A CRITICAL ASSESSMENT OF THE STRATEGIC RESPONSE TO COMPETITION IN THE BANKING INDUSTRY (A CASE STUDY OF INTERNATIONAL COMMERCIAL BANK, ICB)

BY

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DECLARATION

I hereby declare that this submission is my own work towards the Commonwealth Executive Masters in Business Administration and that to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other degree of the university, except where due acknowledgement has been made in the text.

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DEDICATION

This thesis is dedicated to my wife Akua Agyeiwaa Arthur, Children: Linus Appiah Arthur, Kelvin Kesse Arthur, Nhyira Serwaa Arthur and Ignatius Debrah Arthur (Jnr.)

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Many were those who supported me in diverse ways for this work to it completion and they need to be specially acknowledged.

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ABSTRACT

The critical assessment of the strategic response to competition in the banking sector in respect of International Commercial Bank is one of the most dynamic and controversial issues within the management spectrum. The industrial competitiveness is continuously throwing in fresh challenges which allow customers and other stakeholders to respond in diverse ways. It is therefore not surprising that new competitive ideas and trends keep surfacing to meet the market challenges. Being competitive is to create, maintain and enhance strong values with customers including prospective ones and other stakeholders. The main objective of the study is to assess how strategically International Commercial Bank responds to competition in the banking sector by attracting, retaining, enhancing and developing a long term business relationship for profitability and other objective benefits in the industry. The study made use of primary and secondary data. A sample size of two hundred and fifty (250) made up of one hundred and eighty (180) customers and seventy (70) employees of ICBank was used in gathering the information. Questionnaire was the main instrument. The study revealed the importance of competition in the industry that can never be under estimated in the role of customer loyalty and development. Also, the study revealed that the current wave of competition that has swept through the industry in Ghana has brought about undue pressure on staff in order to retain customers. Furthermore, the study indicated that clients rated the level of customer satisfaction as keen, diverse and satisfactorily. However, there is room for improvement. In view of the research findings, the following recommendations are made in order to sustain efficiency in the competition. These are marketing research, innovative product development, employee quality skill development, determination to take the ownership

of roles and responsibilities, innovative customer data base, visibility, broader accessibility and re - lunch.

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CHAPTER ONE

GENERAL INTRODUCTION

1.0 Introduction

The liberalized economic environment has led to the proliferation of banks and their respective activities thereby causing dramatic changes within the landscape of the Ghanaian banking industry during last decade (1999-2009). New companies both local and foreign (particularly Nigeria and South Africa) have emerged some as start-ups, others through mergers or acquisitions. Some are the Stanbic Bank, Bank of African and International Commercial Bank Company (ICB) to mention a few; all virtually offering similar products in the industry.

The concepts of competitive edge over other players, its importance and impact on corporate performance cannot be overemphasized. There is a more positive source of uncertainty in financial services markets. A decade of regulatory changes has erased legal constraints upon strategy and success from competitive landscapes. A burst of new product innovation over the period, unprecedented in the industry, has significantly altered the product and service mix. The acceptance of new technology and the radical changes in the banking sector suggests the need to look at the size and location of potential customers and establish attractive strategic plans for achieving the corporate objective. Customer awareness has become paramount and these customers are increasingly becoming educated and more sophisticated, generally healthier with a life expectancy age of 57 years in Ghana among others. However, many predictable changes seem to take reputable banks by surprise. In recent years credit facilities were rushed on customers in the name of poverty alleviation by government influence and other temporarily compelling measures that did not stand the test of time. As an integral part of the economy the banking sector plays a key role in the Ghanaian nationals' socioeconomic well being. A weak banking sector not only jeopardizes the long-term sustainability of an economy, it can also trigger financial crisis which can lead to economic crisis. However, developing countries like Ghana need to take cognizance of the lessons from the financial crisis that plagued Russia in 1998 and Argentina in the year 2001 among others. This led the Nordic countries in the early 1990s; Mexico in 1994, the Asian financial crisis in 1997-98 recorded an impact on the stability of the financial systems. The crisis also had a significant impact on the credit portfolios of many countries and caused a slowdown in the economic activities in these countries with its multiplier effect. The adverse outcomes of weak financial systems and their impact on economic well-being brought about renewed interest within the international financial community (Vaithilingam, et al, 2006).

The liberalized economic environment which also saw an influx of banks, communication service providers, estate developers, foreign direct investors into mining, education, construction, hospitality and oil industries just to mention a few provided opportunities and challenges for banks in the economy. It is evident that each company's performance in the last decade reflects the intense competition in the industry. On this premise, the study looks at the evaluation of competition in banking industry, respective responses, and impact on corporate performance of the various players, particularly International Commercial Bank (ICB).

1.1 Background to the Study

Vaithilingam, et al, (2006) indicated that several authorities have argued that the financial sector is vital for socioeconomic development of a country. For example studies by De Gregario and Guidotti (1995), Levine and Zervos (1998), Rousseau and Wachtel (1998), Beck et.al. (2000) and Levine (2003) among others, suggested that a well developed and sound financial system can contribute significantly to economic growth by recognizing the important role financial intermediaries play in bridging the disequilibrium between savings and investment needs within an economy. These authors argued that economic growth can be sustained only if scarce resources are mobilized efficiently and transformed effectively into productive investments and this function is efficiently conducted by the financial intermediaries. Most of these studies were conducted in developed countries where significant reforms have been undertaken over the last two decades to enhance the efficiency and competition of the financial sector. Moreover, the financial sector is a key catalyst for sustainable development of a country. However, many of the developing and under-developed countries are grappling to keep up with the forces of globalization and liberalization that are transforming the global financial architecture.

Current thinking according to the International Monetary Fund (IMF) is that Africa is enjoying its best period of sustained economic expansion since independence. Real Gross Domestic Product (GDP) growth has risen from 5.7 percent in 2006 to 6.8 percent in 2008. This fairly good performance is partly driven by high commodity and oil prices. Foreign aid has also helped. Better economic management, more openness, transparency and good governance have also contributed to this. This means that banks do not only have to work harder to make profit, but also help them to grow by reaching out to new customers (The Economist, 2007).

The phenomenal growth and changes in the nature of financial institutions over the last two decades in Africa has created unparalleled challenges for more effective marketing management of the financial services on offer. Some writers such as Joseph and York (1989), Lewis (1991) and McGoldrick et al. (1994) have observed that the changes in financial services have been brought about to a greater or lesser degree by the growing financial sophistication of customers, the greater and more efficient use of information technology, and the entry of new aggressive competitors in the marketplace.

In Ghana, the situation is not different. The banking landscape has been changing since 2004, and this trend is only set to continue with increasing competition and improved customer service (Yartey, 2008). Due to increased competition resulting from a decade of deregulation in the Ghanaian banking industry, the banks find themselves faced with the task of differentiating their products as a method of attracting new customers (Owusu-Frimpong, 1999)

Accordingly, Toffler (1985) writes that a company without a strategy is like an airplane weaving through the skies, hurled up and down, slammed by winds and lost in the thunder heads. If lightning or crushing winds do not destroy it, it will simply run out of gas. In similar line of thought, Ross et al (2000) noted that without strategy an organization is like a ship without a rudder. It goes round in circles and like a tramp has no specific place to go. Ansoff (1970) argues that planning generally produces better alignment and financial results in companies which are strategically managed than those which are not.

This suggests a seeming correlation between strategic planning and the ultimate performance of a company in terms of its growth, profits, attainment of objectives and sustained competitiveness (Strickland, 2004).

Though these assertions are largely true, Pitts et al (2003) affirm that exceptional situations also arise when some companies gain not because they had in place any strategy but because they just benefited from some sudden conditions in the external environment. For example, after the September 11, 2001 terrorists attack on the World Trade Centre, Pentagon and in Pennsylvania all in the United States of America, air travel within and across that country dropped drastically in favour of rail and road transport which were thought to be safer. Rail and road transporters therefore, enjoyed a sudden and unexpected boom.

Nonetheless, and still consistent with the need for evolving and constantly reviewing strategy, it is important to note that having a sound strategy in itself does not necessarily translate into desired performance goals if it is not properly implemented. Both strategy formulation and implementation must be good and timely to achieve positive results. As for a company driven by wrong strategic planning, Malamud (2004) likens it to a train on a wrong track saying, every station it comes to is the wrong station.

These fundamental principles largely hold true for all industries globally and as should be expected, the banking industry is subject no less to the dynamics of these global market trends. Against this background, the challenges in the Ghanaian banking industry in terms of response to the turbulent competition are discussed.

1.2 Problem Statement

According to Arnoud and Thakor (2000), banks also find themselves in greater competition with one another as globalization and deregulation weaken geographical boundaries and encourage cross-border mergers and acquisition. As have been indicated earlier in Ghana the banking sector has emerged from severe financial and reputational damage resulting from economic recession and government debt in the 1980s and 1990s, when Ghanaian banks and other financial institutions stopped lending to the private sector. The banking sector has seen major capital injection partly because of the political stability, attainment of economic stability and the government's desire to make Ghana the financial hub of the West African Sub-region (Kob-Millar, 2007). As a result of the various interventions and regulatory policies put in place by the bank of Ghana and the influx of foreign banks, especially those from Nigeria banks, the Ghanaian banking industry has been very boisterous.

Irrespective of boisterous climate in the banking sector of Ghana over the last decade not all banks can be said to have performed to the level that meets industry and stakeholders' expectations. Much as the differences in the performance levels of various companies are to be expected, it is still strongly believed that the strategies pursued by each bank are largely accountable for the outcome of their performances. Managements' lead role requiring strategic thinking, planning, decision-making and ultimate implementation could also have much to contribute to the fortunes or otherwise of the various banks in the industry.

All the banks have already rolled out the use of internet banking, smartcard technology, mobile phone banking and the use of biometric technology to cover all their operations. Banks have introduced new products and services and increased their distribution channels.

According to a Daily Graphic Report (June, 2008) banks have been providing an increasing choice of products and services for customers who now demand higher level of services from banks. If banks do not have a good understanding of customer needs, and offering superior service, then they are likely to face decreasing customer loyalty resulting in cost of customer acquisition and retention going up.

The statement of the problem is that lack of strategic response by the banks to competition has lead to high customer switch, low market shares, weak competitive position among others; hence banks, particularly, International Commercial Bank (ICB), has no choice than to entrench itself firmly in the minds of customers by laying down a clear philosophy and positioning. Nevertheless, in other to remain in business, the provision of quality of service and bringing to bear its ability to innovate and introduce products relatively new to the Ghanaian market, by taking full advantage and its global presence to examine how ICB is responding to the competition in the banking industry in Ghana is high on the stakes.

1.3 Objectives of the Study

The main objective of the study is to examine the strategic response of International Commercial Bank (ICB) to the ever increasing competition in banking. The study explores the strategies adopted to gain competitive advantage in the banking industry.

The specific objectives were to:

- Determine the drivers of competition in the banking industry in Ghana;
- Evaluate the effects of competition on the current operations of the bank especially ICB.

- Assess the impact and sustainability of the bank's competitive strategy on performance;
- Analyze the current strategies being pursued by ICB, in its quest to respond to competition;
- Make recommendations to improve the strategic competitive advantage in the industry.

1.4 Research Questions

The study seeks to answer the following questions:

- What are the current strategies being pursued by ICB, in its quest to respond to competition?
- What are the drivers of competition in the banking industry in Ghana?
- What are the effects of competition on the current operations of the bank?
- What are the challenges being faced by the individual staff of ICB while they work to retain and attract more customers?
- How does ICB intend to sustain the bank's competitive edge?

1.5 Justification of the Study

Generally, the study is expected to impact on experts/professionals, management of the banking industry, regulators and academia among others.

Academia

The output of this study contributes to knowledge and literature in the subject under investigation. It is a useful source of reference to researchers, academics, students, policy makers, marketing professionals and other stakeholders interested in the effectiveness of competitive strategies of international commercial bank in the Ghanaian banking industry.

Management of the Bank

The study would help management, workers as well as customers of ICB and other similar organizations in the banking industry to identify the current competitive strategic challenges of banks so as to meet the needs and expectations of the afore mentioned.

The findings and results also provide a more reliable scientific measures and perspectives for describing and evaluating the level of efficiency of new competitive strategies and its effect on corporate performance and customer satisfaction. It also serves as a source of information that brings to the fore the switching intentions of their current and potential customers. Therefore providing the empirical support for management strategic decisions in several critical areas of their operations, and above all, provide a justifiably valid and reliable guide to designing workable service delivery improvement strategies for creating and delivering customer value for customers; achieving customer satisfaction and loyalty, building long-term mutually beneficial relationship with profitable customers and achieve sustainable business growth in Ghana.

Regulators and Government

To policy makers like government agencies such as the Ministry of Finance and Economic Planning and Bank of Ghana, the finding and results of this study provides insights and a more reliable guide to monitoring the impact of the operations of the banks. It also serves as a benchmark for measuring partly their respective policy goals and objectives. It serves as assistance to BOG among other things to facilitate the availability of quality services to customers; to ensure that banks achieve the highest level of efficiency in the provision of competitive strategies; ensuring that they are responsive to businessmen and community needs, and that customers' interest is protected.

Experts/Professional

This research is to bring to bear modern trends of strategic response for more cost effectiveness in the banking industry; ensuring that customer satisfaction is attained. It would also help bankers to implement the necessary structures to curtail any incidence of weak competitive position among others.

Other Stakeholders

To stakeholders like investors, shareholders, employees, pressure groups, corporate bodies etc., the study provides information that suggests to the improvement in response to competition in the banking sector.

1.6 Scope of the study

Resource limitations, access and time constraints could not allow the research to cover the entire industry and neither would a sample of them serve the research purpose. Hence a case study approach is proposed. The study was conducted within the framework of responding to competition in the banking industry. The study was carried out at the ICB branches in Greater Accra (i.e. Accra Metropolis) and Ashanti regions (Kumasi Metropolis). These cities were chosen because the branches within those cities had over eighty percent (80%) of the company's clients where the intensity of responding to competition is high and thus fall within the framework of the topic under investigation. It is a case study approach of one particular bank (ICB) and will not cover other banks to reflect the entire industry response to competition. Hence the result will not be generalised but its findings will be placed in the relevant context of the individual bank studied.

1.7 Limitation of the Study

This research has identified among others the following limitations that the study encountered:

- The unwillingness of management of the selected ICB officials to release information which will enrich the study and also establish a strong validity and reliability.
- In spite of the selected branch, a nationwide study would have been more appropriate; and there were constraints of financial resources and unavailability of data as well as materials which made it impossible to undertake nationwide study. In addition, the researcher has to combine academic work with this study as well as his regular profession.
- Costs in terms of printing, photocopying, binding as well as opportunity cost were incurred without the requisite bursary from government.

1.8 Organization of the Study

The study has been organized into five chapters. The first chapter focuses on the introduction and contain a brief background of banking and its economic relevance to society and how other players have come to increase the competition in the sector. It also describes the problem statement, objectives, justification for the study, scope, and limitations and how the study will be organized. Chapter two reviews the relevant literature and theoretical frameworks developed on competition and banking in Ghana, whiles the third chapter presents the methods, procedures and instruments used to conduct the study.

The fourth chapter presents the analysis of data collected from the field; and the final chapter covers a summary of the study, the recommendations for the advancement of banking as well as areas for further studies in responding to competition in the banking industry in Ghana.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter reviews the earlier studies related to the stated questions of the study. Among the issues to be discussed include the concept of competition, challenges, forms, analytical framework of competition, and definition of terms, Porter's five forces model, the banking industry in Ghana and an overview of International Commercial Bank.

2.1 The Concept of Competition

The business encyclopaedia (2001) defines competition as 'the battle between businesses to win consumer acceptance and loyalty'. The free-enterprise system ensures that businesses make decisions about what to produce, how to produce it, and what price to charge for the product or service. Competition is a basic premise of the free-enterprise system because it is believed that having more than one business competing for the same consumers will cause the products and/or services to be provided at a better quality and a lower cost than if there were no competitors. In other words, competition should provide the consumers with the best value for their hard-earned money.

Porter (1980) noted that competition is one of society's most powerful forces for making things better in many fields of human endeavour. Competition is pervasive, whether it involves companies contesting markets, countries coping with globalisation, or social organisation responding to societal needs.

Merriam-Webster (2000) as cited in Wikipedia encyclopaedia (2001) defines competition in business as "the effort of two or more parties acting independently to secure the business of a third party by offering the most favourable terms." Competition is a pillar of capitalism in that it may stimulate innovation, encourage efficiency, or drive down prices.

In microeconomic theory, resource allocation is more efficient in pure competition. However, competition in this work would consider the profit margin, credit, deposits and customer base. (wwwhttp://en.wikipedia.org, 2010). Kolasky (2002) notes that competition is the process by which market forces operate freely to assure that society's scarce resources are employed as efficiently as possible to maximize total economic welfare.

2.2 Challenges Relating to Competition

To be successful in today's very competitive business world, it is important for businesses to be aware of what their competitors are doing and to find a way to compete by matching or improving on the competitors' product or service (Boone 1999).

While being aware of the competition and making a countermove is important, it is also very important to pay attention to changing consumer wants, needs, and values and to make the needed changes before the competition does. Doing research and development and being the first to provide a new product or service can give a company a competitive advantage in the marketplace. Once consumers purchase a product or service and are satisfied with it, they will typically purchase the same product again. Having a competitive advantage means that a company does something better than the competition, (Porter 1998). Having a competitive advantage might mean inventing a new product; providing the best quality, the lowest prices, or the best customer service; or having cutting-edge technology. To determine an area where a company might have a competitive advantage, a SWOT analysis is often done to identify the company's internal Strengths and Weaknesses and the external Opportunities and Threats. A SWOT analysis lets the company know in which area(s) it has a competitive advantage so it can concentrate on those areas in the production and marketing of its product(s) or service(s).

In addition to staying on top of changing consumer preferences, Porter (1998) revealed that companies must constantly be looking for ways to cut costs and increase productivity. Companies must provide consumers with the best-quality product at the lowest cost while still making a profit if they are to be successful competitors in the long run. One way to remain competitive is through the use of technology. Technology can help speed up production processes through the use of robots or production lines, move information more accurately and more quickly through the use of computer systems, and assist in research and development proceedings.

Global competition has made gaining consumer acceptance an even tougher challenge for most businesses, (Zikmund 1995). For instance firms in other countries may be able to produce products and provide services at a lower cost than Ghanaian businesses. In order to compete, Ghanaian businesses must find other ways to win consumers. One way for businesses to accomplish this is through competitive differentiation. Competitive differentiation occurs when a firm somehow differentiates its product or service from that of competitors. Competitive differentiation may be an actual difference, such as a longer warranty or a lower price, but often the difference is only perceived. Difference in perception is usually accomplished through advertising, the purpose of which is to convince consumers that one company's product is different from another company's product. Common ways to differentiate a product or service include advertising a better-quality product, better service, better taste, or just a better image.

