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- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
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- Kumar S. (2011): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University, Kurukshetra.

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A CRITICAL ANALYSIS OF COMMERCIAL BANKS PERFORMANCE IN GHANA

ALHASSAN BUNYAMINU
LECTURER
BANKING & FINANCE DEPARTMENT
UNIVERSITY OF PROFESSIONAL STUDIES
ACCRA

FUSEINI MAHAMA
LECTURER
ACCOUNTING DEPARTMENT
BOLGA POLYTECHNIC
BOLGATANGA

ABSTRACT

The introduction of universal banking law has brought changes over the years, with its stiff competition in the banking industry. Commercial banks are no exception to the modern changes in ensuring adequate information towards their organizational goals. This study seeks to assess the performance of commercial banks in Ghana, using Ghana Commercial Bank (GCB) Limited as a case study. Secondary data obtained from the published annual reports of GCB Limited covering the period of three (3) years from 2010 to 2012 which includes the financial statements of the bank was used as the main source of data for this study. The study used the SPSS software to run multiple Regression analysis by examining the inter-relationship between bank performance (Dependent variable) and a number of explanatory (Independent) variables or key determinants of banks financial performance such as Total Loans and Advances, Customers Deposits, Total Assets, Profit after tax and Net Income. The study revealed that various indicators over the past three years (2010-2012), have performed well and has contributed to the growth of the bank. The GCB was not topping in all the indicators when compared with other banks in the industry, but have contributed to the industry at large. The study also revealed that Profit after tax and Total loans and advances served as the major indicators of Ghana Commercial Bank performance for the period under study.

KEYWORDS

commercial bank, financial intermediary, employee's performance appraisal, customer deposits mobilization, loans and advances.

1.1 BACKGROUND OF THE STUDY

The strength and sustainability of a country's banking system is one of the key determinants for its economic development, especially in countries with bank-based financial systems (UNDP, 1994). As a result, the performance of the banking system is always an area of interest and concern to government regulators and academic researchers.

The Ghanaian banking industry is one of the service industries that are significantly contributing to the growth of the economy (Ghana Banking Survey, 2013). It plays a vital role in capital mobilization and also grants financial facilities to businesses that seek to grow and develop. The Banking sector has undergone significant transformation and continues to improve with new regulations and guidelines seeking to maintain stability. This has made the sector more efficient, innovative, competitive and profitable. The transformation of the industry has resulted in an emergence of technologically innovative products and services (World Bank report, 2013). Banks have employed these innovative products and services in their operations so as to provide customers with easy accessibility of their services. The banking industry has immense prospects in both the local and international arena. For the banks to actual demonstrate these prospects in practice and position themselves strategically for quality effective service delivery, it is critical for them to make information available in all aspects of their operations to the general public.

In view of the above, the banking industry has made a great effort in recent times by making information regarding their performance available in the public domain (Ghana Banking Survey, 2013). Access to relevant information on issues affecting their performance is pertinent for their development. Information therefore has become a powerful tool in modern development; and banks would have to ensure accuracy and constant flow of information with regards to their operations and performance to the public in order to build confidence in the clients and investors.

Information access based on sound judgment of performance especially to the finances of a business is relevant to all stakeholders, especially potential investors to make sound and informed decisions.

This study therefore used banks performance indicators such as Customer Deposits mobilization, Loans and Advances, Net Income, Profit after tax, and Total Assets to measure the financial performance of the Ghana Commercial Bank (GCB) Limited.

2.0 LITERATURE REVIEW

2.1 THEORETICAL LITERATURE

In theory, performance indicators are categorized into three indicators: bank-specific, industry-specific and macroeconomic. Bank specific indicators include: growth in bank assets, capital adequacy, operational efficiency, and liquidity. The common measure for industry-specific representative used in various studies is bank-concentration. While on the other hand, the key macroeconomic variables include: growth in GDP, GDP-per-capita inflation expectation, interest rate and its spread.

Aguinis (2005) argues that performance in any organization is determined by three major factors namely: (i) Declarative knowledge which is information about facts and things including information regarding a given task's requirement, labels and principles; (ii) Procedural knowledge which is a combination of knowing what to do and how to do it and includes cognitive physical, perceptual, motor and interpersonal skills and (iii) Motivation which also involves three types of behaviours; choice to expend effort and choice to persist in the expenditure of that level of effort. He establishes an equation for performance as the product of these three determinants as:

Performance = Declarative knowledge × Procedural Knowledge × Motivation

Therefore if any of the variables is zero, then performance is zero and low score in any of the variables will definitely lead to low performance.

PERFORMANCE MEASUREMENTS

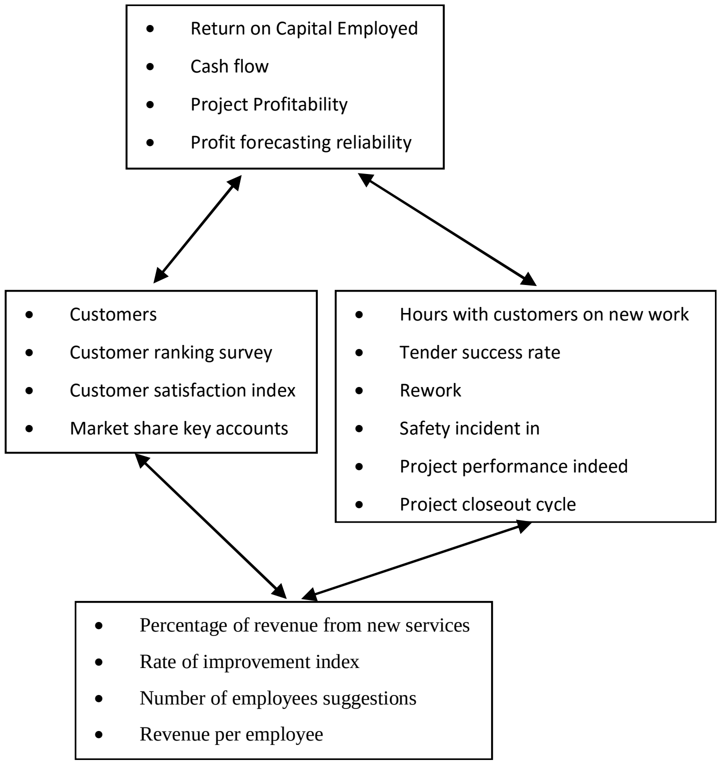
A performance measure system enables enterprise to plan, measure and control its performance according to a pre-defined strategy. Some of the major performance measurement systems in use today are profiled below.

- The Balance Scorecard
- Economic Value Added (EVA)
- Customer Value Analysis/Customer Relationship Management
- Performance Prism developed by Adams, Andy and Mike.

