

**EFFECT OF FINANCIAL SECTOR CLEAN-UP ON CONSUMER CONFIDENCE IN
THE BANKING INDUSTRY OF GHANA**

BY
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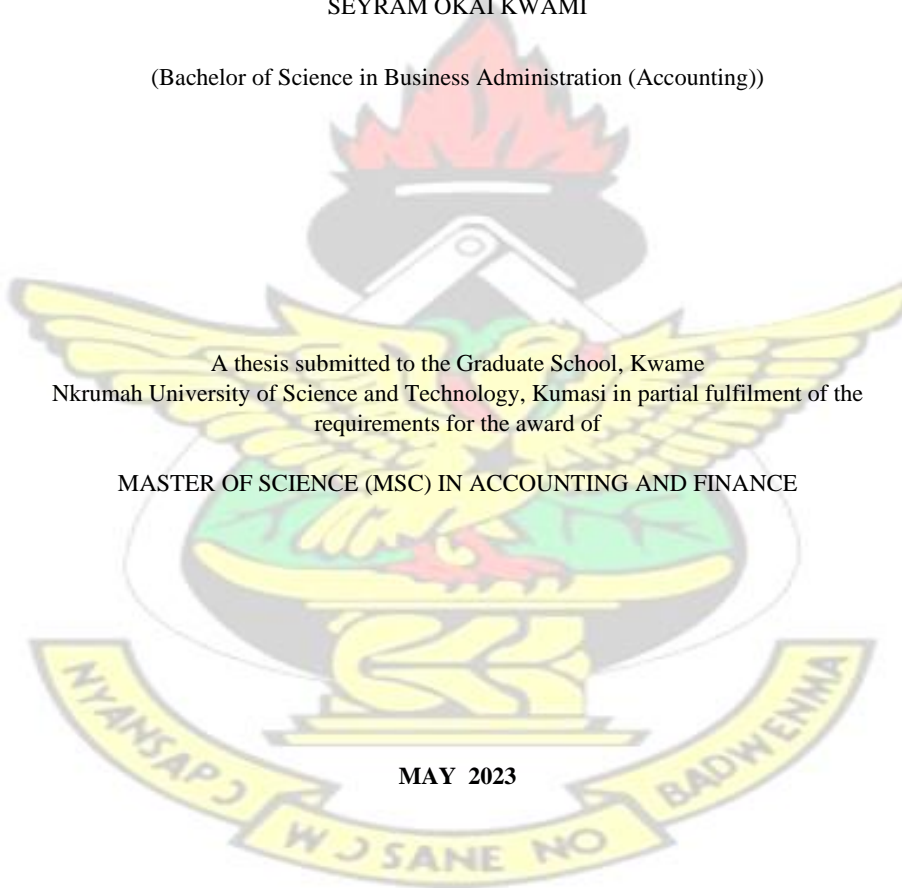
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A thesis submitted to the Graduate School, Kwame
Nkrumah University of Science and Technology, Kumasi in partial fulfilment of the
requirements for the award of

MASTER OF SCIENCE (MSC) IN ACCOUNTING AND FINANCE

MAY 2023



DECLARATION

I hereby declare that this submission is my own work and that, to the best of my knowledge and belief, it contains no material previously published or written by another person nor material which to a substantial extent has been accepted for the award of any other degree or diploma at Kwame Nkrumah University of Science and Technology, Kumasi, or any other educational institution, except where due acknowledgment is made in the thesis.

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Supervisor Signature Date

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HOD Signature Date

DEDICATION

This research work is dedicated to my Late mother and father Comfort Ayim and Joseph K. Okai respectively, my sister Peace Okai for their profound love and special encouragement given me , without which my educational pursuit in general, and this thesis in particular would not have been possible.



ACKNOWLEDGEMENT

“With God all things are possible”, Amen. I wish to express my utmost appreciation to the Almighty God for His divine Providence, love and care, which sustained me throughout my Studies in the Kwame Nkrumah University of Science and Technology, Kumasi. I am greatly indebted to Professor Michael Adusei, my supervisor whose tireless efforts, supervision, encouragement, an expert advice and sincere criticisms have led to the successful production of this work.

My acknowledgement will be incomplete without mentioning Timothy Nyegbenu, whose criticisms and support have made this work possible. To the individuals respondents who are too numerous to mentioned, I appreciate your contribution, without which this research project would have been incomplete.



ABSTRACT

The general objective of this study is to examine the effects of financial sector clean-up on consumer confidence in the banking industry of Ghana. To achieve this, cross-sectional survey research was conducted with all individuals and firms that use services of the financial sector of Ghana are target participants. Overall, 384 consumers of financial sector services were sampled randomly of which 352 participated in the study. Using various quantitative statistical techniques including the Chi-square test of association and paired sample t-test, the factors influencing consumer perception of financial sector clean-up and the influence of the financial sector clean-up on consumer confidence in the banking sector were established. The findings from the study reveal that the financial sector clean-up exercise is found to negatively influence on consumer confidence in the financial sector with a decline in confidence in financial institutions such as banks, microfinance institutions and savings and loan companies. Base on the findings it is therefore recommended that future financial sector and clean-up should be preceded by effective communication to all relevant stakeholders including consumers of financial services in the country. The study also recommend the need to put urgent measures to enhance consumer confidence through public awareness creation, town halls and educational programmes.

TABLE OF CONTENT

Contents	Page
DECLARATION.....	ii
DEDICATION	iii
ACKNOWLEDGEMENT.....	iv
ABSTRACT	v
CHAPTER ONE.....	1
INTRODUCTION	1
1.1 Background to the Study	1
1.2 Problem Statement	3
1.3 Objectives	5
1.4 Research Questions	5
1.5 Significant of the Study	5
1.6 Scope of the study	6
1.7 Overview of Methodology	6
1.8 Organisation of the study	7
CHAPTER TWO.....	8
LITERATURE REVIEW	8
2.0 Introduction.....	8
2.1 Conceptual review	8
2.1.1 Overview of the Financial Sector	8
2.1.2 The Financial Sector of Ghana.....	10
2.1.3 Financial Sector Clean-up in Ghana.....	12
2.1.4 The Concept of Consumer Confidence	14
2.2 Theoretical literature	15
2.3 Empirical review	17
2.3.1 Perception about Financial Sector Cleanup.....	17

2.3.2 Factors Associated with Consumer Perception of Financial Sector Cleanup	18
2.3.3 Consumer Confidence in Banks Due to Financial Sector Clean-up	19
2.4 Conceptual Framework	21
CHAPTER THREE	23
METHODOLOGY	23
3.0 Introduction	23
3.1 Research Design	23
3.2 Research Approach	24
3.3 Study Population	25
3.4 Sample Size Determination and Sampling Technique	25
3.5 Type and Sources of Data	26
3.6 Data Collection Methods and Instruments	27
3.7 Data Analysis	27
CHAPTER FOUR	29
RESULTS AND DISCUSSION	29
4.1 Introduction	29
4.2 Demographic Characteristics of the Respondents	29
4.3 Consumers' perception about the financial sector clean-up of Ghana in 2018	31
4.3.1 Awareness of the Financial Sector Clean up	31
4.3.2 Proportion of Respondents Affected by Financial Sector Clean	32
4.3.3 Perception of the Financial Sector Cleanup	33
4.4 Factors influencing consumers' perception about the banking sector clean-up	34
4.5 Level of confidence of consumers in the banking industry of Ghana	40
CHAPTER FIVE	42
SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS	42
5.0 Introduction	42
5.1 Summary of Findings	42

5.2 Conclusion.....	43
5.3 Recommendations	43
5.4 Recommendation for Future Research	44
REFERENCES	45
APPENDIX	49

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LIST OF TABLES

Table 4. 1: Demographic Characteristics of the Respondents.....	30
Table 4. 2: Perception of Customers on the financial sector clean-up	34
Table 4. 3: Factors influencing consumers' perception about the banking sector clean-up	39
Table 4. 4: Comparison of confidence in financial institutions before and after the clean-up	41



LIST OF FIGURES

Figure 2. 1: Conceptual Framework for the Study	22
Figure 4. 1: Bank Customers that are aware of the financial sector clean-up	32
Figure 4. 2: Proportion of respondents affected by financial sector clean-up	33



CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Globally, the financial sector plays critical roles in the functioning of economies, development, and expansion of businesses through the management and distribution of money. By serving as the marketplace for money and assets, the financial sector ensures that capital is efficiently allocated to various economic sectors to stimulate growth and productivity (Ginevičius et al., 2019). Generally, the financial sector consists of institutions, instruments, and markets that permit transactions to be made through the extension of credit for private sector development and economic growth and poverty reduction. There is a plethora of firms that play roles in the financial sector including banks, credit unions, microfinance institutions, credit card companies, insurance companies, accountancy firms, stockbrokers, individual asset managers, and some government-sponsored enterprises (Allen *et al.*, 2011). The services provided by these players in the sector ensure that finance is allocated to where they are needed for productive activities.

Given the important role that the financial sector plays in national development, there are both national and international standards and regulations that govern operators in the financial sector. These standards and regulations are intended to enhance the security of investment and savings in financials and enhance the confidence and trust of customers in the financial sector (OECD, 2019). Over the years, several events and happenings have had an untold effect on customers' savings and investment for which reason there is high volatility in the behaviour of customers in the financial sector. For instance, following the global financial sector crises of 2008, many bank customers became sceptically of the banks which affected savings and other forms of transaction in the financial sector (Gardo & Martin, 2010). When this happens, the role that the financial sector plays in sustainable economic growth, business, development and

poverty reduction is compromised. For this reason, institutions and firms in the financial sector are enjoined to employ good corporate governance practices and effective fiduciary roles to enhance customers' confidence towards the sector.