2.3 Forms of Competition

Although each form has many aspects, Moore (1996) noted that competition can generally be classified into four main categories: perfect competition, monopolistic competition, oligopoly, and monopoly. Perfect Competition (also known as pure competition) exists when a large number of sellers produce products or services that seem to be identical. These types of businesses are typically run on a small scale, and participants have no control over the selling price of their product because no one seller is large enough to dictate the price of the product. Instead, the price of the product is set by the market. There are many competitors in a perfect competition industry, and it is fairly easy to enter or leave the industry. While there are no ideal examples of perfect competition, agricultural products are considered to be the closest example in today's economy. The corn grown by one farmer is virtually identical to the corn grown by another farmer, and the current market controls the price the farmers receive for their crops. Perfect competition follows the law of supply and demand. If the price of a product is high, consumers will demand less of the product while the suppliers will want to supply more. If the price of a product is low, the consumers will demand more of the product, but the suppliers will be unwilling to sell much at such a low price. The equilibrium point is where the supply and the demand meet and determine the market price.

Monopolistic Competition according to Moore (1996) exists when a large number of sellers produce a product or service that is perceived by consumers as being different from that of a competitor but is actually quite similar. This perception of difference is the result of product differentiation, which is the key to success in a monopolistic industry. Products can be differentiated based on price, quality, image, or some other feature, depending on the product. For example, there are many different brands of bath soap on the market today.

Each brand of soap is similar because it is designed to get the user clean; however, each soap product tries to differentiate itself from the competition to attract consumers. If one product costs twice as much as similar products on the market, chances are most consumers will avoid buying the more expensive product and buy the competitors' products instead. There can be few or many competitors (typically many) in a monopolistic industry, and it is somewhat difficult to enter or leave such an industry. Monopolistic products are typically found in retailing businesses. Some examples of monopolistic products and/or services are shampoo products, extermination services, oil changes, toothpaste, and fast-food restaurants.

An oligopoly exists when there are few sellers in a certain industry. This occurs because a large investment is required to enter the industry, which makes it difficult to enter or leave. The businesses involved in an oligopoly type of industry are typically very large because they have the financial ability to make the needed investment. The type of products sold in an oligopoly can be similar or different, and each seller has some control over price. Examples of oligopolies include the automobile, airplane, and steel industries (Guzman, 2000).

2. 4 Drivers of Competition among Banks in Ghana

The banking industry has been characterized by increasing competition since the early 1980s. This has been the result of a number of interrelated factors such as:

Deregulation and Liberalisation

According to Blankson *et al* (2007), competition and deregulation have revolutionized the distribution of many financial services. The authors are of the opinion than an increased competition resulting from a decade of deregulation of the financial services industry has meant that banks find themselves faced with the task of differentiating their organizations and their offerings as a means of attracting customers.

Baer et al., (1988 as cited in Zardkoohi and Frase 1988) identified four factors that produce greater competition. First, by allowing for larger banking organizations, geographical deregulation makes it easier for banks to achieve economies of scale and scope. Second, easier entry into banking markets, especially highly profitable markets, provides incentives for existing banks in those markets to price their services competitively. Third, reduced restrictions on entry motivate banks to offer more convenient delivery systems for their customers. Fourth, banks that operate over a large geographical area offer standard products at a uniform price throughout their market. While the appearance of new competitors in local banking markets may stimulate the accrual level of competition, the threat of potential entry might also stimulate competition, even if no actual entry by out-of-market institutions takes place.

Levine (2003) documented among others, that tighter entry requirements are negatively linked with bank efficiency, leading to higher interest rate margins and overhead expenditures, while restricting foreign bank participation tends to increase bank fragility. These results are consistent with the view that tighter entry restrictions tend to limit competition and emphasized that it is not the actual level of foreign presence or bank concentration, but the contestability of a market that determines bank efficiency and stability.

2.5 Effects of Competition in Banking

Ghana has experience a huge increase in the number of banks due to rather liberal license policy. Competition, according to the microeconomic theory causes commercial firms to develop new products, services, and technologies. This gives consumers greater selection and better products. The greater selection typically causes lower prices for the products compared to what the price would be if there was no competition (monopoly) or little competition (oligopoly). However, Schnitzer, (1999) indicated that competition may also lead to wasted (duplicated) effort and to increased costs (and prices) in some circumstances.

Effects competition on Credit or lending by banks

Shaffer (1998 as cited in Northcott 2004) shows that, in this world, the number of loans made increases as the number of banks increases. The more banks there are, the less chance there is that any given borrower (including "bad" ones) will not get a loan. Therefore, expected loan losses are also an increasing function of the number of banks. Of course, many things can mitigate this effect, such as access to credit bureaus, where a bank can see whether a borrower has been rejected by other banks.

Also bank competition affects the efficiency of credit allocation if there is open license policy. Schnitzer, (1999) in her analysis show that bad loans are more likely the larger the number of banks competing for customers and free entry can induce too much entry and thus too many bad loans compared to the social optimum.

According to Harris and Holmstrom (1982 as cited by Boot and Thakor 2000) interbank competition can have effect on banks' marginal rents from relationship lending will be smaller; each bank thus reduces its investments in sector specialization. This result is consistent with the existing wisdom that, by threatening relationships, competition reduces relationship-specific investments. Thus, interbank competition encourages banks to shift from transaction to relationship lending, and banks do more transaction lending in a non competitive banking industry than in a more competitive environment. By combining this result with that of the reduction in sector specialization, one can conclude that the nature of relationship lending itself changes with increasing interbank competition; relationship lending becomes more important but each loan has less added value.

Again Besanko and Thakor (1993 as cited in Schnitzer, 1999) analyse the impact of competition in the case of relationship banking and from their analysis more competition reduces rates for borrowers but it makes banks take on more risk and thus jeopardizes the bank-customer relationship. Dell'Ariccia (1998 as cited in Schnitzer, 1999) studies how the market structure of the banking sector evolves endogenously if market is not regulated and argued that acquired proprietary information about their clients by lending to them gives existing banks advantage over new entrants. Both Besanko and Thankor and Dell'Ariccia share similar view that banks acquire information about their customers in the course of lending relationship. This is different in Broecker (1990) and Riordan (1993) where banks acquire information about potential customers before entering a relationship with them. The analysis showed that the number of bad loans provided increases with the number of banks operating, which has a negative impact on the average credit-worthiness of the borrowers who receive credit.

More competition create problem of being too optimistic, more severe which induces banks to adopt a more conservative rule for loan approval and resulting in welfare reduction. However, the potential positive effects of the new entry associated with reduced barriers to geographical expansion must be balanced against the potential negative effects of increased concentration. On the other hand, free entry lowers credit costs which have a positive impact on enterprise restructuring.

Effect of competition on Profits and Deposits of banks

Again, interbank competition affects the bank's profits from both relationship and transaction lending, but asymmetrically. A relationship orientation helps to partially insulate the bank from pure price competition, so that an increase in competition from other banks hurts the bank's profits from transaction lending more than its profits from relationship lending (Murdock and Stiglitz, 1998).

The existing theoretical literature on bank competition is mainly concerned with the question of what impact financial market liberization has on the stability of the banking sector. According to Matutes and Vives (1996 as cited in Schnitzer, 1999) banks compete for deposits. In their analysis the probability of bank failure increases with the degree of rivalry because of the lower profit margins banks can obtain, which implies a negative impact of bank competition on social welfare. A similar effect was observed in Hellmann, Murdock and Stiglitz (1998) on deposits in which competition for deposits erodes profits and thus promotes gambling in the banking sector because the on-going concern value of the banks is lower. The problem was that an increase in competition has little impact on the total amount of deposits but mainly increases market stealing incentives.

Branch network and competition:

Branch network has traditionally been viewed as a way for banks to retain market power, because branches can appropriate some of the value clients place on location, and thereby mitigate (or avoid) price competition. Branches are also typically seen as a barrier to entry, since they involve large fixed costs. Another potential disadvantage to consumers is that competition through branching can lead to a higher-than-optimal number of branches (compared with the perfectly competitive equilibrium). Due to the fixed costs associated with branches, this increases banks' costs, which are passed on to consumers (Freixas and Rochet1997 as cited in Northcott, 2004). Other approaches, however, demonstrate how branches can be beneficial to consumers. In an argument, Allen and Gale (2000 as cited in Northcott, 2004) show that a few large banks with extensive branch networks can provide a more competitive outcome than a unitary banking system in an environment with switching costs: a large branch bank has less of an incentive to exploit the "locked-in" value of clients, because it is always competing for the clients' future business in another product or location.

Another way in which branching can improve competitive conduct is by increasing the effective size of the market. In Calem and Nakamura (1998 as cited in Northcott, 2004), branches can decrease the degree of market power exerted in remote locations (relative to a unitary banking model) by increasing the effective size of the geographical market. Branching leads to more uniform pricing across remote and urban locations. According to Calem and Nakamura (1998 p. 608), "branch banking tends to export competition in dense urban markets to outlying areas. Thus, branch banking tends to increase the effective size of banking markets."

Branches are a way for banks to retain some market power; they also benefit consumers by increasing access to services and by potentially mitigating market power in remote areas. The question is how many branches are optimal? Too many branches pose a barrier to entry and engender a large fixed cost that may be passed on to consumers, and too few may remove the pro-competitive effect of increasing the size of the market. There is also a trade-off for banks in choosing the extensiveness of their branching networks. While there are benefits to be gained from differentiation, banks will invest in branches as a way to avoid price competition. If there is a shift towards price competition (e.g., due to competition from banks or other financial firms), the number of branches should be expected to fall. That is, there may be a trade-off between price competition and competition through branching. In fact, the researcher's observations are closely in line with that of Northcort's assertion about network branch banking. That is to say that Barclays bank has resorted to an aggressive branch network approach to banking.

Dick (2003 as cited in Northcott, 2004) examines the effect of lifting restrictions on branching in the United States after the Riegle-Neal Act in 1994. Lifting the restrictions on branching was associated with both higher concentration and increased competition in lending rates.

Competition and ICT in Banking Industry:

In addition to the above, the banking industry is an intensive user of a wide range of technologies, including information technology, telecommunications, and financial product technologies. Technological innovations can affect the incentives faced by banks and thereby affect bank behaviour and the structure of the market. There are literatures that examine the effect of technology on economies of scale, automated teller machine and remote banking.

Technological progress has the potential to increase economies of scale in a variety of bank products and services, such as payments processing, cash management, and bank office operations. As well, technology advances may lead to the development of new products and services that have more scale economies than traditional banking products. Therefore, there is the potential for an increase in the productive efficiency of banks. At the same time, the argument that technological progress has led to more scale economies has been suggested as a driving force towards consolidation and concentration (BIS 2001). While higher-scale economies will obviously benefit larger institutions, smaller banks may also benefit by outsourcing processes that are particularly affected.

ATM (Automated Teller Machines) networks, Pride and Ferrell (1997), provide an alternative, lower-cost way to establish a physical delivery system, thereby reducing sunk costs and barriers to entry. At the same time, because they provide a range of basic services (including deposits, account transfers, and payments), ATMs can provide many of the benefits already discussed for branches, such as increasing the geographical scope of competition. Remote banking, through the internet and over the telephone, is increasing in popularity. Consequently, a large uptake of remote banking may lead to a shift away from competition through branches towards price competition. In this way, remote banking can further decrease the barriers to entry. As well, because it is not tied to a particular location, it can further expand the geographical scope of competition. While positive for contestability, it does further complicate the concept of the "relevant" geographical market. As remote banking becomes more important, the relevant market is much more likely to be larger the local area. Vesala (1998 as cited in Northcott, 2004) argued in his theoretical model about banks that have branch and ATM networks lead to emergence of remote banking and an increase in price competition even if there is no new entry into the market. Remote banking has the potential to improve contestability by decreasing sunk costs and barriers to entry. The extent to which this occurs depends on various things, such as the market penetration of the technology and the kinds of services provided. For example, consumers still rely on ATMs and branches to access cash. Even this dependency may be falling, however, as consumers rely more and more on cashless payments and on practices such as “cash back,” which allows them to obtain cash through non-bank retail outlets. Remote banking is currently most relevant to the deposit market, providing an easy way for consumers to check accounts, transfer balances, and make payments. It is increasingly being used for asset management, through links with brokerages and lending. Remote banking may be more suited to standardize transactional lending, such as mortgages. The competitive benefits of remote banking may differ for different products.

Competition and customer service

According to Albrecht and Zemke, (1985). a growing number of organizations are giving increased attention to customer service. Financial institutions, hospitals, public utilities, airlines, retail stores, restaurants, manufacturers, and wholesalers face the problem of gaining and retaining the patronage of customers. Building long-term relationships with customers has been given a high priority by the majority of America's most successful enterprises. These companies realize that customer satisfaction is an important key to success. *Customer service* can be defined as those activities that enhance or facilitate the purchase and use of the product (Albrecht, and Zemke, 1985). In their book *The Real Heroes of Business . . . and Not a CEO among Them*, from, and Schlesinger (1994) observed that we have entered the age of boundless competition, triggered in large part by an expanding global economy. In the view of the authors, Multinational competition has increased dramatically in recent years, and this means a one-world market exists for products ranging from cars to computers. To compete successfully in markets where products are the same or very similar, and prices are basically the same, service is often the only competitive advantage available, they stressed.

Winning Customer Service Strategies

According to the marketing concept, an organization must determine what customers want and use this information to create satisfying products and services (Pride and Ferrell, 1997). Federal Express redefined mail service by providing over-night, door-to-door delivery of packages and letters. The company discovered a need for speed, reliability, and courteous service by well-trained employees. The marketing concept is a management philosophy guiding all the organizational activities, including production, personnel, finance, distribution, and marketing. Excellent customer service is achieved by a three-dimensional process (see Figure 1) that includes a well-conceived service strategy, customer-driven systems, and customer-friendly people (Albrecht and Zemke, 1985).

Service Strategy and Competition

A well-conceived service strategy includes three important elements: market research to discover the customers' needs and wants; a clear vision of the firm's "reason for being"; and clearly stated beliefs and values that guide the enterprise (Albrecht and Zemke, 1985). Many organizations are creating a written vision or mission statement that directs the energies of the company and inspires employees to achieve greater heights. Ortho Biotech, based in Raritan, New Jersey, begins its vision statement with a bold prediction: "We will be the best in our business by providing customers with innovative solutions to significant medical problems through biotechnology and related science" (quoted in Lee, 1993). The creation of a sound set of beliefs and values can give stability to an organization. Customer service priorities also become clearer. Ben Edwards, chairman of A.G. Edwards and Sons, Inc., the seventh-largest securities firm in the nation, says following the Golden Rule is still the best way to achieve success in business (Kegley, 1990). He is of the opinion that this attitude has had a positive influence on the company's 7400 employees.

Customer friendly systems and Competition

Service systems are made up of all the various practices and procedures that personnel can use to meet customer needs. When you check into the Hyatt Regency Crown Center in Kansas City, Missouri, you are given a card that says, "Call 50 for a response to any concern within five minutes" (Manning and Reece, 1998). MBNA, a Wilmington, Delaware, financial services company wants every phone call answered within two rings. Employees achieve this goal nearly 100 percent of the time (Reece and Brandt, 1999). If you have a problem with your Dell computer, you can check the detailed troubleshooting guide provided by the company or get help from a member of the technical support staff. These examples are typical of the steps being taken by companies that want to meet, and in some cases exceed, the expectations of their customers. Customer-friendly systems are designed to make things easy for customers. Complaints should be handled in a timely fashion. Returning or exchanging products should not be difficult. Requests for assistance should be handled in a courteous and efficient manner. Customer-friendly systems add value and build customer loyalty.

Customer Friendly People and Competition

Carlzon (1987), in his *Moments of Truth*. “Had this to say in many cases, the customer's first impression of an organization comes during contact with frontline people”. According to him the front-desk clerk or the queue walker at the banking hall often has the first opportunity to serve the customer. Unfortunately, too often these employees earn low pay, receive little formal training, and are given little recognition for the important duties they perform. The best frontline employees are both competent and caring. They have a certain level of maturity and possess the social skills needed to build customer loyalty.

2.6 Theoretical Frameworks

Several studies analyze competition in the banking industry over time. The key ones the researcher has identified include the following:

Competition and Time:

Nathan and Neave (1989), Molyneux et al. (1994), Hydroyiannis et al. (1999), De Bandt and Davis (2000), and Mkrtchyan (2005) have researched into competition and time. Their research disclosed that competition gradually changes over time. Some of these studies analyze relatively short sample period of three to five years using the Panzer-Rosse (P-R) approach. Most of the studies used different measures of banks' revenue and different control variables in the estimation of the Panzar–Rosse statistics

Competition and Efficiency:

Weill (2004 as cited in Casu and Girardone 2006) investigates the relationship between competition and efficiency and concluded that increased competition breeds efficiency. The author used a stochastic parametric method and the set of independent variables include macro factors (GDP per capita and density of demand), an intermediation ratio (loans/deposits) and finally a dummy that corresponds to the geographical location.

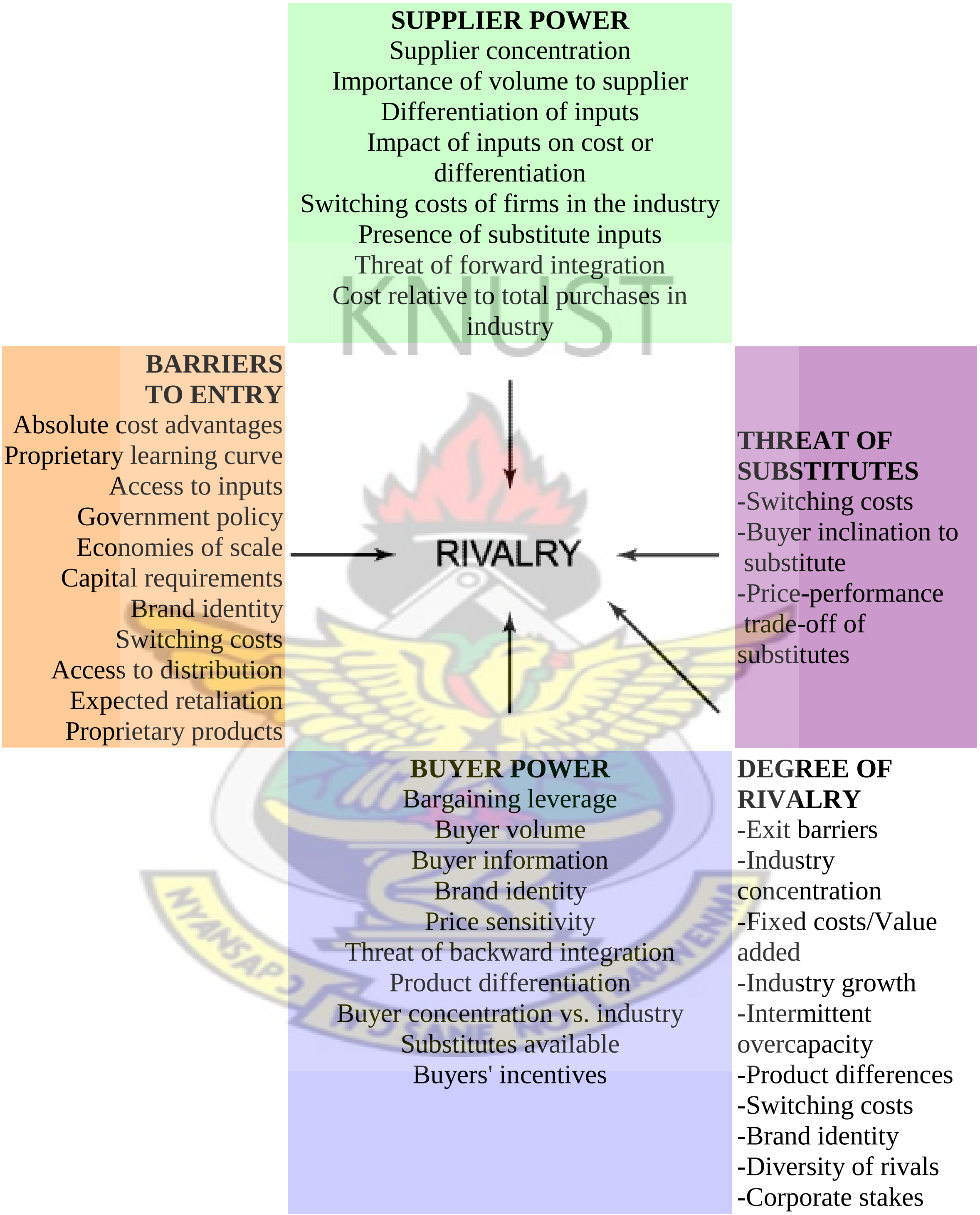
Competition and Lending:

Van Leuvensteijn et al. (2007) researched into competition and lending in the Italian banking industry. Boone indicator of competition was applied on banking firms of eight major countries during the 1994-2004 periods. They concluded that a fairly stable level of competition, slightly increasing over time, even when concentration increases. Angelini and Cetorelli (2003 Hauner and Peiris, 2005) also analyzed a longer time span, focusing on the Italian banking industry during the years 1987*to*1997. They estimated yearly Lerner indices of competition for a cross-section of Italian banks. Subsequently they explain these indices from a range of determinants, such as market structure, bank-specific characteristics, macro-economic correction variables and a time dummy distinguishing the period before and after the Second Banking Directive.