BALANCED SCORECARD

The Balance Scorecard is the most widely applied performance management system. The Balance Scorecard measure performance across a number of different perspectives namely; financial perspective, a customer perspective, an internal business process perspective and an innovation and learning perspective. Through the use of various perspectives, the Balance Scorecard covers both leading and lagging performance measure, thereby providing a more balanced view of company performance. Leading indicators include, measures such as customer satisfaction, new product development, on time delivery, etc. traditional lagging indicators include; financial measures such as revenue growth and profitability (Kaplan & Norton, 2002). The Balanced Scorecard performance management systems have been globally adopted because this approach enables organizations to align all level of staff around a single strategy so that it can be executed more successfully (Kaplan & Norton, 2002). Example of a Balanced Scorecard is shown below:

Fig. 1



Source: Kaplan and Norton (2002)

Some benefits a firm can obtain from properly implementing the Balance Scorecard include:

- Translation strategy into more easily understood operational metrics and goals.
- Aligning organizations around a single, coherent strategy
- Making strategy everyone's everyday job, from CEO to the entry level employee.
- Making strategic improvement a continual process
- Mobilizing change through effective leadership

ECONOMIC VALUE ADDED (EVA)

EVA can be defined as an overall measure of organizational performance. EVA is both a specific performance measure and the basis for a larger performance measurement framework. EVA is designed to give managers better information and motivation to make decisions that will create the greatest share holder wealth. Since EVA is a single metric, is complementary to the BSC framework (for e.g.; as a financial perspective measure) Customer Value Analysis and Customer Relationship Management (CVA)

CVA and Customer Relationship Management (CRM) techniques are enabling businesses to improve performance, to measure that improvement and to focus a firm on the value of its customers. Moreover, CVA and CRM technologies are providing firms with better data integration and hence, better measurement regarding customers.

- Customer Value Analysis and Customer Relationship Management techniques are enabling businesses to improve performance, to measure that improvement and to focus a firm on the value of its customers. Moreover, CVA and CRM technologies are providing firms with better data integration and hence, better measurement regarding customers.
- Performance Prism. The performance prism is a thinking aid which seeks to integrate fire related perspectives and provide a structure that allows executives to think through the answers to fire fundamental questions.
- Stakeholder Satisfaction; who are our stakeholders and what do they want or need?
- Stakeholder Contribution; what do we want and need from our stakeholders?
- Strategies: what strategies do we need to put in place to satisfy these sets of wants and needs?
- Process: what process do we need to put in place to satisfy these sets of need and wants
- Capabilities; what bundles of people, practices, technology and infrastructure- do we need to put in place to allow us to operate our processes more effectively and efficiently?

Together, these five viewpoints provide a comprehensive and integrated framework for managing organizational performance and by answering the related questions, organizations can build a structured business performance model.

According to Encyclopedia of Business (2011), Performance measures of banks can be grouped into two; those that relates to results (such as competiveness and financial performance), and those that focus on the determinants of results (inputs such as resource utilization, innovation and flexibility).

Chen and Silverthone (2008), identify three types of performance. One is the measure of output rates, amount of sales over a given period of time, the production of a group of employees reporting to managers. The second type of measure of performance involves ratings of individuals by someone other than the person whose performance is being considered. The third type of performance measures is self appraisal and self-ratings. As a result, the adoption of self-appraisal and self-rating techniques are useful in encouraging employees to take an active role in setting his or own goals. Thus, job performance measures the level of achievement of business and social objectives and responsibilities from the perspective of the judging party (Hersey and Blanchard, 1993).

PERFORMANCE APPRAISAL

Employees want to know how well they perform on their jobs. A simple statement, almost axiomatic in any organization, yet it has probably caused more controversy, applied research and practical advice than any other assertion in the history of management writing and thinking (Kavangh, 1997). Employees want to know how well they are performing and interested in getting feedback to ensure that they work towards the goals of the business. The assessment of employees helps the business to grow, fill in vacant positions, prepared employees for training and development.

Performance appraisal is a process within the overall performance management process (Dowling et al., 1999), and is defined as the "the evaluation of an individual's work performance in order to arrive at objective personnel decisions" (Robbins et.al., 2000).

PERFORMANCE APPRAISAL PURPOSE

Taylor and Wherry (1951), proposed that ratings collected for administrative purpose would be more lenient than ratings collected for research or developmental purposes. The majority of the research on performance appraisal purpose has focused on the rater, some work has also been conducted on rater effects (Boswell & Boundreau, 200, 2002).

There are numerous methods to measure employee's performance appraisal but some of these methods are not suitable in some cases. Effective appraisal systems should address clarity, openness, and fairness; recognize productivity through rewards; and be cognizant of appraiser leadership qualities (Winston & Creamer, 1997).

DETERMINANTS OF BANK PROFITABILITY

Several variables are used as determinants of bank profitability. We can essentially divide bank operations into two groups based on the variables used to measure bank performance (dependant variables). In most studies, bank performance is measured by the level of profitability. The profitability measures include the ROE (Return on Equity), ROA (Return on Assets), and Profit Rate (Rp). In most bank studies, emphasis is placed on measuring profitability in terms of ROE and ROA. Kecton and Matsunaga (1985) state that rate is especially useful in measuring changes in bank performance overtime since banks consist of income and expense components. Several studies in banking industry have used both ROE and ROA, (Agu, 1992; Civelek & Al-Alami 1991) to measure profitability. However, (Smirlock, 1991) found results based on ROA to be statistically inferior and justified the relative performance of ROE on the bases that it reflects the efforts of managers interested in maximizing shareholders' wealth. Nonetheless, other studies have used ROA as a measure of profitability in banking (Evanoff & Fortier, 1999; Nolyneux & Forbes, 1995).

The basic argument in favor of profitability measures in banking is that banks are essentially multi-product firms and the use of profitability measures eliminates problems associated with cross-subsidization between products and services.

2.2 EMPIRICAL LITERATURE

Several studies have been conducted on the performance and efficiency analysis of banks, for which a few have been received as shown below;

In general, the banking literature finds that bank performance depends on both specific and macroeconomic factors. In terms of bank specific factors, credit risk has been found to be negatively linked to performance of banks (Miller and Noulas, 1997). Deficient risk management functions and poor asset quality feed into higher amount of unpaid loans which negatively impact bank performance.

Almazari (2011) in his study measured the financial performance of some selected Jordanian commercial banks for the period 2005-2009. The study used simple regression analysis using bank size, asset management, and operational efficiency as independent variables and dependent variable was taken as financial performance represented by; return on assets and interest income. The study concluded that banks with higher total deposits, credits, assets, and shareholders' equity does not always result in better profitability performance.

Siddique and Islam (2001) undertook a study on commercial banks of Bangladesh for the financial year 1980-1995. The study revealed that the Commercial Banks, as a whole, are performing well and contributing to the economic development of the country. The average profitability of all Bangladeshi banks collectively was 0.09% during 1980 to 1995. The study concluded that although banking sector contributes to the national economy as well as to the individual organization, however the performances of different categories of banks were not equally attractive.