In Ghana, the financial sector over the years has witnessed several episodes of instability that have occurred as a result of internal and external shocks and their combination (Compaoré et al., 2020). While some of the shocks are occasioned by market failures associated with poor underwriting standards, some are because of corporate governance failures and regulatory failures (Torku & Laryea, 2021). These shocks and the concomitant impacted on service delivery have affected customer perception, trust and confidence in the financial sector over the years. As Mohanty (2013) has noted, the financial sector is highly volatile and elastic such that slight disturbance and rumour in the sector often result in mass behavioural response. For this reason, regulators such as the Bank of Ghana, the Security and Exchange Commission and other parastatal state regulatory agencies have often embarked on intervention in the sector to continually enhance customers' confidence in banks.

One of the most recent interventions in the Ghanaian banking sector that has sought to protect investments and procure stakeholder confidence in Banks in Ghana was the financial sector clean-up. The banking sector clean-up was an exercised undertaken by the Bank of Ghana between 2017 and 2018 that resulted in the closure and merger of some banks reducing the number of banks in the country from 34 to 23 and the additional closure of some 347 micro-finance institutions, 15 savings and loans and 8 finance houses (Bank of Ghana, 2020). Several malpractices were identified by the Bank of Ghana for which research these measures were taken. Some of the factors include low capital reserve relative to the requirement by the banking ACT 930; indulgence in extreme risk-taking investment without the obligatory risk management function; frail corporate governance systems and misrepresentation of the true financial position of the firms to the Central Bank and other interested parties (Bank of Ghana,

2019). Against the backdrop of these factors, the Bank of Ghana as a regulatory body took measures that included revocation of license in order to protect depositors and other stakeholders of the banking industry from losing their investment.

As communicated by the Bank of Ghana (2018), the main aim of the financial sector clean-up was to sanitise the banking sector, offer a rigorous licensing regime, promote good corporate governance and strict monitoring of activities of financial institutions to engender confidence in the system. This means the success of the exercise was based on increased confidence and trust in the banking sector of Ghana. A report by the Oxford Business Group (2022) claims that the outcome of the financial sector clean-up in Ghana is a smaller but more sustainable banking industry in the country. The Bank of Ghana 2020 report also indicated that owing to the financial sector clean-up, credit growth rebounded strongly with a 23.8% increase in gross loans in December 2019 compared to the 3.5% growth recorded during the same period in 2018 (Bank of Ghana, 2020). There is evidence from empirical studies such as that of Affum and Obiri (2020) that found decreasing trust in the banking sector mostly as a result of unpaid lockup funds and fear of losing their savings in the future. Other studies such as that of Yomboi et al. (2021) and Karim-Abdallah et al. (2022) have raised similar concerns about customers' confidence in the banking sector of Ghana and call for further research.

1.2 Problem Statement

The financial sector clean has been described as the most consequential intervention in the banking and microfinance sector of Ghana in recent times. The exercise which cost the state a reported 13 billion Ghana Cedis (2.7 billion dollars) directly resulted in the collapse and/or merged of some nine local banks, 23 savings and loans firms, 347 microfinance institutions, 39 finance houses and 53 fund management companies (Bank of Ghana, 2020). There has been wide public debate among politicians, bankers, accountants, academicians, and civil society

organisations among other stakeholders in the industry over the appropriateness of investment in the financial sector clean.

Some recent studies have shown that the clean-up among other recapitalisation efforts over the years has enhanced the performance of the banking industry of Ghana (Nsanyan Sandow et al. 2021; Obuobi et al, 2019). Empirical evidence on the impact of the clean-up on other indicators such as consumer behaviour and confidence is scarce. Few studies in this area such as Affum and Obiri (2020) show decreased interest of customers in doing business with banks due to fear of losing their capital as happened during the financial sector clean-up. Yomboi et al. (2021) also find that the clean-up exercise resulted in loss of capital of customers, a disincentive to do further savings and the inability of banks to pay creditors.

One of the major reasons associated with the collapse of some of the banks and financial institutions during the financial sector clean-up included accounting and fiduciary malpractices, and poor corporate governance among other practices that had placed customers' savings and investment in jeopardy (Agyenim-Boateng et al., 2020). The rationale for the clean-up was, therefore, to enhance the integrity of the banking and finance industry, and build trust and confidence of consumers in the sector. However, given the negative consequences that some customers suffered during the exercise, it is doubtful whether the exercise overall enhanced confidence in the banking sector. Although research by Affum and Obiri (2020) and Yomboi et al. (2021) have examined the effect of the financial sector clean-up on customers, the focus in both studies was on attitude and behaviour, and empirical data are collected from only one municipal area. These studies have only offered piecemeal of the impact of the banking sector cleanup and therefore further studies covering other areas of the country are required. There is currently no study evidence that has examined the impact of the banking sector clean-up on customer confidence in Ghana e. This study aims to bridge this empirical

research gap by providing an empirical analysis of the effect of financial sector clean-up on consumer confidence in the banking industry of Ghana.

1.3 Objectives

The main objective of the study is to examine the effect of financial sector clean-up on consumer confidence in the banking industry of Ghana. The specific objectives of the study are;

- i. Examine consumers' perception about the financial sector clean-up of Ghana in 2018
- ii. Establish factors influencing consumers' perception about the banking sector clean-up in Ghana
- iii. Determine the level of confidence of consumers in the banking industry of Ghana
- iv. Ascertain the influence of the financial sector clean-up on consumer confidence in the banking sector of Ghana

1.4 Research Questions

- i. What is the perception of bank customers on the financial sector clean-up of Ghana in 2018?
- ii. What factors influence consumers' perception about the banking sector clean-up in Ghana
- iii. What is the level of confidence of consumers in the banking industry of Ghana?
- iv. Has financial sector clean-up influenced consumer confidence in the banking sector in Ghana?

1.5 Significant of the Study

This study is significant for many reasons. First, dependency on the financial sector of Ghana is very high with concomitant impacts on business and socioeconomic development. Examining customer confidence in the sector is expected to result in reforms and policies that

will improve the operations of banks, ensure efficiency and result in a positive contribution to the economy of Ghana. Thus, policymakers in the financial sector will find the outcome of this study useful for policy formulation and reforms. Other stakeholders such as bank managers, owners and investors will equally find this study outcome informative for corrective actions to enhance customers' confidence in their banks. In academia, the findings of this study are also expected to provide a useful guide and serve as reference materials for students and researchers interested in understanding the banking sector of Ghana.

1.6 Scope of the study

The geographic scope of the study is the Ho Municipal in the Volta Region of Ghana. The focus is on individual customers of banks and therefore all individuals of 18 years and above who qualify to own a bank account fall within the scope of the study. In terms of context, the study covers issues related to consumers' perception about the financial sector clean-up, the level of confidence of consumers in the banking industry of Ghana and the influence of the financial sector clean-up on consumer confidence in the banking sector of Ghana. The time scope for the study is 2022 to 2023.

1.7 Overview of Methodology

This study involves the use of cross-sectional survey research design to collect data from customers of services in the financial sector of Ghana. Quantitative approach is used in this study with numeral data collected and analysed statistically. The population of the study defined as all customers of the financial sector of Ghana. A sample 384 was selected from the population using a simple random sampling method. Data collection was by use of self-design questionnaire that was administered to the study participants. Data analysis was performed using SPSS to perform descriptive analysis, t-test of mean difference and Chi Square test of association.

1.8 Organisation of the study

This study will be organised into five chapters. Chapter one is introductory in nature, covering the background of the study, and a statement of the research problem and objectives. The literature relevant to the study will be presented in Chapter two. Chapter two is further broken down into a review of concepts, a review of empirical studies, a theoretical framework and a conceptual framework for the study. The methodology detailing how the research was operationalised in terms of research design and approach, sampling and data collection as well as analysis will be presented in Chapter three. The fourth chapter will present results and discussions addressing the objectives of the study. The fifth chapter consists of summary of the main findings of the study, conclusions drawn and recommendations.



CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter presents a review of relevant literature for the study. The chapter is organised into four (4) major sections. The first section covering the conceptual literature review offers definitions of key concepts and overview of the financial sector from both the global perspective and that of Ghana context. The second section delves into a review of theoretical literature focusing on the intuitive theories focusing specifically on the Cognitive-experiential self-theory (CEST). The third section of the chapter cover review of empirical studies on consumer perception of financial sector clean-up; confidence of consumers in the banking industry and how financial sector clean-up influence consumer confidence. The fourth section outlines the conceptual framework of the study.

2.1 Conceptual review

2.1.1 Overview of the Financial Sector

The financial sector in general consists of all institutions and firms that provide financial services to individuals, businesses, and other commercial entities within an economy (Allen *et al.*, 2011). Asmundson (2012) describes the financial sector as a broad category of business that manages money. The broad category of firms and agencies in the financial sector includes banks, savings and loan companies, micro-finance institutions, insurance firms, investment companies, and real estate firms among others (Schueffel and Vadana, 2015). Other firms in the financial sector include credit unions, credit-card companies, stock brokerages, investment funds, individual asset managers, and some government-sponsored enterprises. A large section of firms in the financial sector generates revenue mainly through interest on loans and mortgages.