2.7 Porter's Five Force Model Of Competition

The model of the Five Competitive Forces was developed by Michael E. Porter in his book "Competitive Strategy: Techniques for Analyzing Industries and Competitors" in 1980. Since that time it has become an important tool for analyzing an organizations industry structure in strategic processes. Porter's model is based on the insight that a corporate strategy should meet the opportunities and threats in the organizations external environment. Especially, competitive strategy should base on and understanding of industry structures and the way they change. Porter has identified five competitive forces that shape every industry and every market. These forces determine the intensity of competition and hence the profitability and attractiveness of an industry. The objective of corporate strategy should be to modify these competitive forces in a way that improves the position of the organization. Porter's model supports analysis of the driving forces in an industry. Based on the information derived from the Five Forces Analysis, management can decide how to influence or to exploit particular characteristics of their industry (Porter, 1980).

Figure 1: Porter's Five Forces Model of Competition



Source: Porter (1980)

The Five Competitive Forces are typically described as follows: Bargaining power of suppliers, Bargaining power of customers, Threat of new entrants, Threat of substitutes, Competitive rivalry within the industry.

2.7.1 The Five Competitive Forces

The Five Competitive Forces are typically described as follows: Bargaining power of suppliers, Bargaining power of customers, Threat of new entrants, Threat of substitutes, Competitive rivalry within the industry

Bargaining Power of Suppliers:

The term 'suppliers' comprises all sources for inputs that are needed in order to provide goods or services. Supplier bargaining power is likely to be high when: The market is dominated by a few large suppliers rather than a fragmented source of supply, There are no substitutes for the particular input, The suppliers customers are fragmented, so their bargaining power is low, The switching costs from one supplier to another are high, There is the possibility of the supplier integrating forwards in order to obtain higher prices and margins. This threat is especially high when the buying industry has a higher profitability than the supplying industry, Forward integration provides economies of scale for the supplier. The buying industry hinders the supplying industry in their development (e.g. reluctance to accept new releases of products), the buying industry has low barriers to entry. In such situations, the buying industry often faces a high pressure on margins from their suppliers. The relationship to powerful suppliers can potentially reduce strategic options for the organization (Porter, 1980).

Bargaining Power of Customers

Similarly, the bargaining power of customers determines how much customers can impose pressure on margins and volumes. Customers bargaining power is likely to be high when they buy large volumes, there is a concentration of buyers, the supplying industry comprises a large number of small operators, the supplying industry operates with high fixed costs, the product is undifferentiated and can be replaces by substitutes, Switching to an alternative product is relatively simple and is not related to high costs, Customers have low margins and are price sensitive, Customers could produce the product themselves, the product is not strategically important for the customer, The customer knows about the production costs of the product, There is the possibility for the customer integrating backwards (Porter, 1980).

Threat of New Entrants

The competition in an industry will be the higher; the easier it is for other companies to enter this industry. In such a situation, new entrants could change major determinants of the market environment (e.g. market shares, prices, customer loyalty) at any time. There is always a latent pressure for reaction and adjustment for existing players in this industry. The threat of new entries will depend on the extent to which there are barriers to entry. These are typically economies of scale (minimum size requirements for profitable operations), High initial investments and fixed costs, Cost advantages of existing players due to experience curve effects of operation with fully depreciated assets, Brand loyalty of customers Protected intellectual property like patents, licenses etc. Scarcity of important resources, e.g. qualified expert staff , Access to raw materials is controlled by existing players, Distribution channels are controlled by existing players, Existing players have close customer relations, e.g. from long-term service contracts, High switching costs for customers, Legislation and government action (Porter, 1980).

Threat of Substitutes

A threat from substitutes exists if there are alternative products with lower prices of better performance parameters for the same purpose. They could potentially attract a significant proportion of market volume and hence reduce the potential sales volume for existing players. This category also relates to complementary products. Similarly to the threat of new entrants, the treat of substitutes is determined by factors like Brand loyalty of customers, close customer relationships, switching costs for customers, the relative price for performance of substitutes, Current trends (ibid).

Competitive Rivalry between Existing Players

This force describes the intensity of competition between existing players (companies) in an industry. High competitive pressure results in pressure on prices, margins, hence, on profitability for every single company in the industry. Competition between existing players is likely to be high when there are many players of about the same size, Players have similar strategies, There is not much differentiation between players and their products, hence, there is much price competition, Low market growth rates (growth of a particular company is possible only at the expense of a competitor), Barriers for exit are high (www.themanager .org, 2010).

Taking Michael Porter’s Five Force Model to analyze the banking sector in Ghana the following could be discussed:

Threat of new entrants:

The Bank of Ghana's Press Release on February 2008 set the minimum capital requirement for obtaining a Class 1 banking licence (universal banking) at GH¢60 million. Existing banks are required to attain a minimum capitalization of GH¢ 60 million by December 31st 2009. The implication is that the threat for new entrants is low as compared to the previous years where this was relaxed. There is also a high switching cost for firms operating in the industry. Therefore there is a low entry barrier for other indigenous and foreign firms.

Bargaining power of customers: customers have got very high bargaining powers in the banking industry in Ghana due to large number of banks. Customers' especially corporate ones could influence lending rates, quality of service delivery and other bank charges.

Bargaining power of suppliers: The category of suppliers in the banking industry includes money depositors and suppliers of stationery and computer accessories and internet service providers. Suppliers to the industry are many. This means that the firms can switch to another supplier if they are not satisfied with the terms and conditions of existing supplier. Suppliers thus have low bargaining power. They cannot integrate either forward or backward due to high industry requirement for technology and capital (BOG, 2008)

Rivalry among existing firms:

There are many firms within the industry hence competition is very keen among the firms. Most of the firms are of marginal sizes with the exception of a few ones like the Barclays bank, Ghana Commercial Bank and Standard Chartered Bank (ibid).

Threats of substitutes:

The emergence of non- banking financial institutions like Savings and Loans companies, Susu Collectors, Unique Trust Financial Service other investment houses (Data Bank, M Fund, Epack, NDK Financial Services) activities have been threatening to the operations of firms within the formal banking industry (ibid).

2.8 The Concept of Strategy

The word "strategy" has always been associated with and indeed been prominent in any discussion on the subject of management of an organization because of its importance. Pitts et al (2003) explain that it is to ensure that an organization applies its strengths and distinctive competences in such a way that it gains a competitive advantage over its rivals in any given environment. Chandler (1962) defined it as "the determination of the long-term goals and objectives of an enterprise and the adoption of causes of action and the allocation of resources for carrying out these goals". It is the framework which guides those choices that determine the nature and direction of the firm (Tregoe, Benjamin and Zimmerman, 1980). In the view of (Johnson et al, 2008; and Mintzberg, 1994), strategy is a game plan, a pattern in a stream of decisions and actions, a position and a ploy intended to outwit competitor's whiles fulfilling stakeholders' expectations in line with the organization's scope of business.

The word strategy comes from the Greek word *Strategos* which refers to military generalship and combines *stratos* (the army) and ago (the lead). The history of strategic planning has its roots in and is a heritage of the military (David, 2003). The Webster's New World Dictionary alludes to this militarism defining strategy as the science of planning and directing large scale military operations of maneuvering forces into the most advantageous position prior to actual engagement with the enemy. Clearly, the key aim of both business and military strategy is to gain competitive advantage or combat superiority over competitors or foes as the case may be.

Military strategy books such as “The Art of War” by Sun Tzu (1965) “On War” by Von Clausewitz (1975) and “The Red Book” by Mao Zedong (1965) have been an invaluable knowledge base for many of the concepts especially on business tactics, the dynamic and unpredictable future and principles of guerrilla warfare; these have guided and informed the writing of many books on strategic management in general and marketing warfare strategy in particular (Wickepedia, 2009). Nickols (2008) in his article on “Strategy, Strategic Management, Strategic Planning and Strategic Thinking” explained that before coming to a good understanding of the term “strategic planning” it is best to examine the terms separately. He thus deposes that strategic means “of or having to do with strategy” and being “of great significance or import”. This underscores the reason why strategies exist or must exist at various levels of the organization to give a clear direction (where it is headed) and destination (what is it to become). For our purposes then, strategic means “of great importance” be it at the corporate, business unit or functional level and whether it be for medium or long-term; 2-7 years purposes (ibid).

2.9 The Concept and Evolution of Strategic Planning

Strategic planning has been defined differently by various authors. The substantive issues are however, the same; they focus on making plans and taking actions today for the future prosperity and competitiveness of a firm in its environment with the optimal use of available resources. McNamara (2008), identifies some of the major activities that are common to all strategic planning processes as conducting a strategic analysis; setting the strategic direction, action planning that is, carefully laying out how the strategic goals will be accomplished etc. which explained later.

Chandler, 1962; Andrews, 1980; Porter,1980; Wyland, 2004 are unanimous in stating that strategic planning is a systematic process by which an organization formulates achievable policy objectives for the future growth and development over the long term, based on its mission, vision and goals and on a realistic assessment of the human and material resources available to implement the plan. Dubrin (2006) sees it as encompassing all those activities that lead to statement of goals and objectives and the choice of strategies to achieve them. Gluck (1972) adds that it is a unified comprehensive, integrated plan designed to ensure that objectives of the enterprise are achieved.

These comprehensive definitions are concurred by Bryson (1998) who states that it is a disciplined effort to produce fundamental decisions and actions that shape and guide what an organization is, what it does, and why it does what it does. The process defines its medium and long term goals and objectives and approaches by which to achieve them. It is a look into the future that identifies the mission, vision, goals and objectives of an organization with prescribed actions necessary to achieve the vision.

The importance of strategic planning to any organization cannot be overemphasized. It is the first in order and safe to say the most critical management process. This is evident from the (Nickels et al 2000)'s definition of management which is "the process used to accomplish organizational goals through planning, organizing, directing and controlling organizational resources'. Thompson et al (2004), buttress it further stating that the central thrust of strategic planning is undertaking moves to strengthen the company's long term competitive position and financial performance. This intricate and complex nature is borne out by David (2003) who espouses that strategic planning takes an organization into uncharted territories and does not provide ready-to-use prescriptions for success. Instead it takes an organization through a journey and offers a framework for addressing questions and solving problems aware of the potential pitfalls and being ready to address them and being successful.

These views are shared by McConkey (1999) who adds that plans are less important than planning. This just means that though plans are vital as business road maps with goals, objectives or targets to be met, the idea of planning being a process introduces the dimension of a continuous, ongoing and never-ending paradigm of implementation, monitoring and adjustments (Mintzberg, 1978, 1994; Markidis, 1999) to ensure that any unforeseen, unanticipated or emerging developments are contained. It emphasizes the point that process (planning) may be much more influential than content (the plan).

The competitive strategies

Michael Porter suggested that ultimately there are three approaches for outperforming other competitors in the industry. These are

1. Overall cost leadership
2. Differentiation
3. Focus

Overall cost leadership

A couple of years ago there was a visit to a Dell computers of an executive briefing. One theme came across loud and clear in everything they do. They are relentless in cost catching. What Penny Pinchers I thought but what Dell has written and rewritten the book on seizing overall cost leadership. First, they started with desktops, then laptops, then servers, then printers, and the list goes on and on. As porter notes, "a cost leadership strategy can sometimes revolutionize an industry. Dell has and continues to do so in the way it manages its supply chain.

Differentiation

Differentiation a product or service means creating a product or service which is perceived industry wide as been unique. How about the iPod? Apple iPod is not unique as a digital entertainment device. But its style and design are. This results in brand loyalty and lower sensitivity to price. I'm willing to pay extra for my iPod.

Focus: The third generic competitive strategy is focus. It can take many forms but the basic objective to focus on a particular market segment or buyer group. Adobe (not now but in its original reincarnation) focused relentlessly on the "prosumer" (blend of professional and consumer) market by turning out high end products for graphic designers, artists and publishers. Adobe hits a nice sweet spot by serving not only professionals but a wider market of those who wants goods of a better quality than a consumer items but cant professional item (hence the term prosumer).

Now here's Porter most important point. "the three generic strategies are alternatives viable approaches to deal with the competitive forces. The converse of the previous discussion is that the firms failing to develop its strategy in at least one on the three directions a firm that is stuck in the middle" is in an extremely poor strategic situation. ICB in its sphere of business at adopted most of these strategies especially the focus strategy.

2.10 Banking in Ghana

Bank of Ghana quarterly review (2009), Ghana has a well-developed banking system that was used extensively by previous governments in financing and developing the local economy. By the late 1980s, the banks had suffered substantial losses from a number of bad loans in their portfolios. In addition, cedi depreciation had raised the banks' external liabilities. In order to strengthen the banking sector, the government in 1988 initiated comprehensive reforms. In particular, the amended banking law of August 1989 required banks to maintain a minimum capital base equivalent to 6 percent of net assets adjusted for risk and to establish uniform accounting and auditing standards. The law also introduced limits on risk exposure to single borrowers and sectors. These measures strengthened central bank supervision, improved the regulatory framework, and gradually improved resource mobilization and credit allocation.

Other efforts were made to ease the accumulated burden of bad loans on the banks in the late 1980s. In 1989 the Bank of Ghana issued temporary promissory notes to replace non-performing loans and other government-guaranteed obligations to state-owned enterprises as of the end of 1988 and on private-sector loans in 1989. The latter were then replaced by interest-bearing bonds from the Bank of Ghana or were offset against debts to the bank. Effectively, the government stepped in and repaid the loans (BOG 2009)

According to BOG (2009). In the early 1990s, the banking system included the central bank (the Bank of Ghana), three large commercial banks (Ghana Commercial Bank, Barclays Bank of Ghana, and Standard Chartered Bank of Ghana), and seven secondary banks. Three merchant banks specialized in corporate finance, advisory services, and money and capital market activities: Merchant Bank, Ecobank Ghana, and Continental Acceptances; the latter two were both established in 1990. These and the commercial banks placed short-term deposits with two discount houses set up to enhance the development of Ghana's domestic money market: Consolidated Discount House and Securities Discount House, established in November 1987 and June 1991, respectively. At the bottom of the tier were 100 rural banks, which accounted for only 5 percent of the banking system's total assets.

By the end of 1990, banks were able to meet the new capital adequacy requirements. In addition, the government announced the establishment of the First Finance Company in 1991 to help distressed but potentially viable companies to recapitalize. The company was established as part of the financial sector adjustment program in response to requests for easier access to credit for companies hit by ERP policies. The company was a joint venture between the Bank of Ghana and the Social Security and National Insurance Trust(BOG,2009).

Despite offering some of the highest lending rates in West Africa, Ghana's banks enjoyed increased business in the early 1990s because of high deposit rates. The Bank of Ghana raised its rediscount rate in stages to around 35 percent by mid-1991, driving money market and commercial bank interest rates well above the rate of inflation, thus making real interest rates substantially positive. As inflation decelerated over the year, the rediscount rate was lowered in stages to 20 percent, bringing lending rates down accordingly.

At the same time, more money moved into the banking system in 1991 than in 1990; time and savings deposits grew by 45 percent to ¢94.6 billion and demand deposits rose to

¢118.7 billion. Loans also rose, with banks' claims on the private sector up by 24.1 percent, to ¢117.4 billion. Banks' claims on the central government continued to shrink in 1991, falling to a mere ¢860 million from ¢2.95 billion in 1990, a reflection of continued budget surpluses. Claims on nonfinancial public enterprises rose by 12.6 percent to ¢27.1 billion.

Foreign bank accounts, which were frozen shortly after the PNDC came to power, have been permitted since mid-1985, in a move to increase local supplies of foreign exchange. Foreign currency accounts may be held in any of seven authorized banks, with interest exempt from Ghanaian tax and with transfers abroad free from foreign exchange control restrictions. Foreign exchange earnings from exports, however, are specifically excluded from these arrangements. (BOG, 2009)

The Ghana Stock Exchange began operations in November 1990, with twelve companies considered to be the best performers in the country. Although there were stringent minimum investment criteria for registration on the exchange, the government hoped that share ownership would encourage the formation of new companies and would increase savings and investment. After only one month in operation, however, the exchange lost a major French affiliate, which reduced the starting market capitalization to about US$92.5 million. (GSE, Report, 2010)

ISSER (2008) indicated that by the end of 1990, the aggregate effect of price and volume movements had resulted in a further 10.8 percent decrease in market capitalization. Trading steadily increased, however, and by mid July 1992, 2.8 million shares were being traded with a value of ¢233 million, up from 1.7 million shares with a value of ¢145 million in November 1991. The market continued to be small, listing only thirteen companies, more than half in retailing and brewing. In June 1993, Accra removed exchange control restrictions and gave permission to non-resident Ghanaians and foreigners to invest on the exchange without prior approval from the Bank of Ghana. In April 1994, the exchange received a considerable boost after the government sold part of its holdings in Ashanti Goldfields Corporation.

2.11 OVERVIEW OF INTERNATIONAL COMMERCIAL BANK

Corporate Profile

In the view of ICB Brochure (2010), ICB Banking Group provides banking services in emerging countries, primarily in Africa and Indonesia. ICB Financial Group Holding AG is currently listed on AIM market of the London Stock Exchange.

The group currently operate in ten (10) countries namely: Ghana, Guinea, Sierra Leon, Gambia, Senegal, Mozambique, Tanzania, Djibouti, Indonesia, and Albania

The ICB Ltd. commenced operations in Ghana in November 1996 with its first branch in Makola Shopping Mall, Accra. It can boast of sixteen (16) branches in the Greater Accra, Ashanti, Brong Ahafo, Western and Central regions, with Head Office in Accra. ICB has two Agencies located at Diamond House, Accra and Agona Swedru District Police Headquarters (ICB Brochure, 2010).

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

In this section an attempt is made to look at the research design, target population, data sources, sampling procedures (size and technique), data collection instruments, fieldwork/ data collection and data analysis and limitations to data collection.

3.1 Research Instruments

The survey was conducted based on both primary and secondary data.