Ashraf and Rehman (2011) compared and analyzed performance of Islamic banking and conventional banking system in Pakistan by using financial measures. The study analyzed the financial performance of selected banks from five different dimensions; i) Profitability, ii) Earnings, iii) Liquidity, iv) Credit risk and v) Asset activity for the period 2007-2010. The study concluded that the performance of Islamic Banks in Pakistan is lagging behind on the basis of performance because of increased operating cost and inefficiency from the part of management.

Kouser and Saba (2012) compared the performance of Pure Islamic banks, mixed banks and conventional banks in Pakistan using CAMEL rating. The study revealed the following facts i) Islamic banks have adequate capital and have strong asset quality compared to other banks in sample, ii) Islamic banks in general have more competent management compared to conventional banks, iii) the earnings of Islamic branches of conventional banks are greater than other banks.

Nimalathasan (2008) undertook a comparative study of financial performance of banking sector in Bangladesh using CAMELS rating system. The study was done on 6,562 Branches of 48 Banks in Bangladesh for the financial year 1999-2006. The study revealed that out of 48 banks, 3 banks were rated 01 or Strong, 31 banks were rated 02 or satisfactory, 7 banks were rated 03 or Fair, 5 banks were rated 04 or Marginal and 2 banks obtained 05 or unsatisfactorily rating. 1 Nationalized Commercial Bank (NCB) had unsatisfactorily rating and other 3 NCBs had marginal rating.

Chowdhury (2002) in his study portrayed the state of banking industry of Bangladesh. In his study he emphasized that performance of banks requires knowledge about the profitability and the relationships between variables like market size, bank's risk and bank's market size with profitability. The study shed light on the importance of performance evaluation of commercial banks in today's world. The study concluded that the banking industry in Bangladesh is experiencing major transition for the last two decades. The author recommended that the banks should endure the pressure arising from both internal and external factors and prove to be profitable.

Akhtar and Ahmed (2011) reported the significant role of capital adequacy ratio, operating efficiency, asset management and GDP that are influencing the profitability of commercial banks in Pakistan while the impact on bank-specific and macro-economic factors on profitability.

Al-Tamimi (2009) determined some significant factors influencing performance of the UAE Islamic and Conventional National banks from 1996-2008. Using regression analysis, specifically ROE and ROA as dependent Variable, the researcher concluded that liquidity and concentration were the most significant determinants of conventional national banks.

Sufian (2009) investigated the determinants of commercial banks performance using profitability in a developing economy, case study Malaysian Financial sector during the period 2000-2004. The results showed that higher credit risk and higher loan concentration of Malaysian banks face lower profitability level. On the contrary, Malaysian banks with higher level of capitalization, higher income from non-interest sources, and higher operational expenses face higher profitability level.

Tarawneh (2006) in his quest to investigate the performance of commercial banks, divided the commercial banks in Oman into unified categories depending on their financial characteristics revealed by financial ratios. Using simple regression analysis, the following were determined: the effect of asset management, operational efficiency, and bank size on the financial performance of five Omani commercial banks with more than 20 branches. The results indicated that bank with higher total capital, deposits, credits, or total assets do not always represent a better performance measure of banks.

Duncan and Elliott (2004) in determining efficiency and financial performance among Australian financial institutions, showed that interest margin, return on assets, and capital adequacy are the major factors enhancing bank performance which are positively correlated with customer service quality.

According to (Zuttah, 2004) on her work on comparative study using Standard Chartered Bank Ghana and Ghana Commercial Bank Limited on banks performance sought to find out whether bank performance had improved over the period of 1990-2003 in today's highly competitive banking environment since there are more banks in the system now than ever due to the licensing of more private banks. The study also sought to determine which banks have done better job, why and how. The result of the analysis showed that the operational procedures management of the banks has had a significant impact on the financial position of the two banks studied. It also showed that the performance of SCB and GCB were reflection of the good management and shows that both are highly competitive banks but SCB is more competitive than GCB

Recent studies in Islamic banking (Bashir and Darrat 1992; Bashir, Darrat and Suliman, 1993) have supported the size-performance relationship in the absence of guaranteed nominal returns, large size (measured by capital ratio) was found to impact the banks performance positively. A high capital-asset ratio enables Islamic banks to reduce the financial risk. Moreover, studies of banks behavior (Galloway, Lee and Roden, 1997; Kahane, 1997) have revealed that, without deposit insurance, low capitalization may trigger a "credit crunch". Capitalization also plays the role of collateral and hence reduces the consequence of adverse selection.

3.0 RESEARCH METHODOLOGY

3.1 RESEARCH DESIGN

Saunders et al. (2007), defines research design as the general plan of how the research questions would be answered. It is the conceptual structure within which research is conducted. It constitutes a blue print for the collection, measurement and analysis of data. The research design for this study is survey research design to assess the financial performance of GCB Limited by examining the relationships between the performances of the commercial banks against their performance indicators. This therefore makes the research to be quantitative in nature. Secondary data which includes the financial statements of the bank serves as the main source of data for this study obtained from the published annual reports of GCB Limited covering the period of three (3) years from 2010 to 2012.

3.2 SAMPLING AND POPULATION

3.2.1 POPULATION

Sekeran, (1990) reported that population refers to the entire group of people, events or things of interest that the researcher wishes to investigate. Population refers to all items under consideration in any field of inquiry. The targeted population for this study is the commercial banks in Ghana. However, due to time constraint in using the entire population, the study used only a sample of the population.

3.2.2 SAMPLING

Sekeram, (1990) defines a sample as a portion of the population that has attributes as the entire population. In conducting research, it is often impossible, impracticable or too expensive to collect data from all the potential units of analysis (population). Hence a smaller number of units (sample) are often chosen to represent the whole population. The study concentrated on Ghana Commercial Bank Limited as the sample.

3.2.3 SAMPLING TECHNIQUE

The sampling method used for this study is the convenient sampling, which belong to the non-probability sampling techniques. Convenience sampling involves selecting sample elements that are most readily available to participate in the study and who can provide the required information (Saunders et al. 2007). This method enabled the researchers to conveniently gather data only from GCB Limited which proved the right information needed to achieve the objectives of this study.

3.3 DATA ANALYSIS AND PRESENTATION

The study used both descriptive and inferential statistics for the data analysis. The descriptive statistics were mainly tables and charts to explore the pattern of the data. The variables of interest to the researchers were Total Loans and Advances, Customer Deposit mobilization, Total Assets, Profit after tax and Net Income which the researchers used for the inferential analysis.

The study used the SPSS software to run multiple Regression analysis by examining the inter-relationship between bank performance **(Dependent variable)** and a number of **explanatory (Independent) variables or** key determinants of its financial performance such as Total Loans and Advances (x1), Customers Deposits (x2), Total Assets (x3), Profit after tax (x4) and Net Income (x5).

