82.2percent of the respondents believed that there is a co-movement and constant strong relationship between bank performance and Gross Domestic Product.14.2percent disagreed while 3.6 could not decide. 100percent of the respondents believed that any change in economic performance iSECes like inflation, rate of exchange, interest rate, disposable income, will have negative impact on performance and Gross Domestic Product. 100percent of the respondents believed that distress in the industry will have negative impact on Gross Domestic Product and other sectors of the economy, and that other sectors cannot operate without the banking industry. 100 percent of the respondents believed that with financial strategy as antidote to financial distress in the banking industry, Ghana will take its position as the bedrock of the national economy, and will have positive effect on Gross Domestic Product.

The five hypotheses tested empirically using MANOVA model, rejected the null forms and revealed the following findings:

Hypothesis 1: The findings of the multivariate tests support the works of Gunsel (2008), Aziz, (2007) and the BOG and SEC (1995) on the need to institute strategy for saving the banks from collapse. Financial strategy therefore will ensure performance for sustainable growth that will avoid and resolve distress in the very strong banks, strong banks and slightly strong banks.

Hypothesis 2: The findings are consistent with the work of Hamel and Prahalad (2000) and BOG (2004) of transformation of the industry. There is a strong relationship between strategic planning and business failure in the banking industry. By implementing effectively, the strategies of tax planning, budgetary control, management training of staff professionally, profitability sustainability and capital growth can the industry avoid business failure and liquidation of institutions.

Hypothesis 3: There is a strong relationship between strategic planning (with the institution of corporate governance) and performance in the banking industry. These variables combined together will produce sustainability and stability of business in the banking industry. This result is consistent with the work of Hopkins and Hopkins (1997), Strickland and Thompson (2005) and other researchers like O'Sullian and BOG (2006) that found out that corporate governance will help to avoid financial scandals, collapse of institutions and maintain good performance.

Hypothesis 4: The findings are enlarged than BOG (2004), Alashi (2002) and other researchers whose findings were limited to insider abuse, dearth of component credit analyst and portfolio mismatch. There is a strong relationship between investment policy and management of assets and liabilities for sustainable performance growth in the banking industry with the institution of good credit appraisal system, effective management of loans and advances, effective management of assets and liabilities, good capital budgetary system, sound liquidity management to avoid portfolio mismatch, good investment appraisal system for assets replacement, adequate operational fixed assets for tax benefits and fund retention and compliance with BOG monetary policy.

Hypothesis 5: Previous studies did not cover this area of importance with the exception of Ekundayo (1996) that outlined the contribution of financial sector to GDP. The findings in this work show that there is a high correlation and co-movement between bank performance and GDP. That resolution to distress in the banking sector will further

enhance the relationship, and put the banking sector in its rightful position to impact other sectors positively, and achieve growth in all the sectors of the economy.

The Secondary data collated from Central Bank of Ghanaand Ghanaian Stock Exchange from 1998 to 2007 was tested empirically with the use of Multiple Regression and Growth Change models. The following were the findings: There is a perfect positive linear relationship between Gross Domestic Product and Bank Performance ISECes which are capital, asset, liquidity, profitability, dividend paid and tax paid. That is the interrelationship between Gross Domestic Product and Bank Performance ISECes are collinear. Using Pearson Correlation model, there is a very strong correlation between Gross Domestic Product and Bank Performance ISECes with ρ value ranging from .895 and 981 for each of the independent variables while Gross Domestic Product (dependent variable) is 1. The normal probability plot lies in a reasonable straight diagonal line from the bottom left to the right iSECating linear relationship between Gross Domestic Product and Bank Performance.

The scatter plot shows rectangular distribution as scores concentrated in the center along zero point iSECating strong relationship between Gross Domestic Product and Bank performance. Analysis of Variance (ANOVA) shows that the F-test is 147.963 at degree of freedom of 6,3 and alpha level of 0.05, while the tabulated critical value is 8.94. This result shows that there is a very strong relationship between Gross Domestic Product and Bank Performance iSECes and also shows a co-movement between them. The growth changes in Gross Domestic Product and Bank Performance iSECes revealed that there is a strong linear relationship and correlation between Gross Domestic Product and bank performance iSECes, as the changes recorded move in the same direction revealing the co-movement between the two variables. This confirms that should anything happen to the bank performance iSECes; it will affect the Gross Domestic Product. Any distress in the banking industry will have chain effect on other sectors of the economy which in turn will negatively affect the whole economy and the Gross Domestic Product.