3.2 Primary Data

Two different types of questionnaires consisting of both open and close ended items were developed purposely for gathering of primary data, one of which was a semi-structured interview questionnaire.

3.3 Secondary Data

Materials meant for secondary data are the various publications and reports regarding the banking industry both in Ghana and abroad, texts and articles on competitive advantage and strategies, Financial Reports and Ratio Analysis etc form part of the secondary data.

3.4 Population

The complete set of cases from which a sample is selected is called the population whether it describes human beings or not (Saunders et al, 2007). Wikipedia notes that it is a group of individuals or items that share one or more common characteristics from which data can be gathered or analyzed. In the Oxford Advanced Learners' Dictionary, population is defined as all the people who live in a particular city, country or area.

For purposes of this research the population of study comprised the management and staff of ICB as well as individual customers dealing with the organization numbering over 12,600. The target population is as follows;- ICB Managers - 50, ICB Non-managerial Staff – 200, Target Customer – 12,350

3.5 Sample and Sampling Techniques

Two separate samples were selected based on staff and valued customers of the organization. The sampling techniques used in this study were purposive, quota and simple random sampling. The purposive sampling was adopted because the intension was to gain an insight into the response to competition phenomenon, hence the need to choose personnel who were well versed in the industry. Purposive sampling was also used to select which branch of the organization to visit for the study. This is guided by the fact that even though major branches in regional capitals have been chosen for the study, all them could not be chosen for the study. Again there are not equal number of branches in the ten towns or cities that have been chosen, hence quota sampling. Quota sampling was also used. Simple random sampling was important to the study, since the study was intended to ensure some randomness and representativeness in the sample. The selection of the respondents for the study was guided by sampling procedure: the process involving sampling frame identification and the determination of relevant sample size. At the branches, stratified random sampling was used to select staffs for the study. This was guided by the structure of leadership that is in use by the organization at the various branches. This method of sampling was therefore ensured that staffs in the clerical, supervisory and managerial categories were interviewed. Prior to the administration of the questionnaire, managers of the branches that were chosen for the study were conducted for permission and staff list of their respective branches obtained. Names of staff were randomly selected from the various levels. The number of staff picked from a particular level depended on the number of staff. For instance clerical staff dominated the branches and so was the number that was chosen for the study. After this questionnaires were sent to staff via the mail (both electronic and internal mails) to complete. In the case of the top management members an appointment was booked with them and information collected from them with the help of the interview guide.

Also the customers were chosen from all the classified customer groups: for example salaried workers, retail, small and medium enterprises as well as corporate clients using the simple random sampling method. This was intended to ensure representativeness in the sample. Some assistants were employed and trained to assist in the administration of the questionnaire to customers. While at the branches, customers that come to do business were counted and a tenth of each of the customers was approached and the purpose of the study explained to him/her. This was done for all the branches, the corporate service centre as well as the SME centre that was visited. This was repeated until the number of respondents were obtained in every branch that was visited.

Thus a sample size of two hundred and fifty (250), comprising 50 clerical, 15 supervisors, 5 Top management staff and a total customer sample of 180 as shown below:

Table 1 Guide: sample size and technique for selecting respondents

	Sample Method Required		
Target Group	**Estimated Number**	**Sample Selected**	**Technique used**
Staff			
Clerical	200	50	
Supervisory	40	15	Questionnaire
Top Management	10	5	Interview
Customers			
Individual Customer	12280	150	
Corporate Customers	40	20	Questionnaire
SMEs	30	10	
Total	**12,700**	**250**	

The non-probability sampling method of random sampling, specifically, Quota Sampling, was adopted in the selection of the sample size for the staff at the major offices chosen. This method ensured that representative samples of all the known elements of the population occur in the sample.

3.6 Data Collection Instrument

The main instruments that will be used to collect information for the study were the questionnaire and interview schedule (both structured and unstructured). Questionnaires were given out to both staff and customers at the selected branches of the organization. A total of two hundred and fifty (250) respondents comprising staff and customers were given questionnaires. The questionnaire was administered to both corporate and retail customers as well as individual customers. The questionnaire was structured to consist mainly of closed ended type questions in order to elicit feedback from respondents about what their experiences with the post office in terms of facilities, customer service, and product innovation, how responsive and competitive the organization is. The questions that were designed for the external clients (external customers) were structured around specific criteria based mainly on customer service, and whether or not the post office is the best of choice. Other information collected include how long respondents have been with the organization, how the organization was responding to competition with regards to access to product innovation, and customer base among others. These were the main areas around which data gathered from clients were analyzed.

Responses categories mainly range from strongly disagree, disagree, neutral, agree to strongly agree. In some, customers were asked to rate their responses on how they compare ICB Ghana Ltd with other competitors in the banking industry of Ghana. Here the respondents were to choose either of the following: the Best, Better than most, same as most, Not as good as most or don't know in instances where they cannot decide.

Few interviews (structured and unstructured) were also conducted. Personal observations were also made throughout the data collection period. Care was taken in order not to be biased but to come out with objective interpretations of what was observed.

3.7 Data Analysis

The raw data obtained from a research is useless unless it is transformed into information for the purpose of decision making (Emery and Couper, 2003). The data analysis involved reducing the raw data into a manageable size, developing summaries and applying statistical inferences. Consequently, the following steps were taken to analyze the data for the study. The data was edited to detect and correct, possible errors and omissions that are likely to occur, to ensure consistency across respondents. The data was then coded; to enable the respondents to be grouped into limited number of categories. The Microsoft Excel software was used for this analysis. Data was presented in tabular form, graphical and narrative forms. In analyzing the data, descriptive statistical tools such as bar graph, pie charts complemented with mean, median and standard deviations.

3.8 Limitations to Data Collection

Some of the respondents saw the exercise as a waste of time as they put it and for that matter were not prepared to compromise few minutes of the precious time as it were to answer the questions. As a result over 12500 of the targeted respondents out of the estimated 12700 could not be reached for their responses.It took more than three months to get the approval and a further delay caused by the department in charge of required information is also worth mentioning. It was also with difficulty and a lot of resources getting the questionnaire that was given to the staff back, taking cognizance of the busy schedule of banking staff

CHAPTER FOUR

ANLYSIS OF DATA PRESENTATION AND DISCUSSIONS

4.0 Introduction

This chapter looks at the presentation, discussion and analysis of data collected from the field. The findings focus essentially on the causes of competition, impact of competition and the strategies taken to address competition in the industry. Descriptive statistics was used in presenting the data. Frequencies, percentages and charts were employed to explain certain points where necessary. Also, it provides detailed information on the findings of the study and detailed discussion on responses obtained from the various questions posed to the respondents as well as the analysis of the findings

4.1 Demographic Background of Respondents

Samples were selected based on targeted units using the non-probability sampling method of random sampling, specifically, the purposive sampling. This method ensured that representative samples of all the known elements of the population occur in the sample.

The researcher adopted a sample size of two hundred and fifty 250, comprising one hundred and eighty 180 customers and seventy 70 staff of the targeted 150,400 population responded to the administered questionnaires; scheduled interviews with other executives who are not really related to the day to day operations of the units targeted were also conducted. Break down shown in Table 4.1 below.

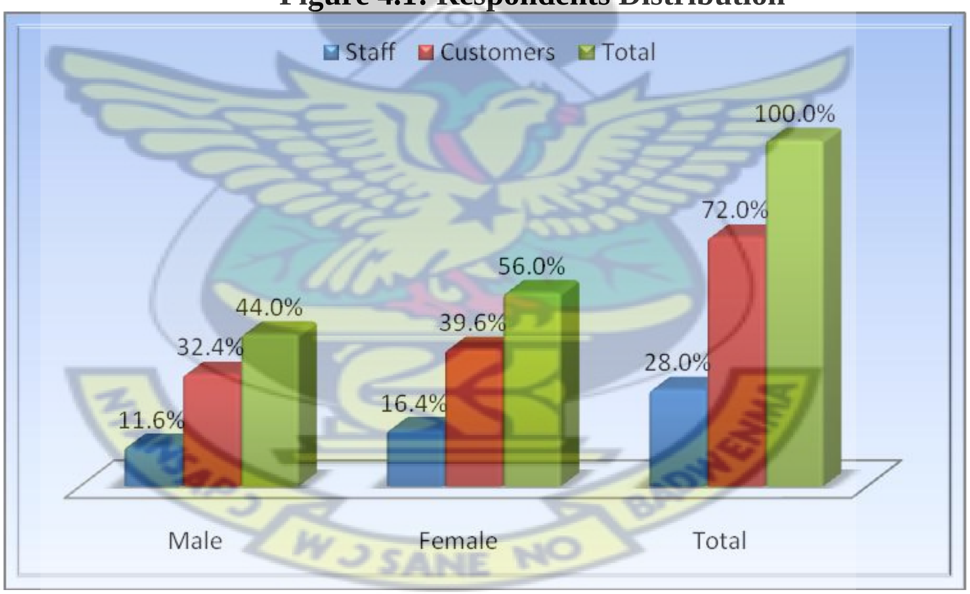
Table 1: Respondents Distribution

Details	Male		Female		Total	
	Freq	Percent (%)	Freq	Percent (%)	Freq	Percent (%)
Staff	29	11.6%	41	16.4%	**70**	**28.00%**
Customers	81	32.4%	99	39.6%	**180**	**72.00%**
Total	**110**	44.0%	**140**	56.0%	**250**	**100.00%**

Source: Field Survey, 2010

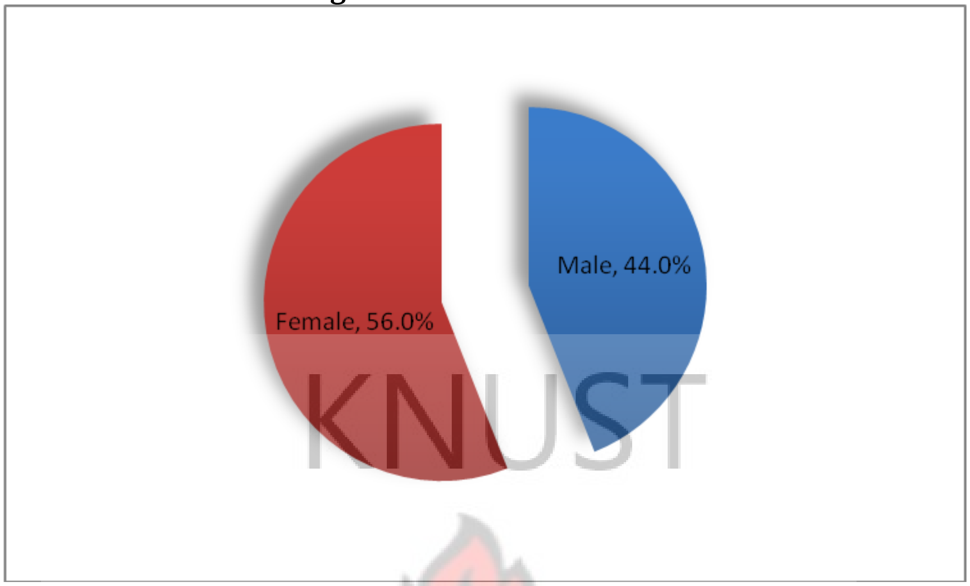
As indicated in Table 4.1, 28% of the respondents were staffs, while the customers registered 72%; further depicting a ratio of 1:1.3 with regard to male and female distribution respectively with the female slightly dominating the male with 27%, as illustrated in Figure 4.1 and Figure 4.1.1 below.

Figure 4.1: Respondents Distribution



Source: Field Survey, 2011

Figure 4.1.1: Gender Ratio



Source: Field Survey, 2011

The ratio is an indication of enough evidence of the important and strategic role females are playing; first and foremost as front liners for the bank as enquiry officials and tellers and also as customers, crisscrossing the length and breadth of the country engaging in divers form of business. It also brings to the fore the acceptance of women to do business with banks, which is a significant paradigm shift of the norm. Again the ratio shows that both men and women were fairly represented.

4.2 The Range of Ages

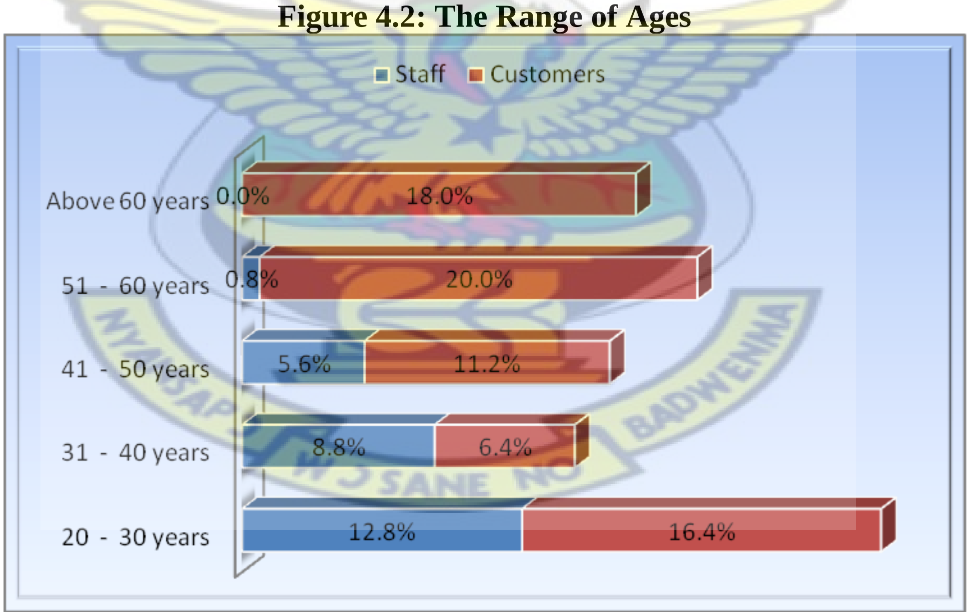
In general, the ages of respondents are within the range of 20 to 68 years with 20-30 years group attaining the modal class with 29.2%, followed by 51-60 years (20.8%), 18% for the 60+ year's group and the least represented being the 31-40years (15.2%). In a more specific term, staff ages depicted a youthful workforce of about 77% (54 in absolute terms) of staff respondents and the remaining 23% being elderly, albeit, staff had no respondent above 60 years group principally due to mandatory retirement age of 60 years. Thus, the study indicates that ICB have mixture of majority young and energetic workforce and the personnel advanced in age that are in the minority and are nearing pension. The implication is that within the next decade management has to recruit 6% of the workforce since the older folks would by then hand over the mantle to the current young ones.

Table 4.2: The Range of Ages

Details	Staff		Customer		Total	
	Freq	Percent (%)	Freq	Percent (%)	Freq	Percent (%)
20 - 30 years	32	12.8%	41	16.4%	**73**	29.2%
31 - 40 years	22	8.8%	16	6.4%	**38**	15.2%
41 - 50 years	14	5.6%	28	11.2%	**42**	16.8%
51 - 60 years	2	0.8%	50	20.0%	**52**	20.8%
Above 60 years	0	0.0%	45	18.0%	**45**	18.0%
Total	**70**	28.0%	**180**	72.0%	**250**	100.0%

Source: Field Survey, 2011

Figure 4.2: The Range of Ages



Source: Field Survey, 2011

On the other hand, out of the total of 180, (32%) were between the age group of 20-40 years, the majority (43%) fell within the age group 41-60 years whiles those above 60 years of age were in the minority representing 25% (45 respondents). It is therefore obvious that majority of ICB clientele are youthful. Management should consciously provide the best customer care in order to ensure a high percentage of retention and loyalty. Table 4.2 and Figure 4.2 illustrate the distribution of customer age.

4.3 The number of years with ICB

Table 4.3 depicts ranges of years within which the respondents had been with the bank either as a customer or staff. Out of the 250 respondents contacted 90 (36%) {Comprising 78 (31.2%) customers, 12 (4.8%) employees} which is the modal class, had worked with the bank for 'Less than 5years'. The study showed 86 (comprising 62 customers [24.8%] and 24 [9.6%] staff had worked and/or transacted business with the bank over 10 years period. In the case of the period 'between 6 and 10 years', 74 (comprising 40 (16%) customers and 34 (13.6%) employees) were recorded.

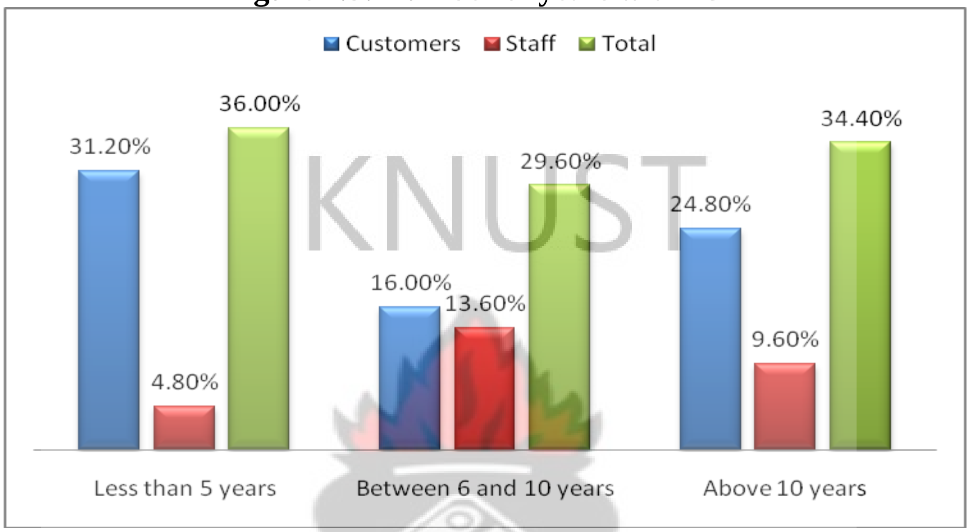
Table 4.3: Number of years with ICB

Years	Frequency			Percent (%)		
	Customers	**Staff**	**Total**	**Customers**	**Staff**	**Total**
Less than 5 years	78	12	90	31.20%	4.80%	36.00%
Between 6 and 10 years	40	34	74	16.00%	13.60%	29.60%
Above 10 years	62	24	86	24.80%	9.60%	34.40%
Total	**180**	**70**	**250**	**72.00%**	**28.00%**	**100.00%**

Source: Field Survey, 2011

As per the above information, it could be deduced that ICB's strategic approach to customer retention and loyalty has been helpful looking at the 40.8% respondents who has remain customers of the bank for over 5 years. In the case of staff, over 20% has worked with the bank for more than 5 years while only 4.8% has been ICB for less than 5 years. Thus, ICB could be said to boast of very experienced workforce who are conversant with the need to respond to the turbulent competition in the ever-growing banking industry in Ghana. A picturesque representation is thus illustrated by Figure 4.3 below.