Mathematically:

Y (bank performance) = b0 + b1x1 + b2x2 + b3x3 + b4x4 + b5x5 + ***ε;***

Where **Y** is the bank performance, the dependent variable,

X1 is the Total Loans and Advances

X2 is the Customers Deposits

X3 is the Total Assets

X4 is the Profit after tax

X5 is the Net Income

Where b0, b1, b2, b3, b4, b5, are unknown constants whose values are estimated by the regression analysis from the SPSS output

ε is the random error term

4.0 ANALYSIS, RESULTS AND DISCUSSION

This section analysed and discussed the findings arising out of the data collected. Both descriptive and inferential statistics are conducted and appropriate inferences are made from the analysis.

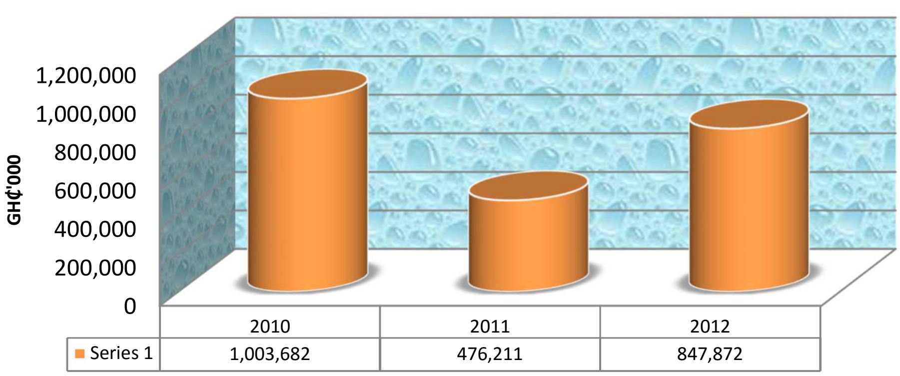
4.1 DESCRIPTION OF THE RESULTS

4.1.1 HOW DOES GCB LIMITED PERFORM FINANCIALLY OVER THE PAST THREE YEARS (2010-2012)?

The performance of GCB Bank Ltd was assessed based on banks performance indicators including: Total Loans and Advances, Customer Deposit mobilization, Total Assets, Profit after tax and Net Income. Based on the analysis of the data, the following results were made.

From Fig.4.0, the bank achieved much improved financial results in terms of total loans and advances in 2012 as against 2011 from 2010. In 2010, the group's total loans and advances was GH₵1,003.682 million over GH₵476.211 million in 2011 which shows a 52.6% decrease in its total loans and advances. The bank was able to increase their total loans and advances in 2012 by 78% from GH₵475.211 million in 2011 to GH₵847.872 million in 2012.

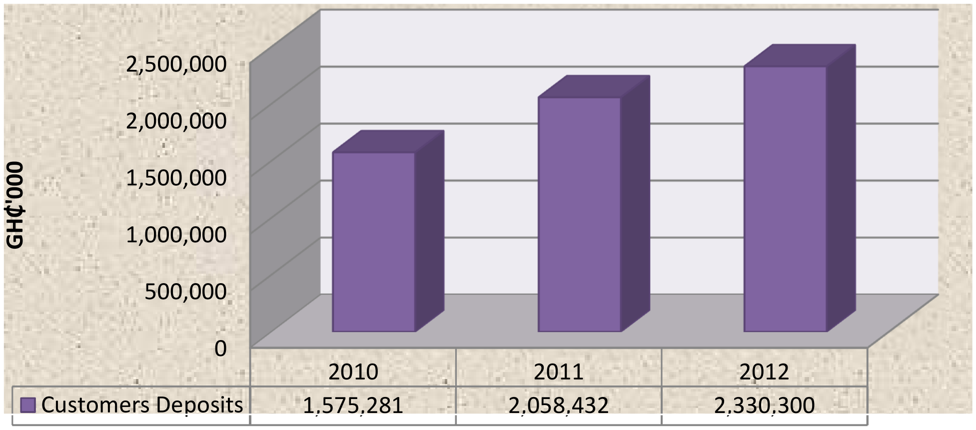
FIGURE 4.0: TOTAL LOANS AND ADVANCES



Source: GCB Ltd Annual Reports; 2010, 2011 and 2012

From Fig. 4.1, the bank achieved a constant increase in their customer deposits. In 2010, the bank was able to mobilize GH₵1,575.281 million as deposits. The total deposits of the bank increased in 2011 by 30.7% from GH₵1,575.281million to GH₵ 2,058.432 million. Total deposits again increased by 13% in 2012 from GH₵ 2,058.432 million in 2011 to GH₵ 2,330.330 million in 2012. This demonstrates a constant growth in customer deposits of the bank for the period under study.

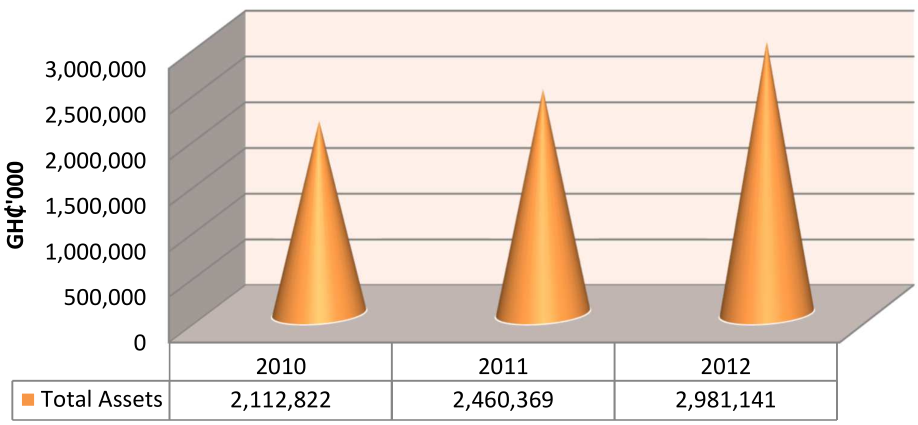
FIG. 4.1: CUSTOMERS DEPOSITS



Source: GCB Ltd Annual Reports; 2010, 2011 and 2012

From Fig. 4.2, Total assets of the bank was GH₵2,112.822 million in 2010 which increased by 16.7% in 2011 to GH₵ 2,460.369 million. The group also experienced an increase in its total assets by 21.17% from GH₵2,460.369 million to GH₵2,981.141 million in 2012.