The financial sector consists of firms that are into the provision of commercial banking services, investment banking services, investment services, insurance services, foreign exchange services and other non-bank financial services (Krech, Kickbusch, Franz and Wells, 2018). Commercial banking services involve the act of helping businesses or creditors raise money in the form of bonds and equity or share capital. The principal task performed by commercial banks includes keeping depositor's savings safe and allowing withdrawal when needed, issuance of chequebooks, credit cards and debit cards, facilitation payment through branches and automatic teller machines (ATM), providing a platform for the transfer of funds electronically, provision of overdraft agreements and standing orders. The other important commercial banking services include the provision of personal, commercial and mortgage loans, and the selling of investment products such as mutual funds (OECD, 2021). Investment banking services refer to advisory services and serve as intermediates between corporations and the financial markets (Carosso, 2022). The services of investment bankers in the financial sector, therefore, include helping firms to raise capital by underwriting debts and equity, advising firms on mergers and acquisitions, provision of structured finance, undertaking securities research and investment management, provision of broker services and private banking services (Carosso, 2022).

Foreign exchange services in the financial sector include services such as currency exchange, wire transfer and remittance (Wewege, Lee and Thomsett, 2020). This service has raked in fintech companies that allow individuals to transfer funds from one currency of a country to the other within seconds. There are investment services providers in the financial sector as well. The services that such firms provide include collection of investment funds, management of hedge funds, provision of private equity funds, provision of venture capital, investment and wealth management and provision of custody services for assets and securities. Insurance firms in the financial sectors provide insurance brokerages for customers, underwriting insurance

and reinsurance (Hengesbaugh, 2020). Other players in the sector include angel investment networks that provide finance for future companies and start-ups, among many other players (Herck Giaquinto and Bortoluzzo, 2020). Many firms in the financial sector provide more than one of these services. In the US for instance, the passage of the Gramm–Leach–Bliley Act in the late 1990s allow different companies in the industry to merge and become large multilateral firms. The Act enable firms such as banks to simply acquire either insurance or investment companies under an original brand with the acquired company used as means to diversify their earnings. Some banks also established their own investment or insurance firms.

Globally the financial sector has been the bedrock of economies and is often among the first firms to receive government support during periods of widespread economic crisis (Barajas et al., 2020). Government attention toward the financial sector according to Rusuhuzwa (2021) increased tremendously following great financial crises that turn to exert a significant influence on the economy, households and livelihoods. The realisation that the financial sector influences economies have led to the sector becoming an integral part of economies and necessitated the introduction of unconventional monetary policy by central banks (Potter and Smets, 2019).). Since this realisation, ensuring the financial sector is resilient, transparent and smooth-functioning and stable is an important economic policy of every country of the world. This desire has increased the extent of monitoring of central banks over the financial sector of countries and government interventions in the sector.

2.1.2 The Financial Sector of Ghana

The financial sector of Ghana comprises mainly three (3) categories of firms, namely banking firms, insurance firms and firms in the capital market. The Banking sector of Ghana is traced to British West Africa established in 1896 in then Gold Coast to serve the British colonial administration and was renamed Standard Chartered Bank in 1985 (Twumasi-Ampong, 2020). The first indigenous bank known as the Ghana Commercial Bank was established only in 1953

to stifle control of the sector by only expatriate banks. Following the independence of Ghana, many more banks were established in the country but were largely mostly state-owned or at least have the state as the largest shareholder. Privatisation of state-own banks and liberalisation of the Ghanaian banking sector began in the early to middle 1990s. During this time, a number of foreign banks also entered the economy.

Currently, the formal banking sector of Ghana consists of the Bank of Ghana (Central Bank) as the regulator and several, merchant, commercial, development and rural banks (Obuobi et al., 2019). The Bank of Ghana Act [Bank of Ghana (BOG) Act 2002 (Act 612)] established the Bank of Ghana as the regulator and the apex banking institution in the country and subsequently, the Banking Act 2004 (Act 673) serve the legal framework within which banks operate the country. While all the rural banks are locally owned, the commercial bank has a blend of locally owned and foreign banks. According to the Bank of Ghana (BOG) report (2017), at the end of 2016, there were thirty-three (33) banks in Ghana of which, sixteen (16) of which are local owned and controlled while seventeen (17) were foreign-owned banks. These banks altogether as of December 2016 have a total asset of GH¢81.22 billion, which represent 32.01% of Ghana's GDP at that time (Bank of Ghana, 2017). Deposit-taking is one of the major activities of banks in Ghana. According to the 2017 report of the Bank of Ghana, deposits alone constituted 63.6 percent of the banking sector's total assets.

Besides the banks, other key players in the financial sector of Ghana are insurance companies. There is a growing demand for both life and non-life insurance products leading continual growth of firms in the insurance sector of Ghana (Andoh and Yamoah, 2021). In addition to insurance, there is a strong capital market operators in the financial sector of Ghana. The Ghana Stock Exchange (GSE) established by the Stock Exchange Act of 1971 (Act 384) in October 1990 provide the rules and regulations for companies seeking to be listed on the exchange market. There is also the Securities and Exchange Commission (SEC) established by the

Securities Industry Law 1993 (PNDCL 333) as amended under whose rules the GSE operate. The purpose of SEC in the financial sector of Ghana is to protect the investor on the Exchange to boost investor confidence in the capital market of Ghana and the financial sector as a whole (Akenten, Boateng and Kiros, 2020).

2.1.3 Financial Sector Clean-up in Ghana

Financial sector clean-up is a general term used to describe the act of the imposition of cleanup requirements or condition firms in the financial sector to prove that some firms are not reliable and suitable to operate under their current license of operations (Affum and Obiri, 2020). It may also be used to describe the act by a regulator that involves assessing the operations of firms in the financial sector against a set of parameters necessary to allow firms to continue to operate in the industry. The common means of clean-up in the financial sector is the use of recapitalization and other regulatory reforms based on performance or operational benchmarks. A clean-up requirement also known as "annual clean-up" refers to a situation whereby borrowers are given conditions that may include paying off the balance on their line credits as means of preventing them from using lines of credit as ongoing permanent financing (Kagan, 2022). A similar principle is applied by the central bank and other regulatory authorities to prevent banks from over issuance of credit and running into liquidity problems. (Altavilla, Boucinha, Burlon, Giannetti and Schumacher, 2022).

The financial sector clean-up was a similar practice for cleaning up the financial and banking sector of the country through recapitalisation and other regulatory reforms that were implemented from 2017 to 2018. The bank of Ghana (BOG) embarked on a clean-up of the banking sector to ensure the safety, soundness, and stability of the financial sector to support the economic growth of the country (Banking Act 673, 2004). The exercise started with the approval of the BOG announcement for the takeover of UT Bank LTD and Capital Bank LTD citing the insolvency of the two banks (BOG, 2017). The statement further indicated that the

BOG agreed with the two banks to increase their capital requirements, which the banks failed to do and therefore revocation of their license was justified to protect customers.

The clean-up started with the forceful takeover of UT Bank and Capital Bank by the GCB Bank, and a year later the Bank of Ghana announced the merger of five (5) indigenous banks which included Unibank Ghana Ltd, The Royal Bank LTD, Beige Bank LTD, Sovereign Bank LTD, and Construction Bank LTD into a new bank called the Consolidated Bank Ghana LTD (BOG, 2018). The reasons given for the collapsed of these banks also include issues of insolvency, and poor corporate governance among others. Specific corporate governance failures mentioned included the engagement of the board in activities that inured to their financial interest to the detriment of the banks, as non-performing loans were mostly advanced to board members or their relatives (BOG, 2018). The banking sector clean-up was also supported by claims from the bank of Ghana that the non-performing loan ratio was high, especially among the banks that collapsed increasing operating costs, decrease in profitability and undercapitalisation (BOG, 2018).

The clean-up in the financial sector was extended beyond banks to include microfinance and savings companies. Through this exercise, the licences of some 347 microfinance companies and that of 23 savings and loans and finance house companies were also revoked in 2019 by the bank of Ghana (BOG, 2019). A statement issued by the bank of Ghana explained that the revocation of the license of the banks was “... *in pursuant to section 123 (1) of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), which requires the BoG to revoke the licences of a bank or Specialised Deposit-taking Institution (SDI) when it determines that the institution is insolvent or is likely to become insolvent within the next 60 days*” (BOG, 2019). Customers of the affected banks and microfinance institutions were in disarray and agitated across the country concerning the fate of their deposits despite assurance from the government and the Bank of Ghana (Affum and Obiri, 2020).

2.1.4 The Concept of Consumer Confidence

Consumer confidence as a national economic indicator refers to the level of optimism that consumers have regarding the state of the economy and their financial circumstances (Kłopocka, 2017). At the national level, Consumer confidence index (CCI) is measured as the extent of optimism or pessimism of consumers based on their expected financial or economic circumstances (Daskalopoulou, 2014). This indicator is used to determine future developments and changes in households' consumption patterns and savings, based on projected financial conditions and sentiment about the economic conditions of citizens including the level of unemployment, and saving capacity (Kłopocka, 2017).

Within the above context, consumer confidence in the financial sector refers to the extent of optimism or pessimism that customers have about the financial sector based on projected changes or expectations about the sector. Consumer confidence in the financial sector is also defined as the trust and assurance consumers have regarding the stability, integrity and reliability of the financial sector to continue to provide expected services to customers (Diepstraten and van der Cruijssen, 2019). For consumer confidence in the financial sector, a number of conditions need to be met viz. guarantee access of clients to their money and financial resources in the sector, safety of customer records, prudential, regulation and supervision (Mwatetsera, Sandada, Chuchu and Maziriri, 2022). Mwatetsera et al. (2022) also provide a number of indices based on which confidence in the banking sector is depends, including customer satisfaction, products and services offered, convenience, digitalization, service culture, bank relationship, and market position.