Figure 4.3: Number of years with ICB



Source: Field Survey, 2011

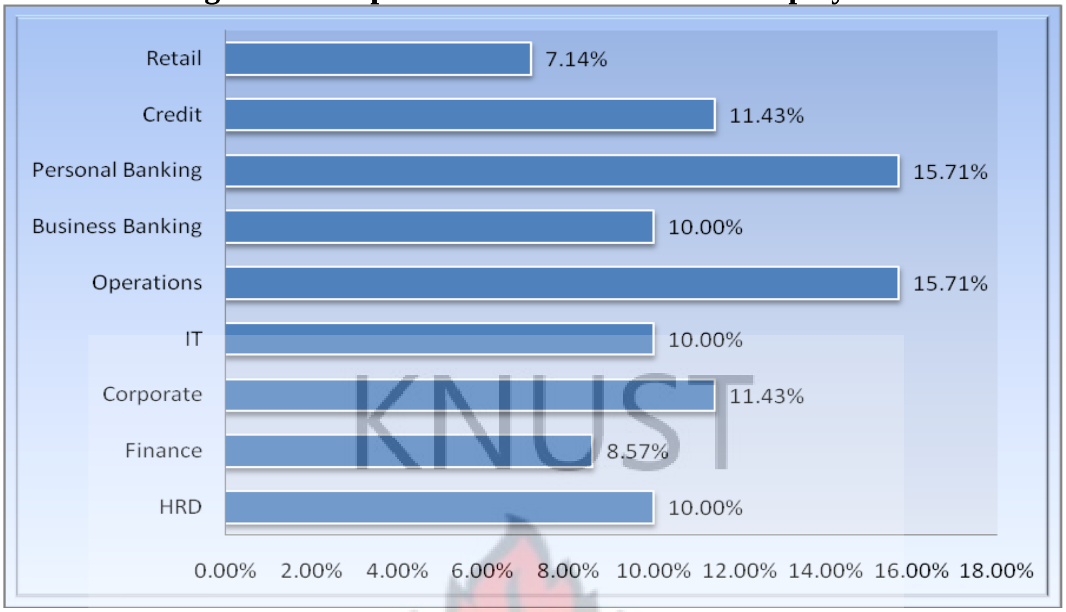
4.4 Departmental Distribution of Employees

Table 4.4: Departmental Distribution of Employees

Department	Freq	Percent (%)
HRD	7	10.00%
Finance	6	8.57%
Corporate	8	11.43%
IT	7	10.00%
Operations	11	15.71%
Business Banking	7	10.00%
Personal Banking	11	15.71%
Credit	8	11.43%
Retail	5	7.14%
Total	**70**	**100.00%**

Source: Field Survey, 2011

Figure 4.4: Departmental Distribution of Employees



Source: Field Survey, 2011

As indicated in Table 4.4 and Figure 4.4 above, the study identified nine (9) major departments of the company wherewith views of employees were solicited for a true reflection of staff opinion as far as responding to competition in the banking industry is concerned. Retail Unit (RU) is had the smallest department and forms 7.14% of the respondents, 8.5% employees were drawn from the Finance department, 11.43% from Corporate Unit, 10% from Human Resource Department, 15.71% from Operations, Business and Personal Banking Units collectively recorded 25.71% and the remaining 11.43% drawn from the Information Technology (IT), Customer Relationship Department among others.

4.5 Incidence and Causes of Competition in the Banking Industry

This section seeks to find out from respondents whether or not there is competition in the banking industry and some of the causes there are and the responses from the respondents are as shown in Figure 4.5.1 below:

When respondents were asked to indicate whether or not they agree to the fact that competition in the industry is high, coded as Q1, 93% of them strongly agreed while 7% agreed. None of the 250 respondents had the slightest doubt that competition is very keen in the banking industry. It is therefore deduced that there is a high degree of competition in the banking industry.

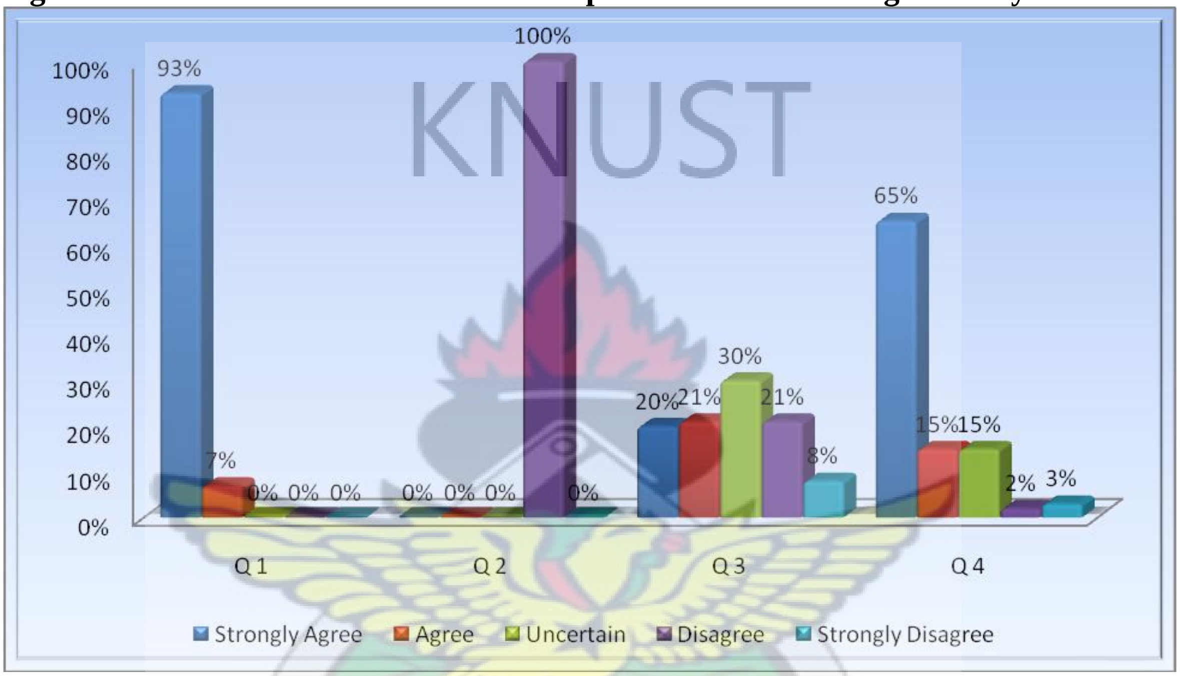
The respondents in terms of Q2 indicated that 100% disagreed to the statement that International Commercial Bank (ICB) enjoys some form of monopoly in the industry. Obviously, with the enactment of the Banking Act which encourages the proliferation of banks.

On the issue of whether ICB charges higher rates than other banks in the industry, coded Q3, the following results were obtained: 8% of them strongly disagreed, 21% disagreed; with 41% cumulatively agreeing and 30% of them were however not certain.

Thus, respondents' behaviour showed that in as much as a section were of the opinion that the rates are high, quiet a sizable section thought otherwise. It could therefore be concluded that the rate of charges being high or not is relative, especially when the study revealed that as much as 30% were indifferent.

Q4, dealing with whether or not competition is good, more than 80% of the respondents agreed, 5% of them disagreed, wherein among the several reasons assigned to this is that the current wave of competition has swept the industry in Ghana and brings undue pressure on staff. With every bank trying to undo each other, targets are set for employees and failure to do this leads to forfeiture of annual bonuses and sometimes dismissal as disclosed in an interview with a management staff.

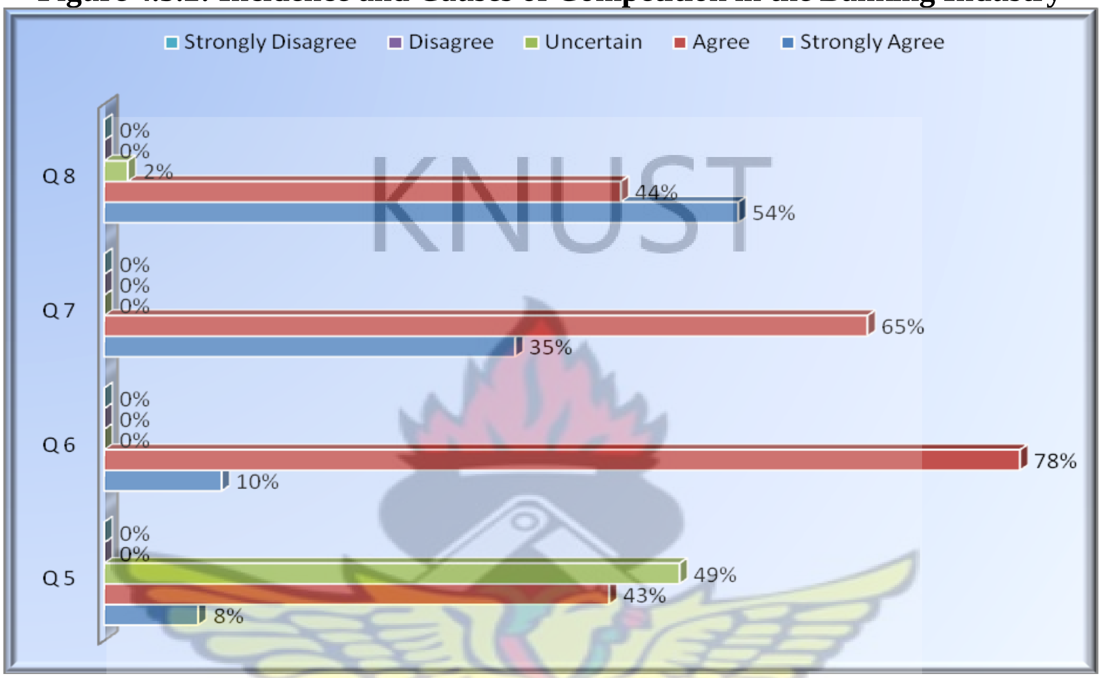
Figure 4.5.1: Incidence and Causes of Competition in the Banking Industry



Source: Field Survey, 2011

On the role that the BoG plays in fuelling competition in Ghana among players in the industry, coded Q5, respondents were divided. Almost half of the respondents, that is, 51% agreed and 49% not certain. A management member, however, disclosed in an interview that even though BoG's role is not sometimes direct, its effect in promoting competition is enormous. Coded Q6, 88% of respondents agreed that the introduction of the Banking Act has promoted competition. Also, 100% agreed to the assertion that the proliferation of banks in Ghana in recent times has fuelled the competition, which is in agreement with the reasons leading to the response pattern on Q2. Respondents also agreed (54 – strongly agreed, 44 – agreed and 1 uncertain) that increased customer awareness and sovereignty has brought about competition as indicated in Figure 4.5.2 below.

Figure 4.5.2: Incidence and Causes of Competition in the Banking Industry



Source: Field Survey, 2011

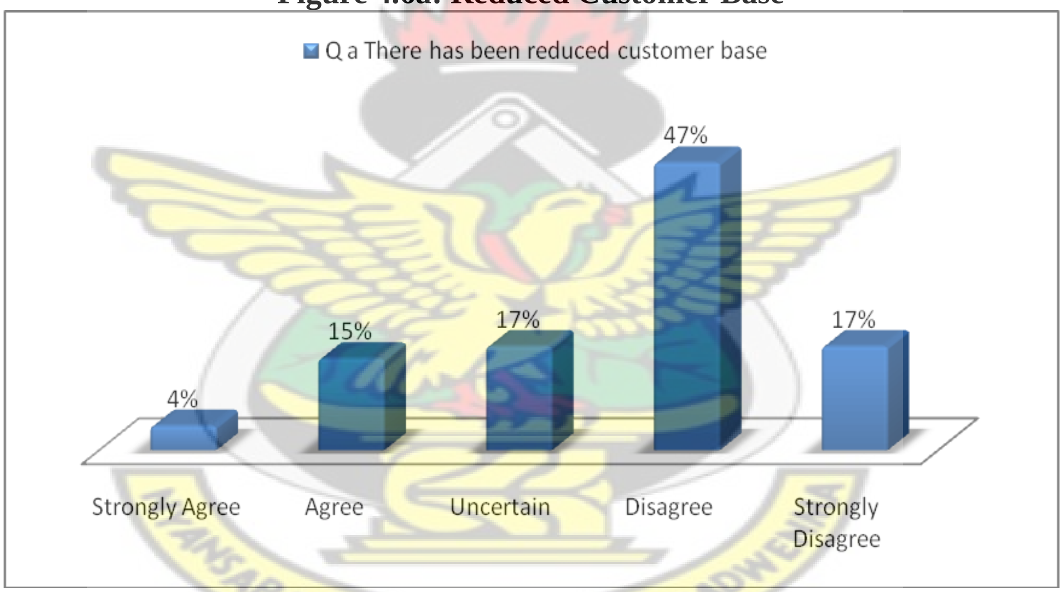
Again, Q7 adds to the credence of the existence of competition by the low entry barriers that foreign banks find the Ghanaian Industry due to the low capitalization value as one of the major conditions of entry. This is shown by the 35% strongly agree and the 65% agree response to the notion, 'The proliferation of foreign banks in Ghana in recent times has fuelled competition', coded, Q7. In the case of 'Q8: Increased customer awareness and sovereignty has brought about competition among banks', the study exhibited 54% strongly agree, 44% agree and 2% indifference to the notion.

4.6 Effects of Competition

The study at this section seeks to find out from respondents the effects of the increased competition in the industry with regards to International Commercial Bank (ICB). The responses, Strongly Agree, Agree, Uncertain, Disagree and Strongly Disagree are represented as 1, 2, 3, 4 and 5 respectively for the subsequent analysis.

On the customer base of the bank, coded Q a, 19% (4 strongly agree, 15 agree) agreed that there has been reduced customer base, whiles 64% (17% strongly disagree, disagree 47%) disagreed to this, and 17% of them were not certain.

Figure 4.6a: Reduced Customer Base



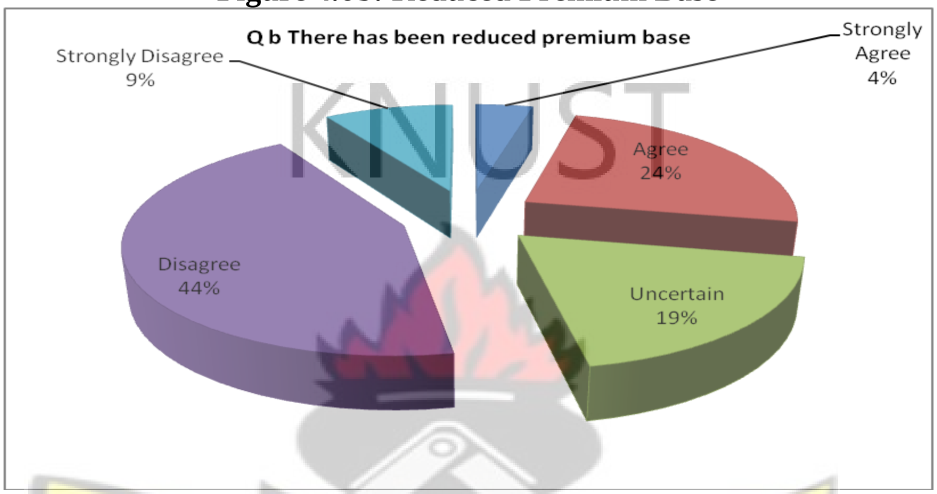
Source: Field Survey, 2011

The study therefore indicates that ICB has not lost its customer base as illustrated in Figure 4.6a above.

Q b, which dealt with effects of the competition on deposit base of the company, collectively 28% of respondents were of the view that there has been reduced premium base (strongly agree – 4, Agree- 24). Majority of them however disagreed with this notion

(Strongly agree – 9, agree – 44) while 19% not being certain; thus respondents were of the view that the base for premium is increasing, thereby leading to the increase in net worth of ICB. Figure 4.6b provides a picturesque presentation below.

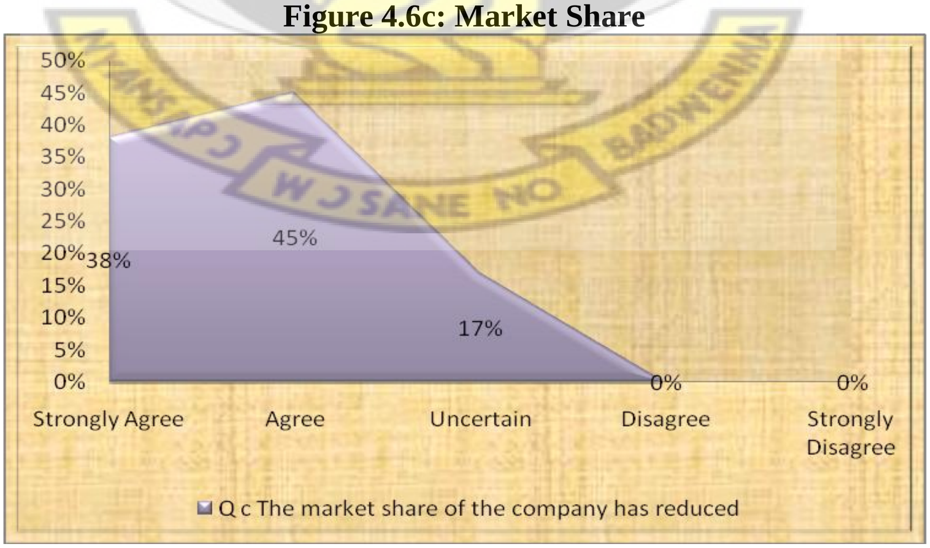
Figure 4.6b: Reduced Premium Base



Source: Field Survey, 2011

Q c, the code for decline in market share elucidated that most of the respondents affirmed the view that there has been a decline in the market share of the company (35% agree, 29% strongly agree, 7% uncertain).

Figure 4.6c: Market Share

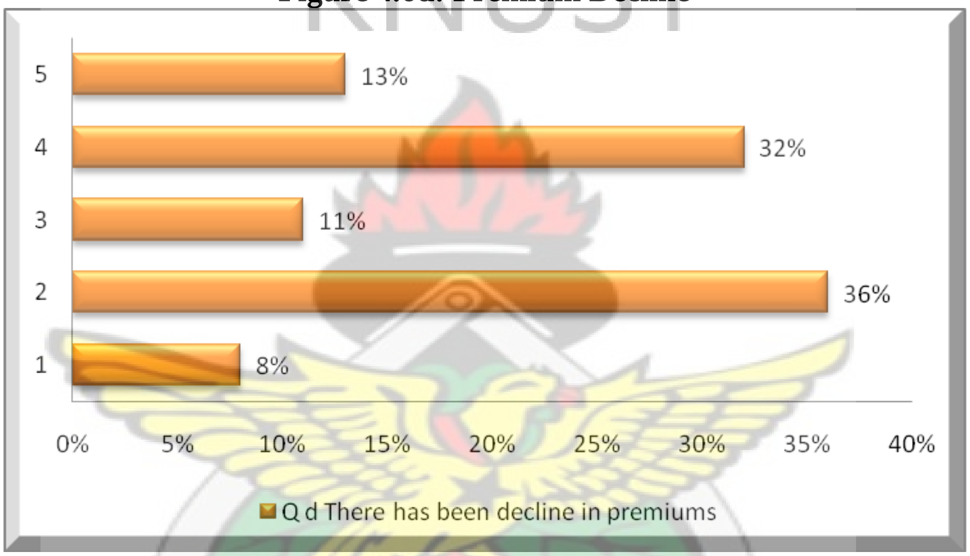


Source: Field Survey, 2011

As indicated earlier in Figure 4.5.1 and Figure 4.5.2 there is intense competition in the banking industry with the proliferation of more bans springing up all over the place, ICB is bound to lose some of its grounds in the industry.

On the notion of decline in premiums, coded Q d, 8% strongly agree, 36% agree, 11% uncertain, while 44% disagree.