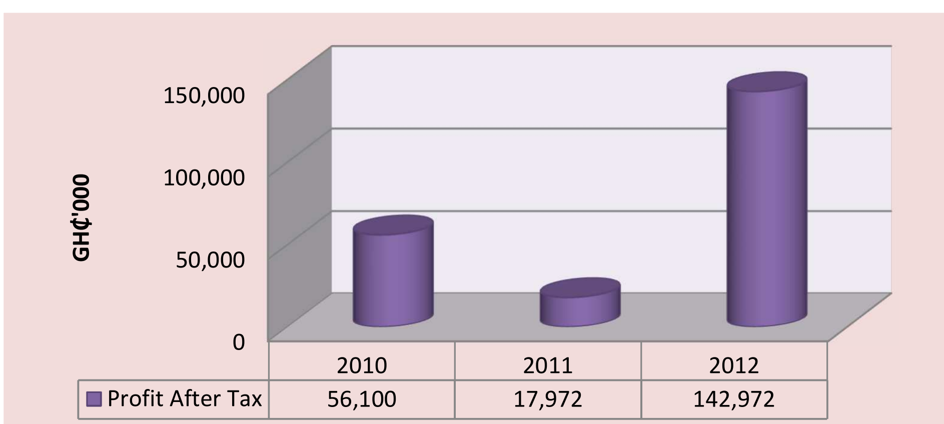
FIG. 4.2: TOTAL ASSETS



Source: GCB Ltd Annual Reports; 2010, 2011 and 2012

In Fig. 4.3, GCB Ltd Profit after tax decreased by 67.96% in 2011 from GH₵56.1 million to GH₵17.972 million. The bank was able to increase its profit after tax in 2012 from GH₵17.972 million to GH₵142.972 million. This showed a more than 100% increase in profit after tax of the bank in 2012, after a fall in 2011 from 2010.

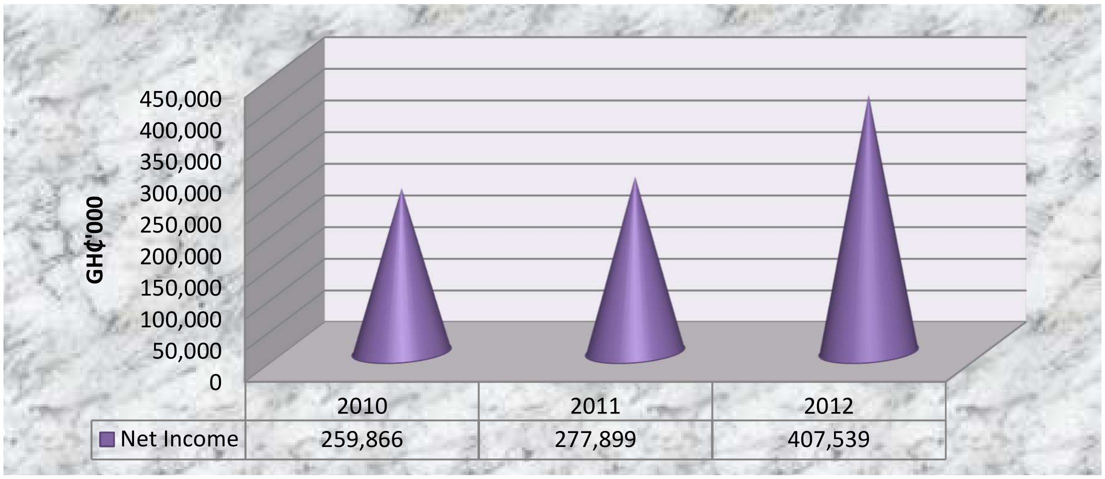
FIG. 4.3: PROFIT AFTER TAX



Source: GCB Ltd Annual Reports; 2010, 2011 and 2012

From Fig. 4.4, the Net income of the group has been on an increase over the period under study. In 2010, the net income of the group was GH₵259.866 million. In 2011, the group net income of GH₵259.866 million in 2010 increased by 6.9% to GH₵277.899 million. Also in 2012, the group experienced a 46.7% increased in their net income from GH₵277.899 in 2011 to GH₵407.539 million in 2012.

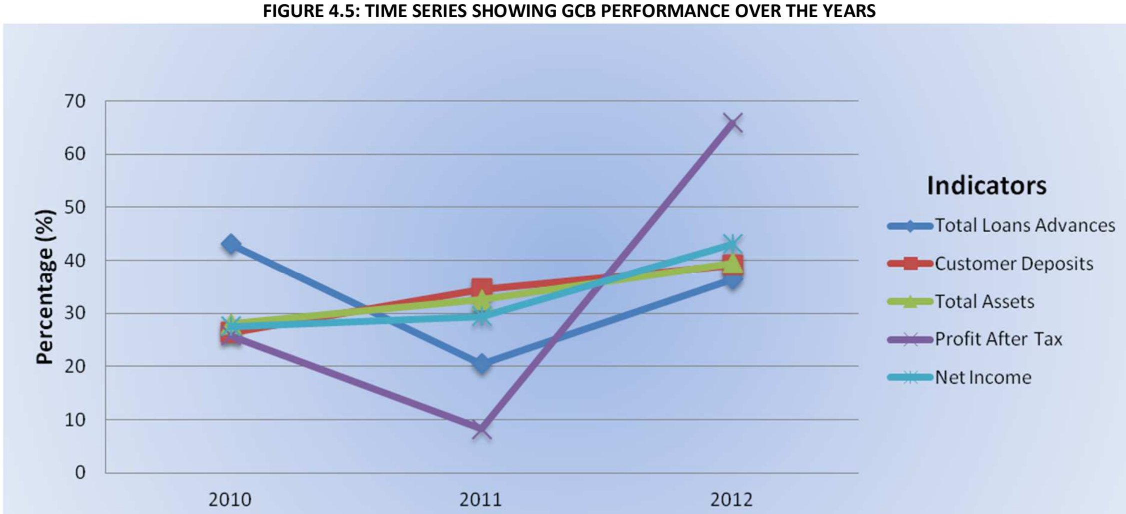
FIG. 4.4: NET INCOME



Source: GCB Ltd Annual Reports; 2010, 2011 and 2012

The time series below shows the collective pattern or trend for which the indicators performed over the past years.

FIGURE 4.5: TIME SERIES SHOWING GCB PERFORMANCE OVER THE YEARS



Source: Researchers own computation

From Figure 4.5 above, the time series showed the movement of the selected performance indicators over the past three years (2010-2012). Considering the Total Loans Advancement, the bank experienced a sharp decline in its Total loans and Advances in 2011 by 22.7% from 43.1% in 2010. In 2012, the bank was able to increase its Total loans and Advances by 16% from 20.7% in 2011. The bank over the past years has experienced a constant increase in its Customer Deposits. As shown above, the bank customer deposits figure was increased by 8.1% in 2011 from 26.4% in 2010 to 34.5% in 2011. In 2012, the bank deposits again increased by 4.6% from 34.5% to 39.1%. Considering the Total Assets of the bank, as shown above, the bank was able to maintain a constant growth in its total assets over years under study by a percentage growth of 4.6% and 6.9% in 2011 and 2012 respectively. The bank experienced a decline in its Profit after tax in 2011 as shown above and a very massive rise in 2012. The bank Profit after tax in 2010 was 25.9% of the total Profit after tax under study which declined by 17.6% in 2011 to 8.3%. In 2012, the profit after tax figure raised to 65.9% representing a 57.6% increment in 2012. Considering the Net Income of the bank for the period under study, the bank experienced an increased throughout. The net income of 27.5% in 2010 out of the total net income for the periods under study increased by a margin of 1.9% to 29.4% in 2011 which also increased to 43.1% in 2012 representing 13.7%.