A high or positive confidence of consumers in the banking sector means that consumers have a positive perception of the regulatory quality and assurance of continuous access to services provided by the banks (Kamason, 2020). Negative or low consumer confidence in a bank indicates a lack of trust in the regulatory and supervision activities as well as the capacity of

the bank to provide services when needed. Some scholars have equated consumer confidence to trust (Jureviciene and Skvarciany, 2013) and in this case, seen as a subjective construct that is influenced by a range of both the bank-related conditions as well as the experience of the customer. Thus, the concept of consumer confidence in the banking sector is a holistic concept that embodies trust in regulatory and supervisory activities and the capacity of banks to continually deliver services to customers now and into the near future.

2.2 Theoretical literature

Several theories explain how individuals react to critical events in their lives and how they develop or lose confidence in institutions and individuals. A broad body of theories that are commonly used in analysing people's responses to events such as the financial sector clean-up is intuitive theories. Intuitive theories are sets of integrated concepts and causal laws used to comprehend, explain, and predict certain behaviour of people as they encounter several phenomena in the world (Mahr and Csibra, 2022). One of the key intuitive that this study employs to analyse how the financial sector clean-up influences consumer confidence in the banking sector is the Cognitive-experiential self-theory (CEST).

The CEST explains the processes by which people form perception-based experiences or information they encounter in the world (Epstein, 2003). The CEST was developed by Seymour Epstein as a two-approach approach to issues people adopt to process information which are analytical-rational and intuitive-experiential information process systems (Norris and Epstein, 2011). The difference between these systems is that while the analytical-rational system is a conscious and deliberate activity that involves logical analysis of information, the intuitive-experiential system is a quick, automatic, and emotionally driven way of processing information that informal little cognisant efforts (Epstein, 2003).

Based on the CEST theory, it is understood that in individual day-to-day life, there is constant interaction between analytical-rational and intuitive-experiential allowing people to form opinions, and perceptions about events and circumstances (Epstein, 2003). The CEST assumes that the majority of the information processed by people involves the use of the experiential system which is fast, emotive and anchored on experience (Epstein et al. 1996).). For this reason, experiences that people encounter in their personal and business life may immediately trigger an emotional response of despondence or satisfaction leading to an increase or decrease in people's confidence about a phenomenon, institution and person. There are individual differences however with regard to the use of analytical-rational and experiential systems in the processing of information and these differences are reflected in how people form opinions on events in their life.

The application of the CEST to research in many fields have been documented. In clinical therapy, the CEST has been used to appeal to the rational system of people to prevent maladaptive thoughts and behaviour. The CEST has also been used to diagnose and treat psychopathologies based on individual differences in processing styles (Epstein et al. 1996). Although the application of CEST is predominantly in clinical psychology, its potential implications in other behavioural sciences are acknowledged. Fu and Kim (2019) studied the application of CEST on consumer behaviour towards eco-fashion consumption; Cerni, Curtis, and Colmar (2012) study on conflict-handling styles; Curtis and Wee (2021) study on leadership style among many others. The potential of this theory application in studying consumer perception and confidence in the banking sector following the financial sector clean-up is very high.

The relevance of the CEST theory to this study is that it explains the mechanism through which bank customer process the financial sector clean and the concomitant impact on consumer confidence in the banking sector of Ghana. As the fundamental assumption of the CEST,

people process experience either analytically or experientially. The financial sector clean-up forms a major event in the life of banking customers that has the potential to result in loss of confidence in the banking sector based on how the experience and information associated with the financial sector clean-up were received and processed. There is empirical evidence that some customers reacted negatively and lost confidence in the banking sector (Senanu and Narteh, 2022; Affum and Obiri, 2020) while others such as Baaye and Sanny (2019) show no negative consequences. These differences are marks of the information or experience processing styles employed. Understanding the influence of the financial sector clean-up on consumer confidence required the application of the CEST to see how the information processing style contributed to this observation.

2.3 Empirical review

There is extant empirical literature that has sought to throw light on the issues related to financial sector clean-up and customer confidence in the banking sector. Although this area is under-developed and not rich in research work, there are few studies that have revealed important insights on this phenomenon. Under this section, the literature review covers studies on the perception of customers towards financial sector clean-up and reforms, the factors influencing the perception about the clean-up and consumer confidence in the banking sector.

2.3.1 Perception about Financial Sector Cleanup

In the first place, the perception of customers/consumers regarding clean and reforms in the banking sector is a research starved area as much of the focus has been on general service quality and perception about the financial sector. There are however few studies that have looked at the perception and reaction of customers to the state of the financial sector and the need for reforms. A study by Yona and Inanga (2014) examines reforms in the financial sector of Tanzania with a focus on customers' perceptions about financial sector supervision and regulation practices. The main objective of this study was to establish the competitiveness of

commercial banks in Tanzania in response to changes and reforms in regulation and supervision. Data for the study were obtained from semi-structured interviews with 893 bank customers and 81 bank officials. Using the Statistical Package for Social Sciences (SPSS) for analysis of data collected, the study found that there is a positive relationship between financial sector reforms and the perception of customers and semi-customers on the competitiveness of the financial sector. Ultimately the finding of this study shows a positive perception of customers towards financial sector reforms.

A study in Ghana by Senanu and Narteh (2022) focuses on customer perception of banking reforms using their switching intention. The study identified mergers induced by regulations and acquisitions in the banking sector as key factors that influence consumers' intention to switch between retail banks. Using a quantitative method, data were collected from 392 bank customers through questionnaire administration. The findings show that reforms induced changes in prices, reputation and effectiveness of communication which then account for customer bank switching intention. The availability of substitutes moderated the direct effect of price on switching intention.

2.3.2 Factors Associated with Consumer Perception of Financial Sector Cleanup

There are a number of factors that influence how customers process financial sector reforms and their perception of reforms such as the banking clean-up. Some of these factors have been established by a number of empirical research. A number of demographic factors especially gender and age have been associated with consumer confidence perception about the financial sector clean-up. A study by Affum and Obiri (2020) on the repercussion of the financial sector clean-up exercise found that women have more negative views of the clean-up than men. The above study reported that only 18 percent of women maintain high confidence in the banking sector following the financial sector clean-up. An empirical study by Kamason (2020) on improving consumer confidence in banking post-bank crisis from Ghanaian bank

customers using a quantitative approach also finds experience in the banking sector as factors influencing consumers' perception of the financial sector clean.

2.3.3 Consumer Confidence in Banks Due to Financial Sector Clean-up

An important factor that is critical to the growth of the banking industry of any economy is consumer confidence. For this reason, many researchers have addressed a plethora of issues associated with consumer confidence in the banking sector. One such studies conducted by Chernykh, Davydov and Sihvonen (2019) involve a household opinions-based measure of public confidence in a Bank in Russia. The study adopted a panel data analysis approach with data from 260 Russian banks monitored from 2010 to 2017. The results of this study reveal that public confidence in banks is because of industry-level financial stability indicators but not bank-level risk characteristics.

In Zimbabwe, a recent study by Mwatetsera, Sandada, Chuchu and Maziriri (2022) examines the success factors for consumer confidence in the banking industry of Zimbabwe. The objectives of the study were to determine the level of consumer confidence in the banking industry and establish the factors that boost consumer confidence. A survey conducted with 426 employees of banks based on quantitative design constituted the methods employed. It was discovered from the results that customer satisfaction, location and convenience, product range or size of the bank, digitalization of the processes, service culture, bank relationships, and market position of the bank were the critical success factors for restoring consumer confidence in Zimbabwe.

The link between financial sector reforms and clean-up on consumer confidence in the banking sector is also a topic of interest to financial analysts and researchers. In one of these empirical research, Yombi, Nangpiire, Aloriwor Kutochigaga and Majeed (2021) examine the impact of the financial sector clean-up (collapse of banks) on bank customers in Ghana. The purpose

of the study is to find out the aspect of customers including confidence affected by the banks' collapse following the financial sector clean-up of 2017 to 2018. The study uses a quantitative approach, covering a total of 385 individual bank customers. The study finds that the banking sector caused a loss of confidence in the banking sector due to loss of capital, disincentive to do further savings, inability to pay creditors and a general decline in the capacity to handle needs including educational plans.

In another study in Ghana, Affum (2020) examined the effects of the financial sector clean-up. This research was conducted using mixed method approaches with data collected using a structured questionnaire and interview with key informants including branch managers, credit officers, and cashiers of all financial institutions that were not affected by the Bank of Ghana clean-up exercise in the Yilo Krobo Municipality, Ghana. The study discovers the clean-up exercise resulted in loss of confidence in the banking sector as a result of which deposit reduced significantly while withdrawal was increasingly high as customers panic and fear they may lose their savings and investments. Based on the account of this study the clean-up exercised resulted in a negative effect on consumer/customer confidence in the banking industry.

In contrast to the above research findings, a study by Baaye and Sanny (2019) concludes that despite the financial sector clean and banking shake-up, consumer confidence in the banking sector remains high. The main question the study answered was whether ordinary Ghanaians still have confidence in the financial sector. Using secondary data and evidence from the Afrobarometer survey, the study reveals that banks remain the most trusted financial institution in the country and are followed by mobile money services. The study also finds that savings and loan companies, microfinance companies, and traditional susu collectors safe remain the lowest in terms of consumer confidence indicating that the financial sector has not lost its place in terms of consumer confidence despite the financial sector clean-up.

2.4 Conceptual Framework

The conceptual framework for the study is developed based on the Cognitive-experiential self-theory (CEST) and a review of empirical and conceptual literature. It provides the interrelation of the variables/constructs covered in this study. Specifically, the conceptual framework demonstrates the direct relationship between the financial sector clean-up and how it affects consumer confidence in the banking sector and the factors that influence consumer perception regarding the banking sector clean-up. Based on the empirical literature review and the CEST, it is expected that individual demographics (age, gender and income), experience with the banking sector and the manner in which individuals process information (analytical-rational vs intuitive-experiential) influence the perception of the banking sector clean-up.