Figure 4.6d: Premium Decline

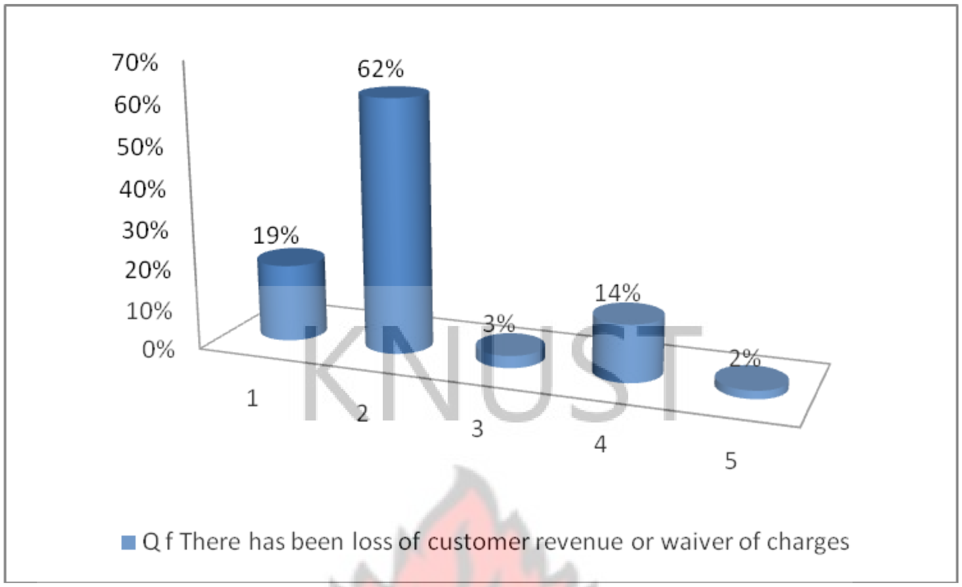


Source: Field Survey, 2011

Competition and customer service is defined as these activities that enhance or facilitate the purchase and use of a product or service (Albrecht and Zemke 1985). The authors have said that building long term relationships with customers is vital for successful business.

In the case of Q f the research showed that company places emphasis on this from the responses of staff. Majority of them (81%) showed that there has been loss of customer revenue or waiver charges, whiles 16% of them held an opposite view. Certainly with loosing of market shares and reduction in premium base revenue loss is obvious.

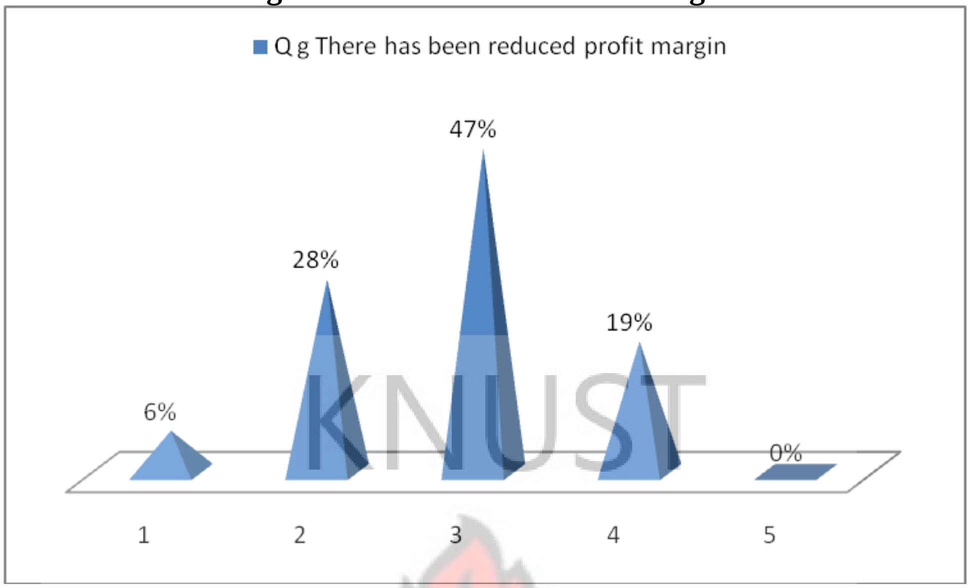
Figure 4.6 e: Waiver of charges



Source: Field Survey, 2010

The view of the majority is also consistent with Fromm and Schlesiger (1994) which indicated that to compete successfully in markets where products are the same or very similar or prices are basically the same, service is the only competitive advantage available. Contrary to the views of Matutes and Vives (1996) competition erodes profits; majority of respondents were not certain about this (47%). Only 34% of them shared this view and 19% of them disagreed. Boot and Thakur (2000) and Holmstrom (1982) noted that competition reduces the profit margin, although the research showed uncertainty as the results illustrated clearly by Figure 4.6g below.

Figure 4.6 f: Reduced Profit Margin



Source: Field Survey, 2011

4.7 Responding to Competition

This section explored some of the ways through which ICB has responded to the competition. Responses from respondents are as shown in Table 4.7.

Majority of them (92%) indicated that ICB has a wider array of products and services developed to serve the needs of its valued customers. Even though 4% of them share a different view; the majority views are consistent with Bikker and Spierdijk*y*, (2007).

On staff training, majority of respondents said that there is frequent staffs' training for improved customer service; with only 2% of them disagreed strongly. However, this agrees with Carlton (1987) that the customers' first impression of an organisation during contact with frontline staffs hence, the need to have the needed skills to build customer loyalty.

Table 4.5: Responding to Competition

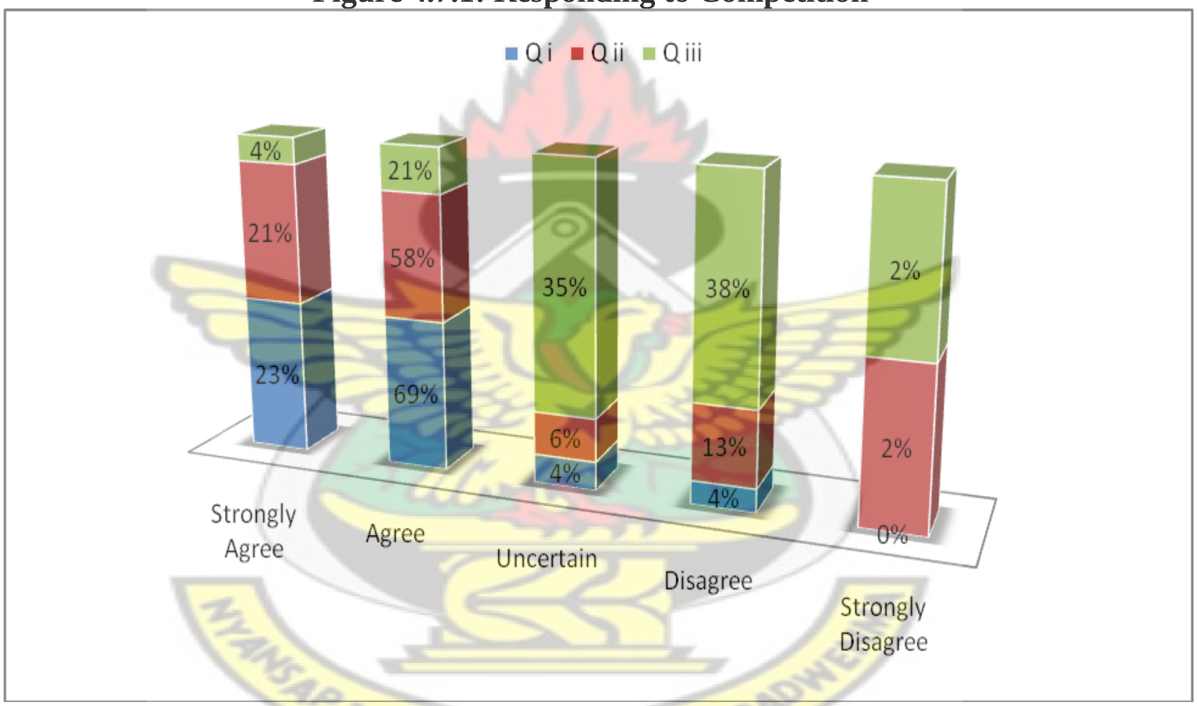
		Strongly Agree		Agree		Uncertain		Disagree		Strongly Disagree	
Code	Details	Freq	Percent (%)	Freq	Percent (%)	Freq	Percent (%)	Freq	Percent (%)	Freq	Percent (%)
Q i	Wider array of products have been developed	16	23%	48	69%	3	4%	3	4%	0	0%
Q ii	Frequent staff training for improved customer service	15	21%	41	58%	4	6%	9	13%	1	2%
Q iii	Charge higher rates to make profit.	3	4%	15	21%	25	35%	27	38%	1	2%
Q iv	Charge lower rates to attract more customers.	22	31%	18	25%	27	38%	4	6%	0	0%
Q v	Expanded branch network	49	70%	21	30%	0	0%	0	0%	0	0%
Q vi	Vigorous advertising campaign (outdoor, print and electronic)	15	21%	46	66%	5	7%	4	6%	0	0%
Q vii	Establishment of a corporate service centre to serve exclusively the needs of our corporate clients.	22	31%	40	57%	4	6%	4	6%	0	0%
Q viii	Introduction of an ultra-modern customer contact centre	21	30%	36	52%	11	16%	1	2%	0	0%
Q ix	The creation of the office of the service manager to man the service	13	19%	46	65%	10	14%	1	2%	0	0%
Q x	Our response to the competition through the massive expansion project has been carefully matched with other resources such as IT infrastructure and human resources.	1	2%	9	13%	22	32%	27	39%	10	14%

Source: Field Survey, 2011

However, customer thinks that quality service provided by ICB is just better than most but not extraordinarily so. 24% think that company is the best but 48.9% say it is better than most. This must be further investigated to ascertain the true picture on the ground.

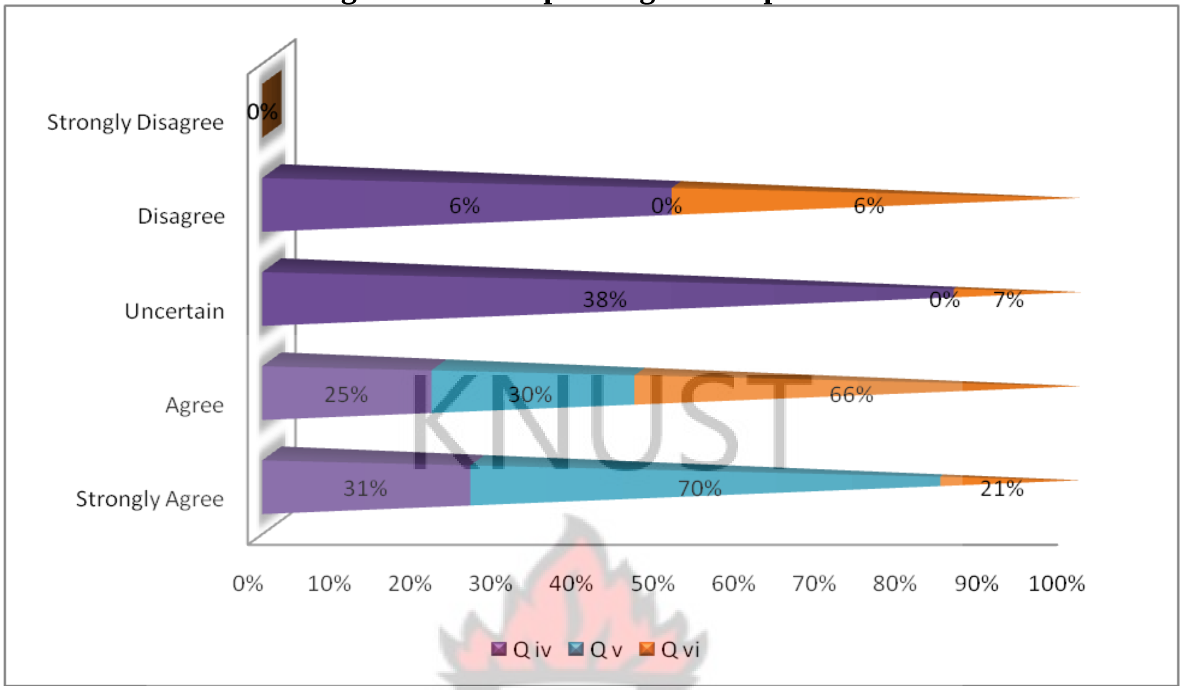
On the rate of fees charged in respect of the service rendered, while 25% of them upheld this view, 40% disputed, with 38% of them not certain. Most of them (56%) said the company charges lower rates to attract customers with only 6% of them disagreeing.

Figure 4.7.1: Responding to Competition



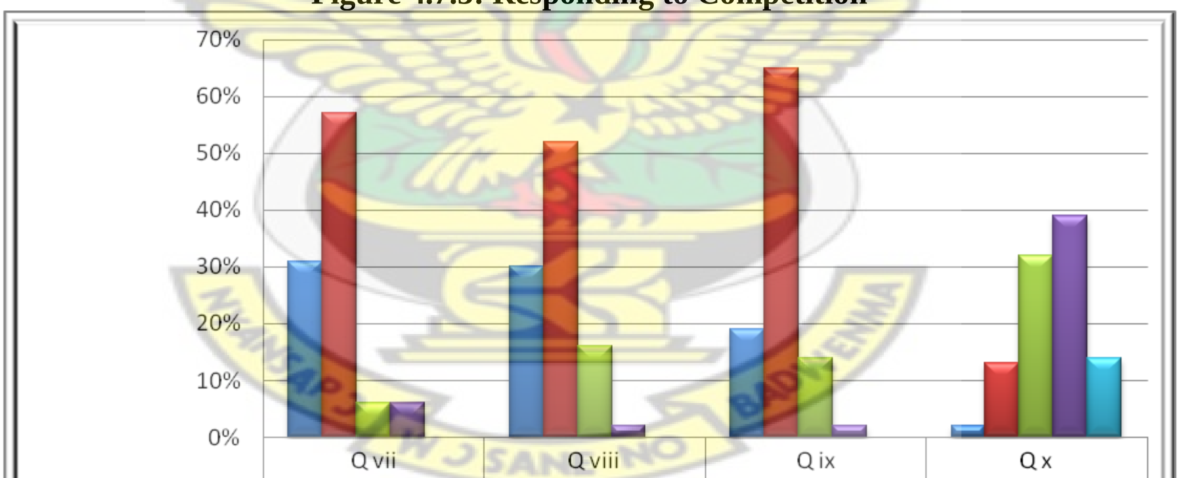
Source: Field Survey, 2011

Figure 4.7.2: Responding to Competition



Source: Field Survey, 2011

Figure 4.7.3: Responding to Competition



	Q vii	Q viii	Q ix	Q x
Strongly Agree	31%	30%	19%	2%
Agree	57%	52%	65%	13%
Uncertain	6%	16%	14%	32%
Disagree	6%	2%	2%	39%
Strongly Disagree	0%	0%	0%	14%

Source: Field Survey, 2011

On advertising, 87% of respondents observed that the company has resorted to a vigorous advertising campaign in both the print and electronic media. In fact, management members indicate that the increases in outdoor advertising are to further strengthen ICB in every facet of the country.

The setting up of corporate service centres to exclusively serve the needs of corporate clients, 88% agreed to the assertion, while 6% disagreed and 6% uncertain. Again, respondents indicated that over 80% agreed of the introduction of an ultra-modern customer contact centre and 16% uncertain while 2% disagreed. The company's approach to responding to competition was strengthened with 84% agreement of the creation of an office for a service manager.

It was observed that, 53% of employees disagreed, 39% uncertain and only 15% agreed to the notion "response to the competition through the massive expansion project has been carefully matched with other resources such as IT infrastructure and human resources".

4.8 Customers' Response

4.8.1 Other Banks Customers' Deal with

It was also found out from the research that, 50% of the respondents deal with no other bank except ICB. Nevertheless, apart from ICB the other 50% of respondent customers hold different accounts with some other banks. Notable among these are GCB 27%, SG-SSB 3%, Standard Chartered 8.3%, Barclays 2.6%, TTB 4.5%, Zenith 5.8% and others representing 1.4%. This should be a source of worry to ICB especially, when these institutions are its major competitors.

4.8.2 Preference to ICB.

Several reasons were provided as the cause of customers' preference of International Commercial Bank to other banks in Ghana. Notable among them are: Relatively low cost of turnover rate, relatively low savings balance, easy clearing of house cheques, warm relationship of staff, customers needs are met with empathy, low interest rate and waiting time of 4 minutes at the teller

4.8.3 Type of Accounts held

Respondents hold various types of accounts with ICB as depicted in Table 4.8.3 and picturesquely illustrated by Figure 4.8.3 below.

Table 4.6 Accounts Held

Type of Accounts	Freq	Percent (%)
Current Accounts	54	30%
Savings Accounts	42	23%
Corporate Accounts	26	14%
Fixed Deposits	22	12%
Foreign Accounts	15	8%
Other	21	12%
Total	**180**	**100%**

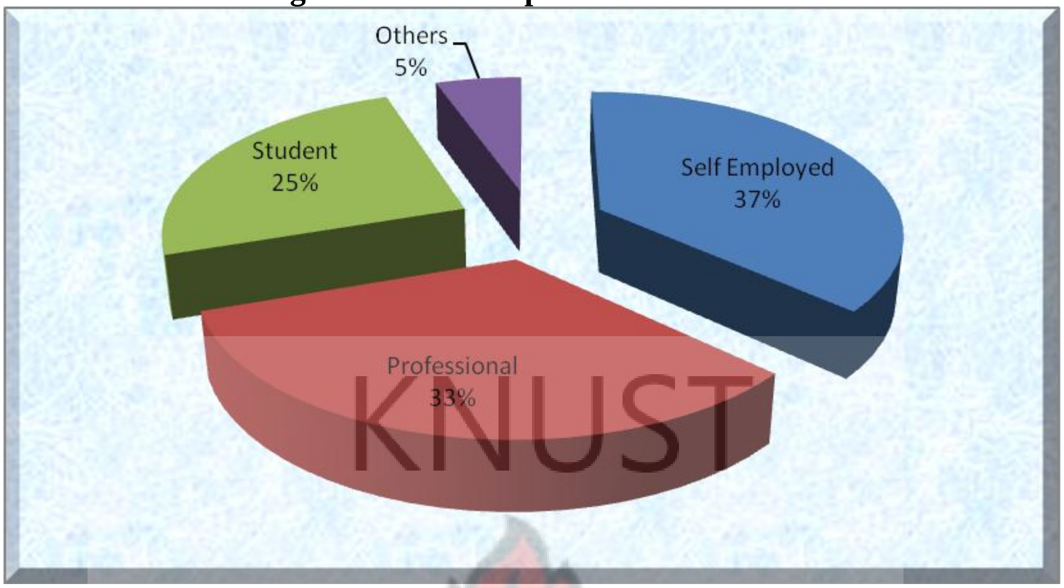
Source: Field Survey, 2011

Majority of customer respondents (30%) are Current Accounts holders, 23% Savings Accounts, 14% Corporate Accounts, 12% Fixed Deposits, 8% Foreign Accounts and Others (which consist of mortgage and other investments accounts) had 12%.

4.8.4 Occupation of Customers

Respondents for the study were found to be engaged in various forms of occupations as shown in Figure 4.8.4. The private sector forms the majority of the firms' client (self employed 37% and 33% for professionals while 8% went for 'others' and 25% for students.