4.1.2 How does GCB Limited perform financially compared to other banks listed on the Ghana Stock Exchange over the past three years (2010-2012)?

The four selected banks which have been listed on the Ghana Stock Exchange market are as follows: Ecobank Ghana Limited (Ecobank), Societe Generale (SG Bank), Standard Chartered Bank (STCB) and Cal Bank. These banks are performing well in the banking industry as well as GCB Limited. Ecobank and Cal Bank were newly introduced into the banking industry with the introduction of the Universal Banking Law. Standard Charted Bank and Societe Generale are banks which have grown over the years like GCB Limited. When ranked in the banking industry in terms of core banking performance indicators, GCB Limited is not topping in all the indicators but it is contributing well to the growth of the industry. The oldest of these banks are arranged as follows: Standard Chartered Bank, GCB Limited, Societal General, Ecobank and Cal Bank. The performance indicators used in the comparison included: Total Loans and Advances, Customers Deposits, Total Assets Profit after tax and Net Income of these selected banks including GCB Limited for the periods of this study. Based on the analysis of the data collected, the following results were made.

From Fig. 4.6 below, GCB Limited tops first compared to the other banks in terms of loans and advances for the year 2010, with GH₵1,003.682 million as total loans and advances. Ecobank ranked second with GH₵496.043 million. Standard Chartered Bank ranked third with GH₵467.152 million. Societe Generale was placed fourth in 2010 with GH₵298.770 million and Cal Bank as the last bank with GH₵256.634 million. In 2011, the value of loans and advances of GCB Limited fell from GH₵1,003.682 million to GH₵476.211 million which placed the bank third and Ecobank as first with GH₵849.893 million. Standard Charted Bank ranked second from third in 2010 with GH₵596.724. Cal Bank ranked fourth with GH₵411.582 million and Societe Generale placed fifth with GH₵344.545 million. In 2012, Ecobank maintained its first position from 2011 in terms of loans and advances with GH₵1,396.514 million. Standard Chartered bank also maintained its position as second with GH₵959.597 million, GCB Limited though experienced an increased in its loans and advances in 2012 from 2011 still ranked third with GH₵847.872 million. Cal Bank and Societe Generale were ranked fourth and fifth with GH₵747.385 million and GH₵520.100 million respectively.

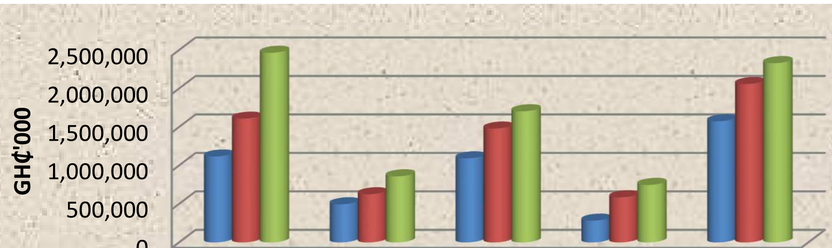
FIG. 4.6: LOANS AND ADVANCES

	ECOBANK	SG BANK	STCB	CAL BANK	GCB LTD
2010	496,043	298,750	467,152	256,634	1,003,682
2011	849,893	344,545	596,724	411,582	476,211
2012	1,396,514	520,100	959,597	747,385	847,872

Source: Annualreportsghana.com

From Fig. 4.7 below, in terms of customer's deposits, GCB Limited tops first in 2010 with GH₵1,575.281 million as total deposits followed by Ecobank with GH₵1,116.332 million. Standard Chartered Bank ranked third with GH₵1,092.442 million as total deposits. Societe Generale and Cal Bank total deposits were GH₵495.327 million and GH₵282.556 million which placed them as fourth and fifth respectfully. In 2011, GCB Bank maintained its position as first with an increase in its customer deposit mobilization to GH₵2,058.432 million from 2010. Both Ecobank and Standard Chartered Bank also increased their value of customer deposits but still ranked second and third with GH₵ 1,608.256 million and 1,479.687 million respectively. Societe Generale was ranked fourth with total deposits of GH₵625.822 million and Cal Bank as last with total deposits of GH₵586.770 million. Ecobank was able to increase its total deposits to GH₵ 2,464.605 million which placed the bank first over GCB Bank Ltd in 2012. GCB Limited moved from first to second with GH₵2,330.300 million. Standard Chartered Bank maintained their third position with GH₵1,704.198 million and Societe Generale as fourth with GH₵ 859.085 million. Cal Bank total deposits for 2012 summed to GH₵747.385 million which placed the bank last among the selected banks in terms of deposit mobilization.

FIG. 4.7: CUSTOMERS DEPOSITS

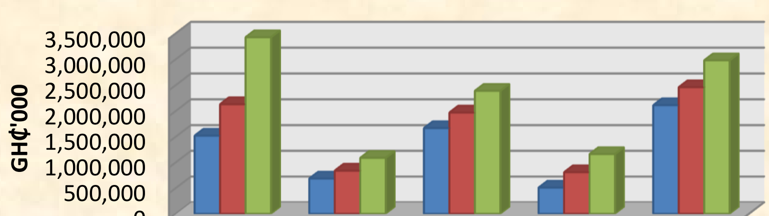


	ECOBANK	SG BANK	STCB	CAL BANK	GCB LTD
2010	1,116,332	495,327	1,092,442	282,556	1,575,281
2011	1,608,256	625,822	1,479,687	586,770	2,058,432
2012	2,464,605	859,085	1,704,198	747,385	2,330,300

Source: Annualreportsghana.com

In Fig. 4.8 below, GCB Limited tops first compared to the other four listed banks in 2010 in terms of total assets with GH₵2,112.822 million followed by Standard Chartered Bank with GH₵1,667.882 million and Ecobank as third with GH₵1,521.229 million as total assets. Societe Generale ranked fourth with GH₵685.912 million and Cal Bank as last with a total assets value of GH₵509.992 million. In 2011, GCB Bank Ltd was able to increase their total assets over the other banks with GH₵2,460.369 million, Ecobank from 2010 increased their total assets to GH₵2,132.183 million over Standard Chartered Bank which placed the bank second and Standard Chartered Bank ranked third with GH₵1,971.062 million. Societe Generale and Cal Bank maintained their fourth and fifth position with GH₵851.077 million and GH₵809.364 million respectfully. In 2012, the total assets of Ecobank exceeded GCB Limited ranking the bank first. Ecobank was able to achieve GH₵3,428.070 million as total assets. Though the total asset of GCB Limited increased from 2011 to GH₵2,981.141million in 2012, the bank ranked second and Standard Charted Bank as third with GH₵2,390.684 million. The value of total assets of Cal Bank also increased over Societe Generale to GH1,162.855 million in 2012 which placed the bank fourth and Societe Generale placed fifth with GH₵1,088.926 million as total assets.