The clean-up of the banking sector is expected to have a direct effect on consumer confidence in the banking sector and indirectly through the perception of the consumers on the financial sector clean-up. It is envisioned having a positive perception of consumers on the financial sector clean-up result in a positive effect of the clean-up on consumer confidence while consumers with a negative perception result in a negative effect of the financial sector clean-up on consumer confidence in the banking sector. A diagrammatical representation of the conceptual framework and the ensuing hypotheses are presented in Figure 2.1.

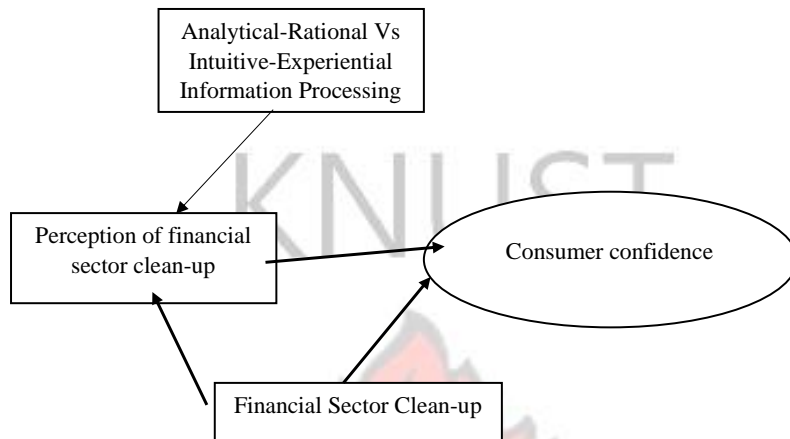


Figure 2. 1: Conceptual Framework for the Study



CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter outlines the methodology the research employs to conduct this research. The chapter presents the research design and approach, the target population of the study and how the sample of the study participants is selected. The chapter also outlines the type and sources of the data utilized, the measurement of variables and data collection methods and how data collected are analysed.

3.1 Research Design

The cross-sectional survey research design is used in this study to collect data from customers of services in the financial sector of Ghana. Cross-sectional survey design means that data are collected from the participants at only one-point in time without repeated measurement (Hunziker and Blankenagel, 2021). Cross-sectional research design is a type of survey research design that is used to collect observational or opinion data from the target unit of analysis at only a single point in time. Cross-sectional survey research design is most appropriate for studies that seek to examine the prevalence of a condition or observation, opinion, experience, attitude or behaviour among a large number of individual units or persons (Setia, 2016).). The focus of this study is on eliciting the opinion and perception of individuals in Ghana on the financial sector of Ghana with reference to the financial sector clean-up. Given this context, the cross-sectional survey research design is considered the most appropriate.

By using the cross-sectional survey design, the opinion, perceptions and attitudes of individuals towards the banking sector of Ghana were collected through a survey. Due to the nature of cross-sectional surveys, the information obtained is a snapshot of events, experiences, opinions or attitudes at a particular point in time and therefore does not allow for the establishment of trends or patterns over time. In this case, studies requiring the use of time-

dependent constructs or variables are unsuitable for such designs (Bartram, 2021). In this study, the aim is not to establish trends over time but to provide a one-off analysis of how individuals perceived the banking sector clean-up and their confidence in the sector. It is assumed that the opinion on the financial sector clean-up does not vary over time since it was a single event and therefore longitudinal data are not needed. The use of a cross-sectional survey design in this study provides a comprehensive overview of opinions on the financial sector cleanup and the effect on consumer confidence in the sector.

3.2 Research Approach

Generally research approach may take the form of a quantitative, qualitative or mixed-method approach depending on the nature of the study and the research design (Creswell and Creswell, 2017). In this study, the quantitative research design is used. The quantitative research approach involves the use of quantitative or numerical measurement in the collection and analysis of data for variables in a research study (Rashid and Sipahi, 2021). What this means is that the variables of the study are measured using quantitative indicators or proxies that allow quantitative statistical analysis using various descriptive and inferential statistics. The use of any research approach is dependent on the objectives the study seeks to address or research questions to be answered. Generally, quantitative approaches are necessary for studies that involve testing of theories or hypotheses as in the case of this study. A quantitative approach may also be used when there is the need to establish the extent existence of certain attitudes or dominance of opinions among others in a study.

In this study, the objectives involve establishing the extent or dominance of different perceptions about the financial sector clean-up of Ghana held by bank customers. This requires quantitative analysis to allow for comparison. The study also intends to establish the level of confidence of consumers in the banking industry of Ghana and the influence of the financial sector clean-up on consumer confidence in the banking sector. These objectives of the study

also lean towards quantitative analysis. The use of a quantitative approach also allows for the study to cover the large heterogeneous views of customers of financial institutions in Ghana.

3.3 Study Population

The study population include all customers of the financial sector of Ghana. This means all individuals and firms that use services of the financial sector of Ghana are targets of the study. For practical reasons, the target population focus on only individual customers that are within the geographic scope of the Ho Municipal in the Volta Region of Ghana. The focus is on individual customers of bank, who are 18 years and above and qualify to own a bank account falls within the scope of the study. Currently, there are no reliable records of all customers of the financial sector of Ghana and the Ho Municipal in the Volta Region of Ghana in particular.

3.4 Sample Size Determination and Sampling Technique

The study is conducted with a sample of individuals from the target population of customers of the financial sector of Ghana. Sampling is common practice in survey-based research as it is often impractical to consider the entire population for research work (O'Neill, 2022). In this study, the large size of the population makes it impractical to conduct a census for which reason a sample was used. There are loopholes associated with the use of a sample including bias in the selection or introduction of systematic errors which affects the credibility of research findings (Barraza, Arancibia, Madrid and Papuzinski, 2019). To overcome these limitations, a number of considerations were made in the selection of a sample for the study. The first was to ensure that the sample size was optimal enough in line with the objectives of the study. The second consideration was to ensure the sample selection process was appropriately done to eliminate biases and errors.

The Cochran sample size determination approach was used to determine the sample size to achieve sufficient statistical power for the study. According to Cochran (1963) is most suitable

for studies that involve a large population as in the case of this study. Cochran (1963) allows the desired sample size to be determined at a given level of precision (α), desired confidence level, the estimated proportion of the attribute present in the population (p) and the abscissa of the normal curve that cuts off an area α at the tails (z^2). For this study the level of precision (α) is the conventional 5% for a 95% confidence interval and the since the proportion of the attribute present in the population (p) is unknown the conventional value of 50% is used. The sample size of the study is determined as follows;

$$n_0 = \frac{z^2 pq}{e^2} = \frac{1.96^2 \times 0.5 \times 0.5}{0.05^2} = 384$$

To select the required sample of the respondents, a simple random sampling process was employed. Due to the absence of a sampling frame, the questionnaire for the study was distributed to all the financial institutions in the Volta Region of Ghana. After two weeks the questionnaires were collected with the total number of responses exceeding the sample size. A simple random sampling method was then employed to select 384 respondents out of the total that responded to the study.

3.5 Type and Sources of Data

This study is conducted with only primary data. Primary data are firsthand or original data collected by the researcher for a specific research purpose (D'Alberto and Raggi, 2021). The use of primary data is necessary when no sufficient or accurate secondary data are available to address the research objectives (Sharma, 2022). In this study the information needed to address the research objectives have not been collected by another researcher or organisation. For this reason secondary data are not available to use. Specifically, the data needed include the sociodemographic characteristics of bank customers, consumers' perception about the financial sector clean-up of Ghana in 2018, factors influencing consumers' perception about the banking sector clean-up in Ghana and the level of confidence of consumers in the banking

industry of Ghana. These data were collected directly from bank customers in Ghana as primary data.

3.6 Data Collection Methods and Instruments

In survey research, the data use is collected mainly through questionnaire administration. The questionnaire used was designed by the researcher to reflect the objectives of the study and is informed by literature and existing studies that have measured similar variables. The questionnaire used is divided into four (4) sections. The first sections ask questions on the demographic characteristics of the respondents including questions in gender, age, education and experience in banking. The second section covers questions on consumers' perception of the financial sector clean-up whereas the third section asks questions on factors influencing the perception of respondents in the financial sector clean-up. The four sections of the questionnaire have questions on the level of consumer confidence in the institution in the financial sector of Ghana. The questions include mainly close-ended and Likert scale-type questions only.

The administration of the questionnaire involves the distribution of print copies to all the banks in the Ho municipality in the Volta Region of Ghana. Completed questionnaires were collected from the banks after a period of two weeks. All completed questionnaires were evaluated for eligibility. Questionnaires not fully completed were left behind for follow-up with the respective respondent.

3.7 Data Analysis

The data from the questionnaire were entered into the Statistical package for Social Sciences (SPSS) for analysis. The first aspect of the analysis involves exploratory analysis to identify outliers, and test for normality and the assumptions associated with the statistical method to use for analysis. This process was followed by descriptive statistical analysis to obtain

frequency count and proportions as well as measures of central tendency (mean) and dispersion. The descriptive analysis was used to establish the perception of respondents on the financial sector clean-up and the level of confidence towards the banking sector of Ghana. A paired sample 't' test was performed to establish whether differences exist between consumer confidence in the banking sector before the financial sector clean-up and after the clean-up.

The analysis also involves other inferential statistical analyses mainly Chi-square test of association and t-test. A chi-square test of association was performed to establish the effect of various factors on the respondent's perception of the financial sector clean-up. A comparison of the mean test using t-test was also performed to establish the effect of the financial sector clean-up on consumer confidence in the banking sector.



CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the results from the analysis of the data collected for the study. The analysis is based on data collected from 352 out of a sample of 384 giving a response rate of 91.7%. The results are organised under five thematic areas namely; the demographic characteristics of the respondents, the consumer perception regarding the financial sector clean-up, factors influencing consumer perception of financial sector cleanup, level of confidence in financial institutions following the cleanup; and how the financial sector cleanup influence confidence in the financial sector of Ghana.

4.2 Demographic Characteristics of the Respondents

Some demographic characteristics of the respondents of the study are analysed to provide context for the results obtained. The relevant demographic characteristics include the sex of the respondents, age, level of education, occupation, and experience in the financial sector. The distribution of the respondents based on their demographic characteristics is presented in Table 4.1. The results show that with regard to sex, the majority (52.3%) of the respondents are females. But the dominance of females among the respondents is not very high males' constituted 47.7 percent of the respondents. This observation means that fair representation of the opinion of both males and females are captured in the study.

In terms of age, the results show that the dominant age class is 35 to 60 years constituting as much as 74.4% of the respondents. The youth fraction (18-34 years) constituted about a quarter (25.6%) of the study population. Generally, the middle age category of Ghana control more financial resources and engaged in financial transaction than the youth and the aged (Ghana Statistical Services, 2021). With this basis, it is expected that the majority of bank customers are mid-aged individuals as reflected in the age distribution of the respondents of this study.

Thus, the age distribution of the respondents can be said to equitably represent the level of engagement of different age groups in the financial sector of Ghana.

With regard to education, it is noted that the majority of the respondents are highly educated. Over 90 percent of the have tertiary education qualification while only 6.3 percent have secondary school level education. The dominance of highly educated individuals is due to the fact that largely operating bank accounts within the formal financial sectors for a long have been preserved the literates in Ghana like other African countries (Triki and Faye, 2013). In terms of occupation also, the dominant group is individuals employed in the formal sector (64.8%). In terms of the level of experience in the banking sector, the results show that 61.4% have over 10 years of experience, 20.7% have 7 years of experience and less than 15 percent have 3 years or fewer years of experience.

Table 4. 1: Demographic Characteristics of the Respondents

Characteristics	Responses	Frequency	Percent
Sex	Female	184	52.3
	Male	168	47.7
Age	18 -34	90	25.6
	35-60	262	74.4
Education	Senior high school	22	6.3
	Post-secondary (Polytechnic/College)	12	3.4
	University	318	90.3
Major Occupation	Employed in formal sector	228	64.8
	Employed in informal sector	57	16.2
	Self-employed/business owner	13	3.7
	Students	54	15.3
Experience	Less than a year	9	2.6
	1 to 3 years	45	12.8
	4 to 6 years	9	2.6
	7 to 9 years	73	20.7
	10 years or more	216	61.4

Source: Field Survey (2023).

4.3 Consumers' perception about the financial sector clean-up of Ghana in 2018

Under this section, the study examines the perception of the respondents regarding the financial sector clean-up. This analysis is preceded by an analysis of the context within which individual perceptions are expressed in terms of their level of awareness of the financial sector clean-up and whether they have personally been affected by the financial sector clean-up.

4.3.1 Awareness of the Financial Sector Clean up

The respondents are asked if they are aware of the financial sector clean-up that was carried out in Ghana between 2018 and 2019. The results from this query are presented in Figure 4.1. The results show that an overwhelming majority (86.4%) of the respondents are aware of the financial sector clean-up while only a small proportion (less than 15%) indicated they are not aware. This result shows that there is high level of awareness among customers of the financial sector about the clean-up in Ghana. This observation is attributable to the wide publication associated with the clean-up and the wide effect on many financial institutions in the country.

According to Affum and Obiri (2020), the financial sector clean-up was one of the popular events in the financial sector of Ghana in recent times. Protests, protracted public discourse and legal action that accompanied the financial sector clean-up further made the exercise popular and increase the level of awareness among customers in the financial sector. The high level of awareness of the financial sector clean-up is therefore unsurprising and attributable to the scale of the clean-up and the public interest and opprobrium it generated.

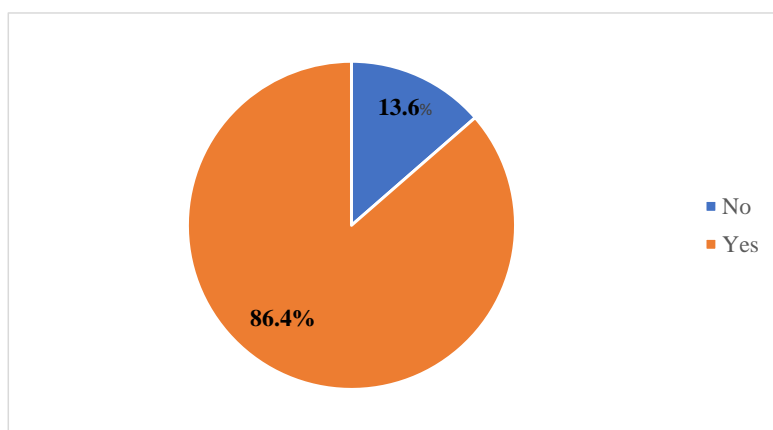


Figure 4. 1: Bank Customers that are aware of the financial sector clean-up

Source: Field Survey (2023)

4.3.2 Proportion of Respondents Affected by Financial Sector Clean

The study also sought to find out the proportion of the respondents that were affected by the financial sector clean-up by way of being customers of a collapsed bank or financial institution. The respondents are asked to indicate if they had an account with one of the collapsed banks or financial institutions as part of the financial sector clean-up. The results obtained are presented in Figure 4.2. The results show that although majority of the respondents were not directly affected a significant number were however affected. In all, 126 of the respondents representing 35.8% were affected by the financial sector clean-up with 64.2% however indicating they were not affected.

The above observation confirms the widespread range of the effect of the financial sector clean-up on customers in the financial sector of Ghana. A report by Obuobi et al. (2019) indicates that people across all regions of the country were affected by the financial sector clean-up. The results confirm the widespread effect with over a third of the respondents indicating that they have been affected by the financial sector clean-up. The high number of people affected also

means a wide ripple effect across the country and potential implications on the perception of the financial sector as a whole.

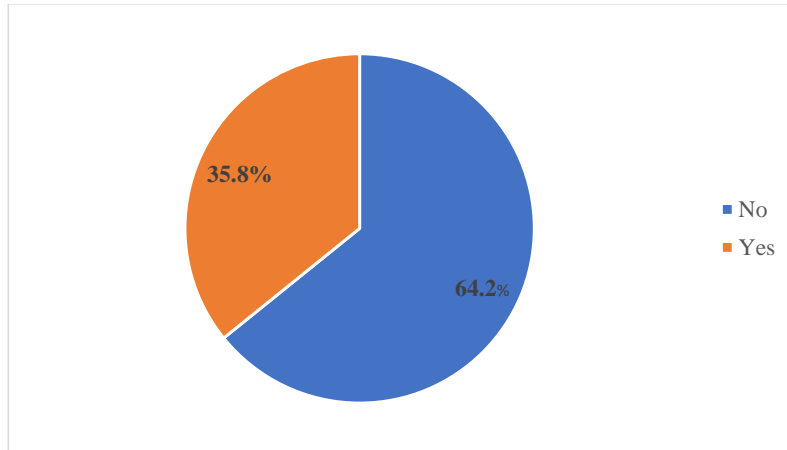


Figure 4. 2: Proportion of respondents affected by financial sector clean-up

Source: Field Survey (2023)

4.3.3 Perception of the Financial Sector Cleanup

The study explores the perception of the respondents on financial sector clean-up. The summary statistics of the results from the analysis are presented in Table 4.2. The results show that the statement the respondents most disagree with is that “*The financial sector clean-up followed due diligence in the closure of banks*” (Mean=2.1, SD=1.003). The results further show that the respondents also hold the perception that they were not fairly handled during the process of bank closures that followed the financial sector clean-up. This is indicated by the fact that the respondents on average disagree with the statement “*I was fairly handle with regards to bank closer during the financial sector clean-up*” (Mean=2.2, SD=1.1142). This observation is an indication of a low level of satisfaction with the processes following bank closures during the financial sector clean-up.

A study by Kamason (2020) reveals that banks' customer satisfaction with the financial sector clean-up is low coupled with fluctuation in confidence in the banking system as a whole. This observation is in tandem with the perceived lack of fairness and due process in the bank closer during the financial sector clean-up as found from this study. This is also further evidenced by the results of this study showing customers' expectations were not met during the financial sector clean-up. As the results show, the respondents also disagree that the overall, financial clean-up met their expectations (Mean=2.2, SD=0.8831). This means that customers have reservations about the clean-up in terms of fairness to them and meeting their expectations.

On the contrary, the respondents were neutral on average with regards to whether the financial sector clean-up was necessary (Mean=2.5, SD=1.2449) and that the financial sector clean-up inured to the benefit of customers (Mean=2.5, SD=1.2096). This observation is an indication of split opinion and perception when it comes to the necessity and benefits of the financial sector clean-up to customers.