5.2 Conclusion

The banking industry in Ghana has been undergoing serious structural adjustment over the last five years sequel to previous reforms in the country that did not help the situation. This new adjustment and reforms arose from Central Bank of Ghana(BOG)'s requirements for banks to increase their shareholders fund to a minimum level of N25billion.This triggered off several mergers and acquisitions that have reduced the number of universal banks from 89 to 24 as at 2007. Before the consolidation exercise came into implementation, the banking industry had about 89 active players whose overall performance led to sagging of customers' confidence. There was lingering distress in the industry; the supervisory structures were inadequate, there were crises of official recklessness amongst the managers and the industry was notorious for ethical issues.

Most especially poor corporate governance has been identified as one of the major factors in virtually all known instances of bank distress in the country. The post- consolidation happenings in the industry still show that financial distress is yet to be resolved. Between August 2009 and October 2009, eight Managing Directors of distress banks were sacked and replaced in view of their weak corporate governance and other factors that aided the distress. This killer disease in the banking industry can be totally avoided and resolved with the official adoption of financial strategy in this sector of the economy. The operators in the sector must however be totally committed to this transformation model.

5.3 Recommendations

Having therefore carried out a successful survey and analyzed the findings in the work, the following are the recommendations for avoidance and permanent resolution to distress in Ghanaian banking industry. The industry together with each bank should embark on industry transformation by reinventing the banking industry, regenerate strategy and go away from reengineering processes. The transformation can only take the industry out of financial distress with the full implementation of the financial strategy that has been researched and tested. This strategy is referred to ***Transformation Financial Strategy Model***

i.e. Resolution to Distress =***f(***Financial Strategy and ***f***(Performance Growth ISECes). *Financial Strategy ISECes*:

Sound Corporate Governance: Good corporate governance is the set of rules and practices that govern the relationship between the managers and shareholders of the banks as well as other stakeholders. The objective of good corporate governance is to achieve business excellence and enhance shareholder value. Good corporate governance emphasizes the need for transparency, full disclosure, fairness to all stakeholders and effective monitoring of the state of corporate affairs. The Organization for Economic Cooperation and Development (OECD) established the underlining code of corporate governance which each bank should adopt.

- Ensuring the basis for an effective governance framework, this should promote transparent and efficient markets.
- Protect and facilitate the rights of shareholders and key ownership function.
- Ensure the equitable treatment of all shareholders.
- Recognize the rights of shareholders established either by law or through mutual agreements.
- Should ensure timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership and governance of the bank.
- The board has the responsibility of ensuring the strategic guidance of the bank, the effective monitoring of the management and the boards accountability to the company and to shareholders. Effective corporate governance is all about the board's performance

The task of governing a corporate entity is the work of board of directors. For effectiveness, the board needs to be made up of the right people,and members who are independent, skilled, knowledgeable, experienced and of diverse perspectives.

Good Investment Policy**:** This will be a planned line of conduct for all banks in the light of which decisions are made and coordinated to achieve the following:

- Good credit appraisal to avoid non-performing loans and advances.
- Effective management of assets and liabilities to enhance good returns on investment and liquidity availability.
- Avoid growing assets more than liabilities so as not to create liquidity problem.
- To ensure quality earning assets are created.
- To ensure good capital budgetary system is in place for effective liquidity management and timely replacement of productive assets.
- To ensure adequate fixed assets are bought for operational activities,and enjoy tax benefits in form of capital allowance for equitable payment of tax liability.
- To ensure due compliance with Central Bank of Ghana monetary policy so as to have sound liquidity for expansion and stability of business.

Effective Capital Budgeting System: Capital budgeting is a strategy adopted by an organization whether to buy or lease equipment, whether to stimulate sales or whether to increase the company's asset base, and hence take decisions on capital investment in an organization by determining which specific investment projects the bank should accept, determining the total amount of capital expenditure which the bank should undertake, and determining how this portfolio should be financed. Capital budgeting plans for the acquisition and replacement of long term expensive items which are called capital assets, like land, building, machinery and equipment. In implementing capital budgeting system, the following must be taken into consideration by the banks. Long life capital projects are expected to benefit the institution for at least two years which is the idea behind capitalizing the cost of the item. The purchase of any long-lived item for which the cost exceeds an organization capitalization amount is considered a capital project, and should consider how to finance them through debenture loan, consortium lending, higher purchase or outright lease. Quickly sunk cost on capital project cannot be recovered. In case of abandoned project, all sunk cost may not be recouped. Capital project have a high degree of business risk because they involve the future, which always entails uncertainty.
In view of all these, the banking institution must estimate the return from projects in future years by identifying possible capital projects by determining relevant cash flows for alternative projects, select a method to measure the alternatives, evaluate the alternatives and select the project or projects to be funded.

Corporate Planning: Corporate planning is a financial strategy technique/game employed by a good management for strengthening the organization's position, pleasing customers, and achieving performance targets. This involves every major and department of the organization. For any organization to succeed, it must combine good strategy making with good strategy execution for company performance to approach maximum potential.

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