FIG. 4.8: TOTAL ASSET

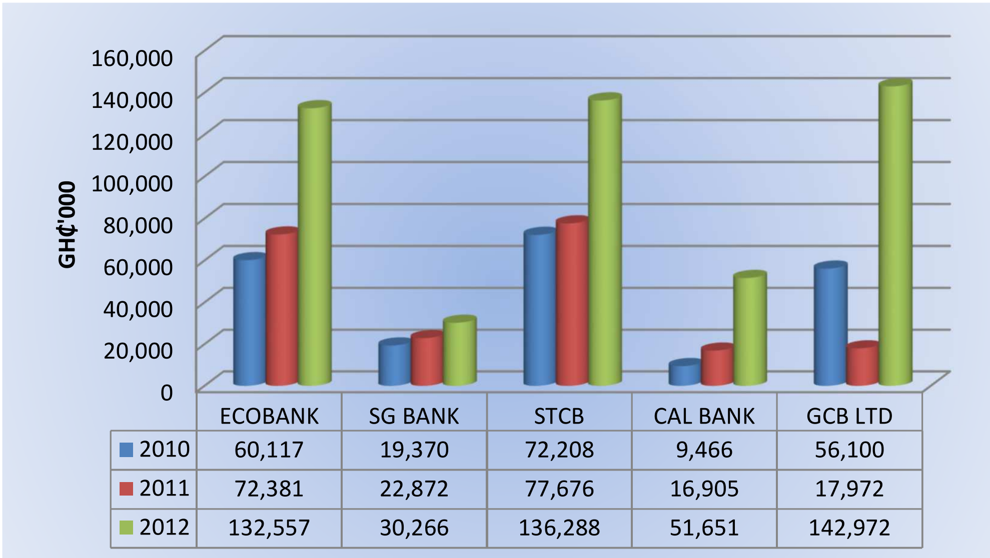


	ECOBANK	SG BANK	STCB	CAL BANK	GCB LTD
2010	1,521,229	685,912	1,667,882	509,992	2,112,822
2011	2,132,183	841,077	1,971,062	809,364	2,460,369
2012	3,428,070	1,088,926	2,390,684	1,162,855	2,981,141

Source: Annualreportsghana.com

From Fig. 4.9 below, Standard Chartered Bank tops first compared to the other banks in terms of profit after tax for the year 2010, with GH₵72.208 million as profit after tax. Ecobank ranked second with GH₵60.117 million. GCB Limited was ranked third with GH₵56.100 million. Societe Generale was placed fourth in 2010 with GH₵19.370 million and Cal Bank as the last bank with GH₵9.466 million. In 2011, the value profit after tax of GCB Limited increased from GH₵72.208 million to GH₵77.676 million which placed the bank first and Ecobank as second with GH₵72.381 million. Societe Generale ranked third with GH₵22.872 million. The profit after of GCB Limited decreased to GH₵17.972 ranking the bank as fourth.Cal Bank ranked fifth with GH₵16.905 million though there was an increase in profit after tax of the bank. In 2012, GCB Limited experienced a rise in its profit after tax which pushed the bank to be ranked first among the selected banks with a total of GH₵142.972 million. Standard Chartered Bank ranked second with GH₵136.288 million and Ecobank as third with a profit after tax of GH₵132.557 million. Cal Bank and Societe Generale were ranked fourth and fifth with GH₵51.651 million and GH₵30.266 million respectively in 2012.

FIG. 4.9: PROFIT AFTER TAX

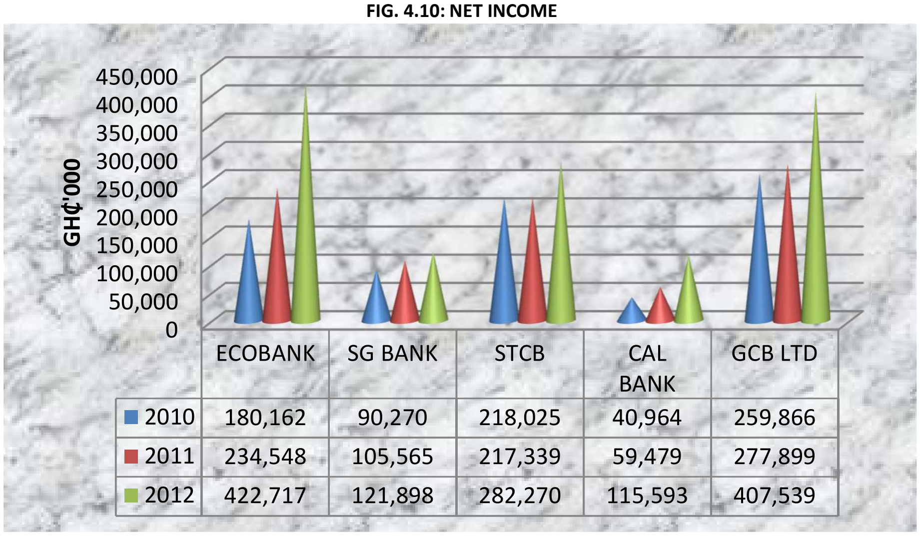


	ECOBANK	SG BANK	STCB	CAL BANK	GCB LTD
2010	60,117	19,370	72,208	9,466	56,100
2011	72,381	22,872	77,676	16,905	17,972
2012	132,557	30,266	136,288	51,651	142,972

Source: Annualreportsghana.com

As shown in Fig. 4.10 below, GCB Limited tops first compared to the other four listed banks in 2010 in terms of net income with GH₵259.866 million followed by Standard Chartered Bank with GH₵218.025 million and Ecobank as third with GH₵180.162 million as net income. Societe Generale ranked fourth with GH₵90.270 million and Cal Bank as last with a net asset value of GH₵40.964 million. In 2011, GCB Bank Ltd was able to increase their net income over the other banks with GH₵277.899 million, Ecobank from 2010 increased their net income to GH₵234.548 million over Standard Chartered Bank which placed the bank second and Standard Chartered Bank ranked third with GH₵217.339 million. Societe Generale and Cal Bank maintained their fourth and fifth position with GH₵105.565 million and GH₵59.479 million respectfully. In 2012, the net income of Ecobank exceeded GCB Limited ranking the bank first. Ecobank was able to achieve GH₵422.717 million as total net income. Though the net income of GCB Limited increased from 2011 to GH₵407.539 million in 2012, the bank ranked second and Standard Charted Bank as third with GH₵282.270 million. The net income of Societe Generale and Cal Bank also increased in 2012 but still ranked the two banks in their original positions in 2011. Societe Generale net income amounted to GH₵121.898 million and Cal bank had a total of GH₵115.593 million as net income.