Table 4. 2: Perception of Customers on the financial sector clean-up

Perception Statement	Mean	SD
<i>There was due diligence in the closure of banks</i>	2.1	1.003
<i>I was fairly handled when banks collapsed during the financial sector clean-up</i>	2.2	1.114
<i>Overall, the financial clean-up met my expectation</i>	2.2	0.883
<i>I believe the financial sector clean-up was necessary</i>	2.5	1.245
<i>I believe the financial sector clean-up inured to the benefit of customers</i>	2.5	1.209

Source: Field Survey (2023)

4.4 Factors influencing consumers' perception about the banking sector clean-up.

Information collected on these objectives was analysed using chi-square statistics. In the questionnaire, respondents were asked to respond to each statement on a five-point scale (strongly disagree, disagree, neutral, agree, and strongly agree). However, strongly disagree and disagree were merged to form disagree, and agree and strongly agree were merged to form

agree. So, in the table, the responses are presented using a three-point scale. The frequencies and percentages indicate the number and proportion of respondents who agreed, disagreed or were neutral concerning each statement. The chi-square results quantify the degree of the association between respondents' agreement or disagreement with each statement and their view of the banking sector's clean-up. The existence of a relationship between the two variables is shown by a significant chi-square result. In analysing the responses using chi-square statistics, the respondents were expected to respond equally (33.3%) to all categories (disagree, neutral, agree). However, there were differences in the observed and expected frequencies for all categories.

In analysing the results, 184 respondents (52.3%) disagreed with the statement, "I typically skim (i.e., move fast) through information without much thinking," while 96 (27.3%) were neutral and 72 (20.4%) agreed. The chi-square value of 19.364 is significant ($p < 0.001$), demonstrating a substantial correlation between respondents' responses to the statement and their assessment of the banking sector clean-up. This suggests that respondents who disagreed with this assertion may have spent more time examining the material on the banking sector clean-up and had a more favourable opinion of the sector clean-up.

Similarly, 109 respondents (31.0%) disagreed with the second statement, "I quickly examine the source of the information and decide what to do," while 87 (24.7%) were neutral, and 156 (44.3%) agreed. The chi-square value of 154.818 with a degree of freedom of 3 is significant ($p < 0.001$). The chi-square value indicates that there is a stronger correlation between respondents' responses to this statement and their evaluation of the banking sector clean-up. This shows that those who agreed with the statement may have relied more on the information source when making a choice regarding the banking sector clean-up, whereas those who disagreed or were indifferent may have taken a more critical approach when evaluating the information.

For the statement "I act swiftly on any information I see on the financial sector clean-up," 103 respondents (29.3%) disagreed, 93 (26.4%) were neutral, and 156 (44.3%) agreed. The chi-square value of 72.659 with a degree of freedom of 3 is significant ($p < 0.001$), indicating that there is a substantial correlation between respondents' responses to the statement and their impression of the banking sector clean-up. Specifically, the results indicate that those who agreed with the statement were more likely to have a favourable perception of the banking sector cleanup, whereas those who disagreed were more likely to have a negative perception. This result is supported by the study of Chernykh et al. (2019) who undertook a study on people's opinion of the banking sector.

In the statement, "I am more inclined to skip the detailed content when I perceive the source of the information to be influential," 172 respondents (48.8%) disagreed, 108 (30.6%) were neutral, and 72 (20.6%) agreed. The chi-square value of 16.636 with a degree of freedom of 3 is statistically significant ($p < 0.001$). The chi-square score reveals a significant link between respondents' reactions to this remark and their appraisal of the banking sector clean-up. In this case, those who agreed with the statement were more likely to have a negative perception of the banking sector clean-up, while those who disagreed were more likely to have a positive impression.

For the statement, "I take a long time thinking about the information I received on the financial sector clean-up," 148 respondents (42.0%) disagreed, 93 (26.4%) were neutral, and 111 (31.6%) agreed. The chi-square value of 155.159 with a degree of freedom of 3 is significant ($p < 0.001$), showing that there is a strong correlation between respondents' answers to this statement and their assessment of the banking sector clean-up. This trend of results is in line with that of Norris and Epstein (2011) on how people process information. This indicates that the relation between respondents' opinions and their behaviour connected to the financial sector clean-up is significant.

In the statement, "I try to verify information on the financial sector clean-up before taking action on it," 76 respondents (21.5%) disagreed, 87 (24.7%) were neutral, and 189 (53.8%) agreed. The chi-square result of 88.5111 with a degree of freedom of 3 is significant ($p < 0.001$), showing that there is a substantial relationship between respondents' reactions to this statement and their assessment of the banking sector clean-up.

In the statement, "I go through the details, information, and press release on the financial sector clean-up before making a decision on it," the chi-squared value of 103.852 with a degree of freedom of 3 is significant ($p < 0.001$), indicating that there is a strong correlation between the responses to this statement and their perceptions of the banking sector cleanup. More specifically, the result suggests that a majority of the 192 respondents (54.6%) agreed that they go through the details, information, and press release on the financial sector clean-up before making a decision on it. In contrast, 85 (24.1%) of respondents disagreed with the statement, indicating that they do not examine the specifics prior to making a decision. A neutral response was observed by 75 (21.3%) of the respondents. This finding implies that there is a significant association between a person's level of interest in reviewing the information related to the financial sector clean-up and their perception of the clean-up process.

The last statement in this section read "I found myself making connections between the information I have received on the financial sector clean-up and what I heard from others." From the results, the chi-square result of 149.364 with a degree of freedom of 3 is significant ($p < 0.001$), indicating a significant correlation between respondents' responses to this statement and their evaluation of the banking sector clean-up. The statement shows that a majority of the respondents 201(57.2%) agreed that they found themselves making connections between the information they received on the financial sector clean-up and what they heard from others. In contrast, 76 (21.5%) of respondents disagreed with the statement, indicating that they found no correlation between the information they got and what they heard from others. The

remaining 75 (21.3%) of the respondents were impartial. This finding supports that of Yona and Inanga (2014) and suggests that a person's ability to connect the information they received with what they heard from others has a significant impact on their perception of the banking sector clean-up.

In general, the results suggest that the cognitive processing styles, information-seeking behaviours, and reliance on information sources of the respondents are related to their perceptions of the banking sector clean-up. Respondents who take more time to think about and verify the information and those who examine the sources of information carefully may have a more positive perception of the banking sector clean-up. In contrast, those who tend to skim through information quickly and rely less on sources of information may have a less favourable perception of the banking sector clean-up.



Table 4. 3: Factors influencing consumers' perception about the banking sector clean-up

Statements	Responses/Frequencies			Chi-square (df=3)	Interpretation
	Disagree	Neutral	Agree		
I usually skimmed (i.e. moved quickly) through information without much thoughts	184 (52.3%)	96 (27.3%)	72 (20.4%)	19.364	Significant
I briefly looked at the source of the information and decide what to do	109 (31.0%)	87 (24.7%)	156 (44.3%)	154.818	Significant
I take action immediately with any information I saw concerning the financial sector clean-up	103 (29.3%)	93 (26.4%)	156 (44.3%)	72.659	Significant
I'm more likely to skip the detail content when I see the sender of the information as being influential	172 (48.8%)	108 (30.6%)	72 (20.6%)	16.636	Significant
I take long time thinking about information I received on the financial sector clean-up	148 (42.0%)	93 (26.4%)	111 (31.6%)	155.159	Significant
I try to verify information on the financial sector cleanup before taking action on them	76 (21.5%)	87 (24.7%)	189 (53.8%)	88.5111	Significant
I go through the detail contents information and press release on the financial sector clean-up before making decision on it	85 (24.1%)	75 (21.3%)	192 (54.6%)	103.852	Significant
I found myself making connections between information I have received on the financial sector clean-up and what I heard from others	76 (21.5%)	75 (21.3%)	201 (57.2%)	149.364	Significant

Source: Field Survey (2023)

4.5 Level of confidence of consumers in the banking industry of Ghana

The study also seeks to establish the level of confidence of consumers in the banking industry before and after the financial sector clean-up. The respondents are asked to indicate the extent of confidence they have in various financial institutions categories and compared before the financial sector clean-up with after the clean-up. The respondents are to indicate from a range of very low (1) to very high (5), their confidence in banks, savings and loans, the susu system, mobile money and saving at home. The results showing the mean rating of confidence in financial institutions and the mean comparison are presented in Table 4.4.

The results show while the mean rating of consumer confidence in banks was 3.6 before clean-up, the after clean-up was 2.7. The results show a significant reduction in consumer confidence in banks at 5 % ($t=10.83$, $p<0.05$). The results further show that there is a significant reduction of consumer confidence in savings and loan companies ($t=4.89$, $p<0.05$), microfinance companies ($t=6.554$, $p<0.05$) and mobile money ($t=4.097$, $p<0.05$). The significant reduction in confidence gives an indication that there has been loss of confidence associated with the financial sector clean-up. This supports the findings from some past studies such as that of Affum and Obiri (2020) and Yomboi et al. (2021) on loss of confidence in the financial sector due to the clean-up.

The loss of confidence in financial institutions means consumers in the banking sector means that consumers have a negative perception of the regulatory quality and assurance of continuous access to services provided by banks and other financial institutions (Kamason, 2020). This observation is therefore evidence of dwindling trust in regulatory and supervisory activities and the capacity of banks to continually deliver services to customers now and into the near future. In contrast to the above, there is an increase in confidence in saving money at home ($t=-8.416$, $p<0.05$). Increased confidence in saving money at home is an indication of low confidence in the financial sector.

Commented [p1]: Seeks

Commented [p2]: loss

There is also no significant difference in mean consumer confidence in Traditional susu collectors between before and after the financial sector clean-up. This observation is large because the financial sector clean-up did not affect the traditional susu system. Although consumer confidence in financial institutions is relatively a subjective concept, it offers insight into future expectations in terms of the behaviour of customers of the financial sector institutions (Jureviciene and Skvarciany, 2013). Thus, it is expected that without reverting the declining confidence, financial institutions may struggle to attract and maintain customers in the years to come.