Figure 4.8.1 Occupation of Customers



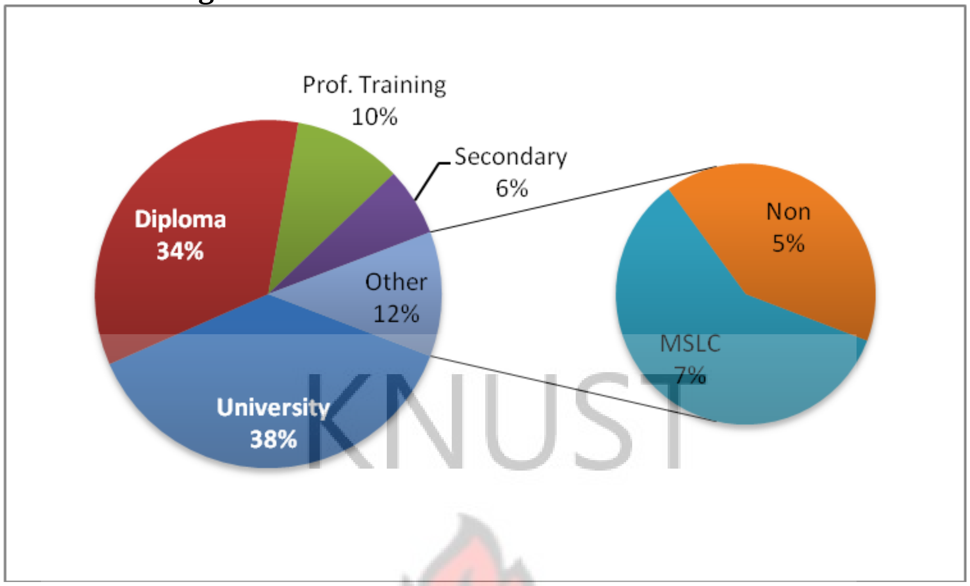
Source: Field Survey, 2011

It could be deduced that ICB's market share is basically made up of business minded people who would be able to assess the turbulent competitiveness of the banking industry.

4.8.5 Educational Level of Customers

On the educational background, most of the respondents have university education (38%); closely followed by diploma with 34%, professional training recorded 10%, Secondary had 6% and others which consist of 5% illiterate and 7% MSLC. With the high educational background of the respondents it is expected their views and concerns obtained can be very well informed. Figure 4.8.5 provides detail.

Figure 4.8.2: Educational Level of Customers



Source: Field Survey, 2011

4.9 Competitiveness of ICB

The responses, Strongly Agree, Agree, Uncertain, Disagree and Strongly Disagree are represented as 1, 2, 3, 4 and 5 respectively for the subsequent analysis as demonstrated in Table 4.9 and picturesquely illustrated by Figures QA, QB, QC, QD, QE, QF and QG below.

Table 4.7: Competitiveness of ICB

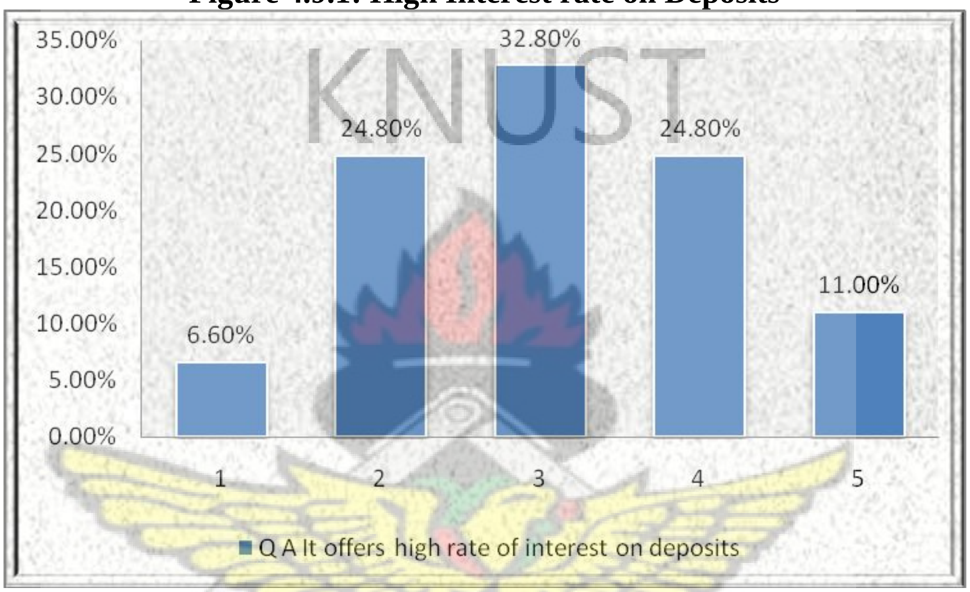
		Strongly Agree (1)		Agree (2)		Uncertain (3)		Disagree (4)		Strongly Disagree(5)	
Code		Freq	Percent (%)	Freq	Percent (%)	Freq	Percent (%)	Freq	Percent (%)	Freq	Percent (%)
Q A	It offers high rate of interest on deposits	12	6.60%	45	24.80%	59	32.80%	45	24.80%	20	11.00%
Q B	Understands my needs	17	9.50%	100	55.50%	42	23.40%	16	8.80%	5	2.90%
Q C	Provides efficient service	35	19.50%	102	56.40%	16	8.80%	24	13.10%	4	2.20%
Q D	Offers Prompt cashing/shorter Queue time	41	22.60%	93	51.90%	18	10.20%	20	10.90%	8	4.40%
Q E	Wider range of service	35	19.70%	101	56.20%	7	4.00%	24	13.10%	13	7.00%
Q F	Personalizes service	41	22.60%	110	61.30%	20	10.90%	9	5.20%	0	0.00%
Q G	Community minded/Socially responsible	43	24.10%	89	49.60%	38	21.20%	6	3.60%	3	1.50%

Source: Field Survey, 2011

4.9.1 High interest rate on deposits

With QA, customers were asked to indicate whether or not ICB offers high rates on interest on premiums. Out of a total of 180 respondents 6.6% strongly agreed, 24.8% agreed and disagreed, but 11% strongly disagreed and 32.8% were uncertain as shown in Figure 4.9.1.

Figure 4.9.1: High Interest rate on Deposits



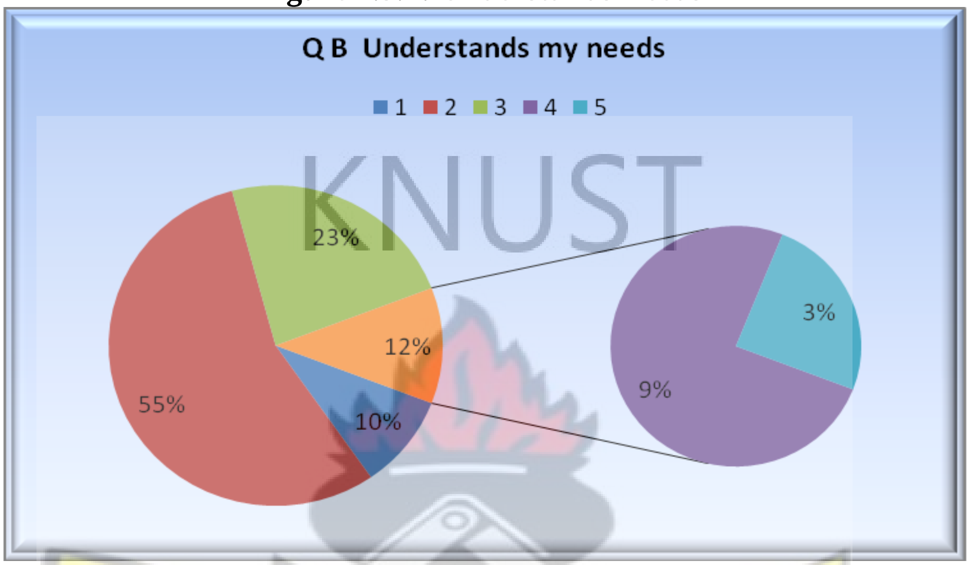
Source: Field Survey, 2011

On the whole about 31.4% think that ICB offers high rates of interest on deposits, but 35.8% disagreed with QA. If these views are anything to go by, then it could be said that ICB does not offer high interest rate on deposits.

4.9.2 Understands Needs

Generally respondents agreed that the company understands their needs, coded QB. Cumulatively, 65% of respondents agreed with as low as 12% disagreeing (i.e. 3% strongly disagree and 9% disagree). The remainder of 23% were uncertain; thereby giving a strong signal to ICB to work much harder on satisfying customers or risk losing them to other players in the industry. Figure 4.9.2 below represents the picturesque presentation.

Figure 4.9.2: Understands Needs

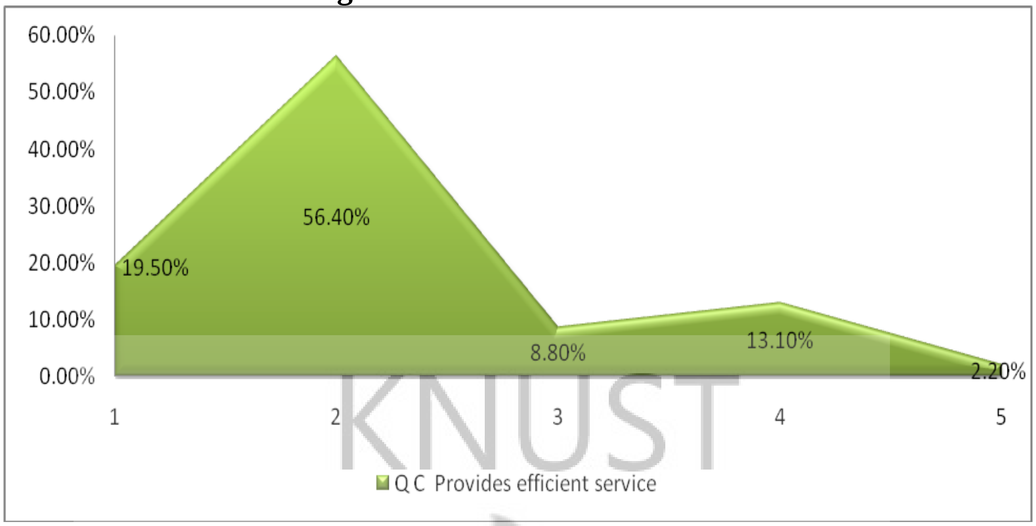


Source: Field Survey, 2011

4.9.3 Efficient Services

Respondents assessing QC agreed that ICB provides efficient services. This is supported by a high percentage of 56.4% and 19.5% who agreed or strongly agreed to QC. Only 13.10% thought otherwise of ICB.

Figure 4.9.3: Efficient Services

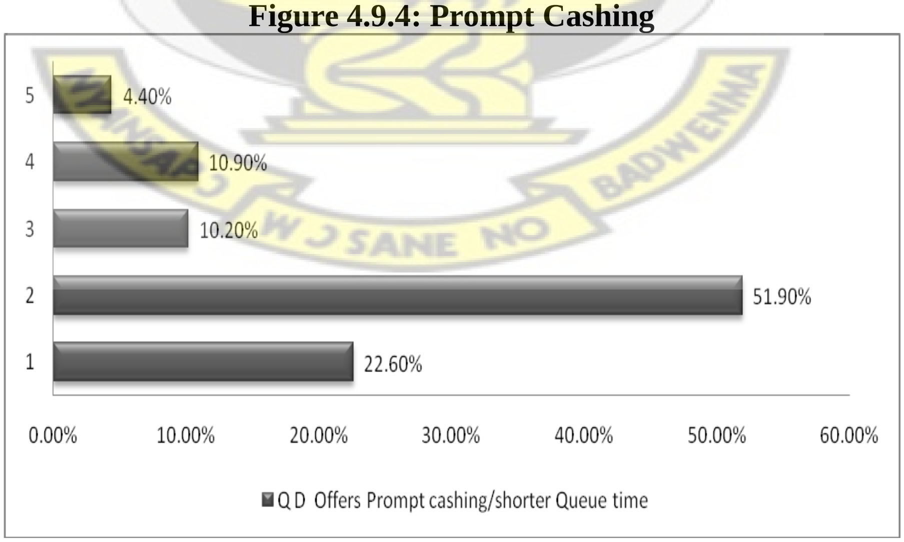


Source: Field Survey, 2011

4.9.4 Prompt cashing time

Majority of respondents were of the view that ICB offers prompt cashing time and offers a wide range of products and services. 22.6% strongly agreed, 51.9% agree, 10.20% uncertain and 16.3% collectively disagree that ICB prompt in handling cash time as illustrated by Figure 4.9.4.

Figure 4.9.4: Prompt Cashing

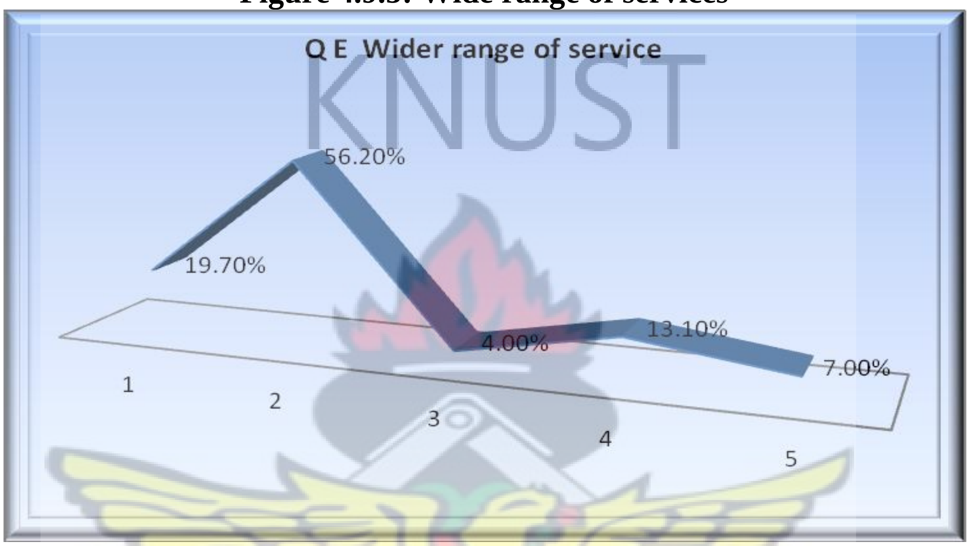


Source: Field Survey, 2011

4.9.5 Wide range of services

With over 80% supporting that view that ICB has a wide range of services, 4% were neutral, and 20.10% aggregately disagree with the assertion as represented in Figure 4.9.5 below.

Figure 4.9.5: Wide range of services

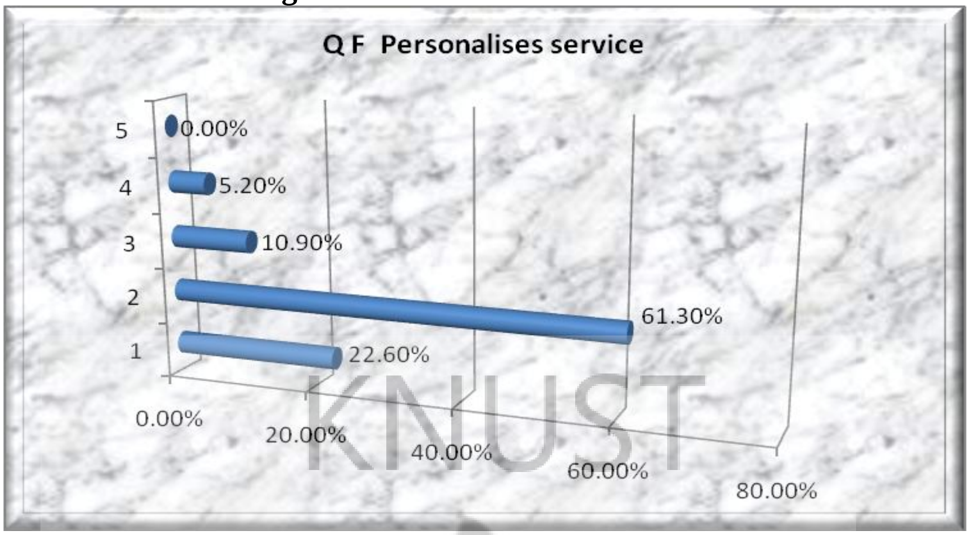


Source: Field Survey, 201

4.9.6 Personalized Service

QF came out strongly that ICB by a response of over 80%, indicated that the firm personalizes its services, and albeit, it sounds as some sort of contradiction, especially when customers had earlier indicated dissatisfaction of meeting their needs.

Figure 4.9.6: Personalized Service

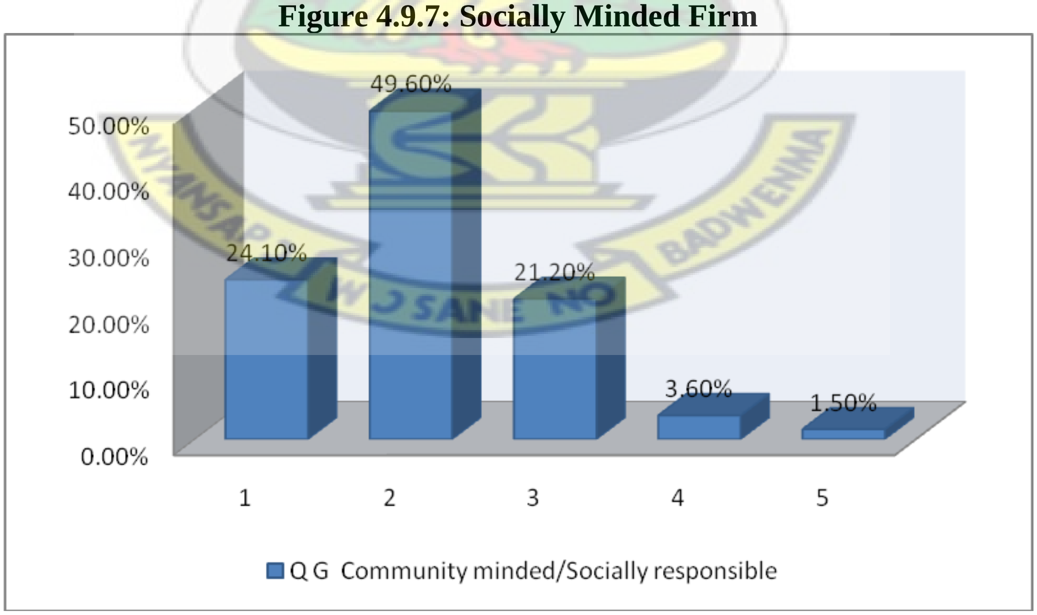


Source: Field Survey, 2011

4.9.7 Socially Minded Firm

QG, by the vote of respondents showed that ICB has been socially minded firm. This has been exhibited in several ways by donations to orphanages, among others, evidenced by the aggregate 73.7% agreeing, 21.2% undecided and collective 5.1% disagree.

Figure 4.9.7: Socially Minded Firm



Source: Field Survey, 2010

4.10 ICB Compares with other Banks

The responses from respondents on the number of issues that can give a competitive edge to an insurer over its competitors have been summarised in the table. Respondents were asked to indicate how ICB compares with other banks.

On the issue of screening criteria for loan application 9.5% saw ICB as the best, 46% of them said that ICB is better than most banks, whiles 19.7% said that ICB is the same as most players in Ghana. 7.3% thought that ICB is not as good as most players and 17.5% said that they did not know.