Table 4. 4: Comparison of confidence in financial institutions before and after the clean-up

<i>Financial Institution</i>	Before clean-up		After Clean-up		t	p-value
	Mean	SD	Mean	SD		
<i>Banks</i>	3.6	1.229	2.7	1.180	10.83	0.00
<i>Traditional susu system</i>	2.6	1.317	2.5	1.001	1.18	0.241
<i>Savings and loan company</i>	2.7	1.337	2.3	0.990	4.89	0.00
<i>Microfinance companies</i>	2.7	1.255	2.2	1.001	6.55	0.00
<i>Mobile money wallet</i>	3.7	1.104	3.5	1.174	4.10	0.00
<i>At home</i>	2.6	1.1787	3.2	1.0981	-8.416	0.00

Source: Field Survey (2023)

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter presents the main findings of the study, the conclusion drawn and recommendations made. The chapter is, thus, divided into three parts. Part, one presents a summary of the findings. Part two presents the conclusion of the study. Part three focuses on the recommendations of the study.

5.1 Summary of Findings

The findings of the study revealed a high level of awareness and different perceptions of the participants on the financial sector clean-up. The factors that are found to have influenced consumers' perception of the financial sector clean-up include cognitive processing styles, information-seeking behaviours, and reliance on information sources of the respondents are related to their perceptions of the banking sector clean-up. Specifically, the findings reveal that respondents who take more time to think about and verify the information and those who examine the sources of information carefully may have a more positive perception of the banking sector clean-up. In contrast, those who tend to skim through information quickly and rely less on sources of information may have a less favourable perception of the banking sector clean-up.

With regard to the level of confidence of consumers in the banking sector of Ghana, different observations are made. The findings reveal consumers' confidence in institutions in the financial sector including banks, traditional susu system, savings and loan company, microfinance companies and mobile money wallet were average but higher before the financial sector clean-up than after. A paired sample t-test performed shows that there is a significant difference between the level of confidence of consumers in financial institutions before the financial sector clean-up as compared to after the clean-up. There is a higher level of

confidence in consumers in the financial sector before the clean-up as compared to after the clean-up. This means that the financial sector clean-up has a negative effect on consumer confidence in the financial sector.

5.2 Conclusion

The general objective of this study is to examine the effects of financial sector clean-up on consumer confidence in the banking industry of Ghana. To achieve this, cross-sectional survey research was conducted with all individuals and firms that use services of the financial sector of Ghana as target participants. Overall, 384 consumers of financial sector services were sampled randomly of which 352 participated in the study. Using various quantitative statistical techniques including the Chi-square test of association and paired sample t-test, the factors influencing consumer perception of financial sector clean-up and the influence of the financial sector clean-up on consumer confidence in the banking sector were established.

Overall, the financial sector clean-up exercise is found to negatively influence consumer confidence in the financial sector with a decline in confidence in financial institutions such as banks, microfinance institutions and savings and loan companies.

5.3 Recommendations

The findings reveal that the perception of consumers on the financial sector clean-up was influenced by the information consumers received and how they processed them. This means that by enhancing the clarity and comprehensiveness of communication about the financial sector clean-up, positive perception and support for the clean-up could be achieved. It is therefore recommended that future financial sector and clean-up should be preceded by effective communication by the Bank of Ghana and other regulators to all relevant stakeholders including consumers of financial services in the country.

The findings of this study have revealed a significant decline in consumer confidence in the financial sector of Ghana following the financial sector clean-up. This observation calls for urgent measures to enhance consumer confidence. Public awareness creation, town halls and educational programmes can be designed by banks and the Ministry of Finance tailored towards different stakeholders to reassure them of the credibility and integrity of the institutions in the financial sector to boost their confidence.

Given the negative effect of the financial sector clean-up, there is a need to put in measures to forestall the possibility of clean-up and major reforms in the financial sector of Ghana. This can be achieved through the work of the Bank of Ghana and other institutions responsible for supervising the financial sector.

5.4 Recommendation for Future Research

Based on the findings of this study, it is recommended that individual level factors that influence confidence in financial sector needs to be examine. Other area of concern for future research is the profitability and robustness of banks following the financial sector clean-up. Evidences from these studies will put the effect of the financial sector clean-up into perspective.

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APPENDIX
QUESTIONNAIRE FOR BANK CUSTOMER

Dear Sir/Madam,

I am a candidate for Master of Science Accounting and Finance at the Kwame Nkrumah University of Science and Technology, Kumasi. As part of the requirement for the award of the degree, I am conducting research study on the topic *Effect of financial sector clean-up on consumer confidence in the banking industry of Ghana*

I'm seeking your assistance to fill the questionnaires attached for the purpose of the study. The filling of the questionnaire will take less than twenty minutes to complete. Kindly answer all the questions as best as you can. The research results will be used for academic purposes only and will be treated with utmost confidentiality.

General Instructions

- There is no need of writing your name
- There is no right or wrong answer, only indicate what is true to you as honest as possible.

Before taking part in the study you must indicate whether you give consent to participating in the study by answering the question below;

I am at least 18 years of age and agree to participate in the research study. I understand the purpose and nature of this study and I am participating voluntarily. I understand that I can withdraw from the study at any time, without any penalty or consequences.

☐ Yes

☐ No

SECTION A: DEMOGRAPHICS

1. What is your gender?

☐ Male

☐ Female

☐ Prefer not to say

2. How old are you?

☐ 18 -34

☐ 35-60

☐ 61 years or older

3. What is the highest education qualification you have obtained?

☐ No education

☐ Basic education (Primary & JHS)

☐ Senior high school

☐ Post-secondary (Polytechnic/College)

☐ Tertiary

☐ Informal Education

4. What is your primary occupation?

☐ Employed in formal sector

☐ Employed in informal sector

☐ Trader/business

☐ Farming or other agrarian activity

☐ Self-employed/business owner

☐ Unemployed

☐ Students

5. How long has it been since you started operating a bank account?

☐ Less than a year

☐ 1 to 3 years

☐ 4 to 6 years

☐ 7 to 9 years

☐ 10 years or more

SECTION B: Perception About The Financial Sector Clean-Up Of Ghana

6. Are you aware of the financial sector clean-up that took place from 2017 to 2019

☐ Yes

☐ No

7. Do you have account with any of the banks that collapsed?

☐ Yes

☐ No

8. Do you have account or subscribe to products of the collapsed microfinance companies?

☐ Yes

☐ No

9. Indicate your perception of the financial sector clean-up based on the statement in the table using Strongly disagree (SD), disagree (D), neutral (N), agree (A) and strongly agree (SA).

Statements	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
I believe the financial sector clean-up was necessary					
The financial clean-up exercise was fairly done by the Bank of Ghana					
Banks that collapse were fairly handle by the bank of Ghana					
The clean-up requirement and recapitalization requirement were appropriate					

The Bank of Ghana did due diligence in the closure of banks					
I believe the financial sector clean-up inured to the benefit of customers					

SECTION C: Factors Associated consumers' perception about the banking sector clean-up

10. Please indicate the extent to which you agree or disagree to the following statement regarding how you processed information relating to the banking sector clean-up

1= Strongly disagree, 2= Disagree; 3= Neutral/unsure, 4=Agree, 5=Strongly agree

SN	Statement	Response				
IE1	I usually skimmed (i.e. moved quickly) through information without much thoughts	[1]	[2]	[3]	[4]	[5]
IE2	I briefly looked at the source of the information and decide what to do	[1]	[2]	[3]	[4]	[5]
IE3	I take action immediately with any information I saw concerning the financial sector clean-up	[1]	[2]	[3]	[4]	[5]
IE4	I'm more likely to skip the detail content when I see the sender of the information as being influential	[1]	[2]	[3]	[4]	[5]
AR1	I take long time thinking about information I received on the financial sector clean-up	[1]	[2]	[3]	[4]	[5]
AR2	I try to verify information on the financial sector cleanup before taking action on them	[1]	[2]	[3]	[4]	[5]
AR3	I go through the detail contents information and press release on the financial sector clean-up before making decision on it	[1]	[2]	[3]	[4]	[5]
AR4	I found myself making connections between information I have received on the financial sector cleanup and what I heard from others	[1]	[2]	[3]	[4]	[5]

SECTION C: CONFIDENCE OF CONSUMERS IN THE BANKING INDUSTRY

11. Please indicate in the table below your level of confidence regarding the safety and stability of money saved or invested in the following places before the financial sector clean-up

SOURCES	Very low	Low	Neutral	High	Very High
Banks	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Traditional susu collector	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Savings and loan company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Microfinance companies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mobile money wallet	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
At home	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

12. Please indicate in the table below your level of confidence regarding the safety and stability of money saved or invested in the following places after the financial sector clean-up in 2019

SOURCES	Very low	Low	Neutral	High	Very High
Banks	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Traditional susu collector	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Savings and loan company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Microfinance companies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mobile money wallet	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
At home	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

13. Please indicate what you think about the banking sector of Ghana by indicating whether you agree or disagree with the following statements following the end of the financial sector clean-up

1= Strongly disagree, 2= Disagree; 3= Neutral/unsure, 4=Agree, 5=Strongly agree

Statement	Response				
I feel my money in the banking sector of Ghana is saved	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I am satisfied with the services delivery in the banking sector	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I have trust that my bank has the capacity to fulfil its obligation to me as a customer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
I trust the regulatory and supervisory role of the Bank of Ghana in the banking sector of Ghana	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
There is guarantee of long-term existence of banks in Ghana	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

I am not afraid of losing my investments or savings in the banking industry of Ghana	[1]	[2]	[3]	[4]	[5]
There is regulatory quality and assurance continuous access to services in the banking sector of Ghana	[1]	[2]	[3]	[4]	[5]

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