In almost all the issues put before respondents the company was compared to be just as good as most players. It can thus be said that ICB is not on top; at best it is just as good as most banks.

The study reveals that 'Introduction of innovative products/development of new products and services', showed that ICB's performance in this area is 'better than most' with 89% response and 11% 'don't know'; and for 'efficiency and reliability' ICB registered the same as most by a 97% response.

4.11: Market Niche of ICB

When respondents were asked to indicate what their views were on whether or not ICB is bank for the elite and not for the masses, 56.73% of them disagreed or strongly disagreed, with 34.3% either agreeing strongly or agreeing to this. 6.55% of them remained undecided. Perhaps the company's strategy of bringing banking to the doorsteps of customers and moving into the mass market as indicated in an interview with a management member of the company has been embraced by the average Ghanaian.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter provides the summary of the research findings, conclusions and the requisite recommendations.

5.1 Summary of Findings

According to Arnoud and Thakor (2000), banks find themselves in greater competition with one another as globalization and deregulation weaken geographic boundaries and encourage cross-border mergers and acquisition. In Ghana the banking sector has emerged from severe financial and reputational damage resulting from economic recession and government debt in the 1980s and 1990s, when Ghanaian banks and other financial institutions stopped lending to the private sector.

As a result of the various interventions and regulatory policies put in place by the bank of Ghana and the influx of foreign banks, especially those from Nigeria banks, the Ghanaian banking industry has been very boisterous. The new banks are trying to revolutionise access to banking services, denied the population by the imperialist banks. Several banks have already made determined effort to roll out the use of internet banking, smartcard technology, mobile phone banking and the use of biometric technology to cover all their operations. Banks have introduced new products and services and increased their distribution channels. These favourable conditions which have attracted the emergence of banks; leading to the introduction of aggressive marketing style, putting the incumbent banks on a treadmill, and whacking them with one competitive challenge after another.

This study examines the intense competition in the banking industry and ICB's strategies to respond to it with a bid to survive it; specifically analyzing the current strategies being pursued by the ICB, in its quest to respond to competition; determining the drivers of competition in the banking industry; evaluating the effects of competition on the current operations of the bank; and assessing the impact and sustainability of the bank's competitive strategy on performance.

As part of the major findings of the study further investigation into certain measures taken by ICB with regards to competition in banking operations and finally analyzed the effect of competition on the current operations of ICB. The sample size of two hundred and fifty (250) respondents, comprising seventy (70) employees and one hundred and eighty (180) customers of ICB was selected from the targeted population. Questionnaires, interviews and observations were used to obtain data for the study. The information sought included the general background of employees and customers, the deposits made and loans drawn and customer base levels. The proliferation of foreign bank in Ghana, the service quality, profit margins, customer service, expanded branch network etc. were considered. The research further considered customer opportunity to complain, innovative products quality of products and service among others.

Demographic Representation

Research showed 28% of the respondents were staffs, while the customers registered 72%; and a ratio of 1:1.3 with regard to male and female distribution respectively indicating a slight dominance by female over male; on the whole, respondents' age group was between 20 to 68 years. Most people had worked and had been with the company for more than 5 years. It could be revealed that most workers were working in departments whiles customers were doing different kinds of jobs. Most respondents had educational background ranging from 1st Degree to middle school certificate and about 5% illiterate customers.

Incidence and Causes of Competition in the Banking Industry

Majority of respondents testified to the fact that there is massive competition in the banking industry; the enactment of the Banking Act which encourages the proliferation of banks; competition is said to be good, wherein among the several reasons assigned to this is that the current wave of competition that has swept the industry in Ghana brings undue pressure on staff. BoG's role in promoting competition is enormous; the introduction of the Banking Act has promoted competition; and increased customer awareness and sovereignty has brought about competition. The existence of competition by the low entry barriers that foreign banks find the Ghanaian Industry due to the low capitalization value as one of the major conditions of entry adds up to competition.

Effects of Competition

In the quest to find out the effects of the increased competition in the industry with regards to International Commercial Bank (ICB) it was observed that that ICB has not lost its customer base; the base for premium is increasing, thereby leading to the increase in net worth of ICB; there is intense competition in the banking industry with the proliferation of more banks springing up all over the place, ICB is bound to lose some of its grounds in the industry; and majority showed that there has been loss of customer revenue or waiver charges.

Responding to Competition

ICB has a wider array of products and services developed to serve the needs of its valued customers; majority of respondents said that there is frequent staffs' training for improved customer service; customer thinks that quality service provided by ICB is just better than most but not extraordinarily so. On the rate of fees charged in respect of the service rendered, while 25% of them upheld this view, 40% disputed, with 38% of them not certain. Most of them (56%) said the company charges lower rates to attract customers with only 6% of them disagreeing. On advertising, 87% of respondents observed that the company has resorted to a vigorous advertising campaign in both the print and electronic media. The setting up of corporate service centres to exclusively serve the needs of corporate clients, 88% agreed to the assertion, while 6% disagreed and 6% uncertain. Again, respondents indicated that over 80% agreed of the introduction of an ultra-modern customer contact centre and 16% uncertain while 2% disagreed. The company's approach to responding to competition was strengthened with 84% agreement of the creation of an office for a service manager; and response to the competition through the massive expansion project has been carefully matched with other resources such as IT infrastructure and human resources.

Other Banks Customers' Deal with

50% of the respondents deal with no other bank except ICB and the other 50% of respondent customers hold different accounts with some other banks, notable among these are GCB 27%, SG-SSB 3%, Standard Chartered 8.3%, Barclays 2.6%, TTB 4.5%, Zenith 5.8% and others representing 1.4%. This should be a source of worry to ICB especially, when these institutions are its major competitors.

Type of Accounts held

Respondents hold various types of accounts with ICB are Current Accounts holders, Savings Accounts, Corporate Accounts, Fixed Deposits, Foreign Accounts and Others (which consist of mortgage and other investments accounts).

Competitiveness of ICB

ICB does not offer high interest rate on deposits. Cumulatively, 65% of respondents agreed with as low as 12% disagreeing (i.e. 3% strongly disagree and 9% disagree). The remainder of 23% were uncertain; thereby giving a strong signal to ICB to work much harder on satisfying customers or risk losing them to other players in the industry. ICB provides efficient services which are supported by 56.4% and 19.5% who agreed or strongly agreed; ICB offers prompt cashing time and offers a wide range of products and services. ICB has a wide range of services; the bank personalizes its services, and albeit, it sounds as some sort of contradiction, especially when customers had earlier indicated dissatisfaction of meeting their needs; and ICB has been socially minded firm.

ICB Compares with other Banks

The responses from respondents on the number of issues that can give a competitive edge to an insurer over its competitors have been summarised in the table. Respondents were asked to indicate how ICB compares with other banks. On the issue of screening criteria for loan application ICB is better than most banks. In almost all the issues put before respondents the company was compared to be just as good as most players. It can thus be said that ICB is not on top; at best it is just as good as most banks. The study reveals that 'Introduction of innovative products/development of new products and services', showed that ICB's performance in this area is 'better than most'; and same for 'efficiency and reliability'.

5.2 Conclusions

It could be concluded from the research that respondents were between the ages of 20 to 68 for both staff and customers; and with such workforce ICB can make a long term plan to meet the competition in the market and help achieve its goals and objectives. It could be concluded that the competition in the banking sector has brought about a lot of flexibility in banking and their prompt response to customer problems have increased. It has also increased in their innovative products, making it good for business for both the company and customers. Majority of the staff sampled were of the opinion that competition has brought about enhanced customer service which is really helping ICB to stay in business. Customers on the one hand think that ICB is providing services just as any ordinary bank. Customers were however, not much enthused about the time frame within which their complaints are resolved. They were however satisfied those complaints are resolved efficiently. Respondents did not believe there has been decline in the market share of ICB even though these assertions were not supported by figures.

Both staff and customers agreed that vigorous campaign and advertising is a way of attracting customers since the adverts will outline the various products and services to all target groups. The customers interviewed disagreed that ICB was only preferred in the past and went on to discard the notion that ICB is for the elite class. It was outlined that the frequent training of staff is the best way to keep experienced staff to help achieve organizational objectives. Most of the staff had their reservations because the massive expansion program had not been matched with IT infrastructure and human resources. It was also gathered from the study that even though the effect of competition on core banking variables have not been felt much, individually, bank workers are under constant pressure and stress to achieve set target.

5.3 Recommendations

In view of the findings of the research the following recommendations are made in order to sustain the competitive advantage of ICB.

Turnaround time

The turnaround time for servicing clients should be further reduced, even though the results shows a good cashing and queuing time so as maintain that as a competitive advantage.

State of the art equipments

As a result of the competition ICB should review their ICT policy to make it look more efficient, reliable and better; as compared to the current system whereby most banks are confronted with the freezing of the system when there is heavy traffic on the server.

Brand, Expansion and Strategic Market Positioning

ICB should intensify its advertising strategies to virtually capture the media (both electronic and print) and make it a household name. Taking banking to the customer by ensuring the customer delight is the ultimate purpose of the bank. They should also ensure to keep a physically attractive environment to help attract customers and open branches at vantage points to make banking easy, quick and convenient.

Innovative product and services

A second look at their interest rates to help get new customers and keep old ones should be of utmost importance to customers. ICB should be quick to respond to the frequent changes in the market so as to stay in the competition. They should also embark on an intensive market survey nationwide to identify with the public to help them segment their products. In summary, management must constantly strive to achieve and maintain superior profitability in the industry by implementing unique strategies based on innovations in products, processes, and ways of managing. Innovation, in the form of new products, processes, and ways of managing, underpins the growth of productivity that is necessary for a rising standard of living.

Staff Motivation

It is highly recommended that ICB should keep a well motivated staff with proper conditions of service and a good pay package since they are the resource to help carry out any policy and strategy to help them stay in competition. They should also organize proper training session to upgrade the staff to help them acquaint themselves with modern trend of banking operations.

These recommendations if adhered to would help ICB to stay in competition and become one of the best if not the best in the country and their policies should be subjected to constant review.

5.4 Suggestion for Further Research

The study is a case study of one particular bank, however, every aspect of competition could not be studied let alone taking some of the core variables of banking and subjecting them to a more analytical study to determine the extent to which they can withstand competition using quantitative methods. As a result this other appropriate variables such as profit of the company and market share should be taken into consideration to determine the exact effect of the competition on them. A further study can thus be done in this regard.

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APPENDICES

Appendix 1:

2.1 Definition of Terms for the Study

What is competition?

Merriam-Webster (2000) defines competition in business as "the effort of two or more parties acting independently to secure the business of a third party by offering the most favorable terms." Competition is a pillar of capitalism in that it may stimulate innovation, encourage efficiency, or drive down prices (www.http://en.wikipedia.org/wiki/Banker, 2010)

Who is a competitor?

Competitors are organisations that offer the same, similar, or substitutable products or services in the business area in which a particular company operates (Wheelen and Hunger 2006).

What is a Bank?

The name bank derives from the Italian word banco "desk/bench", used during the Renaissance by Florentines bankers, who used to make their transactions above a desk covered by a green tablecloth. However, there are traces of banking activity even in ancient times. In fact, the word traces its origins back to the Ancient Roman Empire, where moneylenders would set up their stalls in the middle of enclosed courtyards called macella on a long bench called a bancu, from which the words banco and bank are derived. As a moneychanger, the merchant at the bancu did not so much invest money as merely convert the foreign currency into the only legal tender in Rome- that of the Imperial Mint. A **bank** is a financial institution whose primary activity is to act as a payment agent for customers to borrow and lend (www.http://en.wikipedia.org/wiki/Banker, 2010).

Who is a customer?

A customer refers to individuals or households that purchase goods and services generated within the economy. The word historically derives from "custom," meaning "habit"; a customer was someone who frequented a particular shop, who made it a habit to purchase goods there, and with whom the shopkeeper had to maintain a relationship to keep his or her"custom,"meaning expected purchases in the future (www.http://en.wikipedia.org/wiki/customer, 2010).

Customer needs may be defined as the goods or services a customer requires to achieve specific goals. Different needs are of varying importance to the customer. Customer expectations are influenced by cultural values, advertising, marketing, and other communications, both with the supplier and with other sources.

Both customer needs and expectations may be determined through interviews, surveys, conversations, data mining or other methods of collecting information. Customers at times do not have a clear understanding of their needs. Assisting in determining needs can be a valuable service to the customer. In the process, expectations may be set or adjusted to correspond to known product capabilities or service. It used to be the widely believe that a bank customer is any person who operates an account of a sort with a bank and that no one else could be referred to as a customer of a bank. Indeed, it was believed by some that anyone who did not operate an account had no right to sue a bank.

Appendix 2:
Questionnaire to staff

QUESTIONAIRE TO STAFF

Dear Sir/Madam

You have been selected to respond to this questionnaire for the study of "*Responding to competition in the Banking industry by International Commercial Bank (Ghana) Limited*". You are assured that any information you provide is solely meant for the research and nothing else. Your response to the questions will be kept confidential**.**
Thank You.

A. SECTION A: Please complete this section by ticking the applicable box

1. What is your gender? Male [ ] Female [ ]

2. Please indicate your age:

   20–30years [ ] 31 – 40 [ ] 41- 50 years [ ] 51 – 60 [ ] 60+ years [ ]

3. How many years have you worked with the company?

   1 – 5years [ ] 6 – 10 [ ] above 10 years [ ]

4. Please tick the department in which you work below

   Human Resources [ ] Finance [ ] Retail [ ] Corporate [ ] Other: Specify……….

Details	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree	Comments
The degree of competition is high in the banking industry in Ghana						
Your bank enjoys some sort of monopoly in the banking industry in Ghana.						
Your bank charges higher rates for their services among the operators in the industry in Ghana						
Competition is good do you agree						
There has been pressure from the BOG in recommending measures to fuel competition.						
The promulgation of the universal banking law was to promote competition among banks in Ghana.						
The proliferation of foreign banks in Ghana in recent times has fuelled competition.						
Increased customer awareness and sovereignty has brought about competition among banks.						

Section B: Choose from the suggested list below your level of agreement to the following statement Which indicates various competition drivers in the banking industry?

Effects of competition to ICB

Details	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree	Comments
There has been reduced customer base						
There has been reduced deposit base						
The market share of the bank has reduced						
There has been decline in borrowers						
Screening criteria for borrower has been relaxed						
There has been reduced lending quality						
There has been enhanced customer service						
There has been loss of customer revenue or waiver of charges						

Section C: Response to competition

Details	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree	Comments
Wider array of products have been developed						
Frequent staff training for improved customer service						
Charge higher rates to make profit.						
Charge lower rates to attract more customers.						
Expanded branch network						
Vigorous advertising campaign (outdoor, print and electronic)						
Establishment of a corporate service centre to serve exclusively the needs of our corporate clients.						
Introduction of an ultra-modern customer contact centre						
The creation of the office of the service manager to man the service						
Our response to the competition through the massive expansion project has been carefully matched with other resources such as IT infrastructure and human resources.						

Section D: Opinions and Recommendations

1. What do you think have contributed to the high intensity of competition in the banking industry?

....
....
....

2. Suggest the best way the ICB can improve its competitive position in the industry.

....
....
....
....

Appendix 3

QUESTIONAIRE TO CUSTOMERS

Dear Sir/Madam

You have been selected to respond to this questionnaire for the study of "*Responding to competition in the Banking industry by ICB (Ghana) Limited".* You are assured that any information you provide is solely meant for the research and nothing else. Your response to the questions will be kept confidential**.**

Thank You.

Please choose the option that applies to you by placing a tick in the bracket of your choice. Please give only ONE answer.

Section A: Bio Data and Banking History

1. What is your gender: 1. Male [ ] 2. Female [ ]

2. Age: 20–30years [ ] 31 – 40 [ ] 41- 50 years [ ] 51 – 60 [ ] 60+ years [ ]

3. How many years have you worked with the company? 1 – 5years [ ] 6 – 10 [ ] above 10 years [ ]

4. Apart from ICB do you have any account with: - 1.GCB [ ] 2.UBA [ ] 3.ADB [ ] 4. ECOBANK [ ] 5. UNIBANK [ ] 6.STANCHART [ ] OTHERS……………………………………….

5. Why do you prefer ICB to the other Banks?

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....
....

6. Which of the following best describe the type of account held with the bank?
Current Account [ ] Savings Account [ ] Foreign Account [ ] Prestige Account [ ]
Premier Account [ ] SME Account [ ] Mortgage Account [ ] Corporate Current [ ]

6. Which of the following best describe your occupation?
1) Self employed [ ] 2) Professional [ ] 3) Student [ ] 4) Other Specify-------

7. Which of the following best describes your level of education?
1) University and above [ ] 2) Diploma [ ] 3) Professional Training [ ] 4) Secondary Education [ ] 5) Middle School/ Basic Education [ ] 9) Non [ ]

Section B:

When completing this section, please indicate how the following statements apply to ICB in your opinion.

I chose ICB because

Details	Strongly Agree (1)	Agree (2)	Uncertain (3)	Disagree (4)	Strongly Disagree(5)
1. It offers high rate of interest on deposits					
2. Understands my needs					
3. Provides efficient service					
4.Offers Prompt cashing/shorter Queue time					
5. Wider range of service					
6. Personalises service					
7. Community minded/Socially responsible					

Section C: In your own opinion, please indicate how ICB can be compared other banks in Ghana on the statements below:

Details	The Best (1)	Better than Most (2)	Same as Most (3)	Not as Good as Most (4)	Don't Know (5)
Screening criteria for loan applications					
Vigorous advertising campaign					
Ability of GCB, New edubiase to respond to competition					
Introduction of innovative products/development of new products and services					
Services are very Efficient and reliable					

Section D

How do you view ICB in the areas listed in the table. Choose your corresponding view.

Disagree	Strongly agree	Agree	Uncertain	disagree	Strongly disagree
1. ICB was only preferred in the past and not now					
2. ICB is still a Bank for the elite and does not favour the commons					

Section D: Opinion and Recommendations

1. What difficulties have you had with ICB?

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2. Suggest the best way the ICB can improve its competitive position in the industry.

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Appendix 4

STRUCTURED INTERVIEW GUIDE TO MANAGEMENT

1. Besides traditional deposits-taking and credit-offering functions what additional services are provided by ICB Ghana Limited?
2. With respect to the list of financial services provided in (1) are there regulatory limitations that constrain ICB to offer some of them?
3. Are there regulatory limits on the ability of ICB to lend?
4. For each of the services detailed in (1), kindly provide a brief description of the market structure, based on the fact that for most of these service banks compete also with non banks. .... Who are your competitors? Are they single providers of the products?
5. Is there one single consumer of the product or service considered? Are there many consumers or large entities as major consumers?
6. In geographic terms how wide is the market for the products of ICB? Are customers' branches or location dependent? What is the willingness of customers to use distant branches?
7. Please briefly describe the paperwork required to open and or close a bank account and whether there are fees associated with it.
8. What is the minimum amount required to open an account with ICB ltd?
9. How is credit accessed from ICB ltd by the business sector?
10. Please describe the rules on branching in Ghana.
11. Please provide reasons for the opening of many branches by ICB over the past year.
12. Is the expansion of ICB Ltd regulated?
13. Have there been any important regulatory changes that have fuelled competition?
14. How does competition affect the operations of ICB Ltd?
15. Please indicate how ICB Ltd has responded to competition over the years.