FIG. 4.10: NET INCOME



	ECOBANK	SG BANK	STCB	CAL BANK	GCB LTD
2010	180,162	90,270	218,025	40,964	259,866
2011	234,548	105,565	217,339	59,479	277,899
2012	422,717	121,898	282,270	115,593	407,539

Source: Annualreportsghana.com

4.1.3 Which performance indicators of the GCB Limited can be used as key determinants of its financial performance?

In the quest of the researchers to determine which performance indicators of the GCB Limited that can be used as key determinants of its financial performance, Multiple regression analysis was performed to determine whether there is a linear relationship or linear model between the dependent variable, Y, and the independent variables(s), X1, X2,…Xp-1.

The regression model was developed using the STEPWISE method for all the explanatory variables. This method was preferred because it adds the explanatory variables into the model one after the other at a time. It begins with the variable that has or exhibits the highest correlation with the predicted variable, in our case **Bank Performance.**

If an explanatory variable is found not to be contributing significantly to the dependent or predicted variable, it can be removed. The STEPWISE method is especially useful if the independent variables are very large and the motive is to include only those contributing significantly to the model.

After critically examining the SPSS output for the regression model, the study has considered model 1 and 2 on the STEPWISE regression model table as the best models.

Justification for Selecting Model 1and 2 as the Best Models:

As stated earlier in our discussion under the Stepwise method, the SPSS package begins selecting explanatory variables that contribute highly to the dependent variable. Hence, the package identified Profit after Tax in model 1 as being the independent variable that makes the highest contribution to Bank Performance. It then identified Total Loans and Advances as having the highest partial correlation with Bank Performance. This was added in the second model, model 2.

Mathematically the final and best model is:

Y Bank Performance = -3.677 + 3.668X4 + 4.079X2

Also, a critical inspection of the Variance Inflation Factors (VIF) values in Table 4.1 below of these models is less than 10 which are signs of non-existence of collinearity or multicollinearity. This indicates that the best model does not have problems associated with models with too many variables, which do suffer from the issue of over fitting, making it hard to interpret such models.

A look at the model summary reveals in Table 4.2 revealed that R, the multiple correlation coefficients is perfect. R = 1.000 for both models. This shows that there is a perfect correlation between the observed and predicted values of the dependent variable, Bank Performance. The value of R-squared is 1.000 for both models. This indicates the perfect fit of the model.

TABLE 4.1: COEFFICIENTS[a]

Model		Unstandardized Coefficients		Standardized Coefficients			95.0% Confidence Interval for B		Collinearity Statistics	
		B	Std. Error	Beta	T	Sig.	Lower Bound	Upper Bound	Tolerance	VIF
1	(Constant)	-.005	.001		-4.022	.155	-.022	.012		
	Profit After Tax	3.677E-6	.000	1.000	247.598	.003	.000	.000	1.000	1.000
2	(Constant)	-.008	.000		.	.	-.008	-.008		
	Profit After Tax	3.668E-6	.000	.998	.	.	.000	.000	.741	1.350
	Total loans and Advances	4.079E-9	.000	.005	.	.	.000	.000	.741	1.350

a. Dependent Variable: Bank Performance

TABLE 4.2: MODEL SUMMARY[c]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	1.000[a]	1.000	1.000	.00135
2	1.000[b]	1.000	.	.

a. Predictors: (Constant), Profit After Tax

b. Predictors: (Constant), Profit After Tax, Total loans and Advances

c. Dependent Variable: Bank Performance

It is obvious from the analysis that Profit after Tax and Total Loans and Advances serves as the major performance indicators of Ghana Commercial Bank for the period under study taking into consideration the various performance indicators used in this study.

5.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 SUMMARY

The study assessed the performance of Commercial banks, using Ghana Commercial Bank Limited as a case study. Specifically, the study was conducted to identify the performance indicators that could be used to assess the performance of GCB Limited from 2010 to 2012, to compare the financial performance of the GCB Limited against other banks listed on the Ghana Stock Exchange over the past three years (2010-2012), and to investigate the performance indicators of the GCB Limited that can be used as key determinants of its financial performance.

The study used both descriptive and inferential statistics for the data analysis to achieve its purpose. Annual reports and financial statements were used as the main source of data for the study. The Annual reports and financial statements were gathered from GCB Limited and other banks compared.

The results of the data were as follows:

- Regarding how the various performance indicators performed over the past three years, the bank total loans and advances has grown over the years, though the bank experienced a decline in 2011. These loans and advances include loans given to corporate institutions, small businesses and individuals. The bank experienced a constant increased in its deposit level over the years. The constant growth in deposits means that more customers can be sure that their savings and investment with the bank are secured. The total assets of the bank have increased over the years and this expansion of the bank asset in the future brings about profit of the bank. The profitability of the bank is good and grown over the years after a large decline in 2011. The bank also experienced an expansion in its net income over the years.
- Comparing the performance of the bank with other banks, the bank did well in its total loans and advances compared with the other bank, but averagely below that of Ecobank and Standard Chartered over the years. In terms of deposit mobilization, the bank performed very well compared with the other banks. The bank performed well in terms of total assets than all the other banks in 2010 and 2011 but below Ecobank in 2012. The profitability of the bank over the years is good but more need to done when compared with other banks. The bank net income outperformed the other banks in 2010 and 2011 but below Ecobank in 2012.
- In the quest of the researchers to determine which performance indicators of the bank can be used as key determinants of its financial performance, the study revealed that Profit after Tax and Total Loans and Advances serves as the major performance indicators of Ghana Commercial Bank for the period under study taking into consideration the various performance indicators used in this study.

5.2 CONCLUSION

In a nut shell, the various performance indicators of the Ghana Commercial Bank have performed well over the past three years. When ranked in the banking industry in terms of core banking performance indicators, GCB Limited is not topping in all the indicators but it is contributing well to the growth of the industry. The major performance indicators of the Ghana Commercial Bank are Profit after tax and Total loans and advances.

5.3 RECOMMENDATIONS

Based on the findings of the study, the following recommendations were proposed:

- Many more performance indicators should be investigated to assess the financial performance of the Ghana Commercial Bank. For example, the study leave with earning or dividend per share, asset and liability management, portfolio quality, capital adequacy and also outreach indicators such as number of branches. These may go long way to influence the performance of the bank.
- Profitability and total loans and advances have contributed more to the performance of GCB Limited. Therefore the bank should consider activities that will help increase its profitability. The bank should devise measures to boost its total loans and advances by maintaining regular supervision of loan facilities. This would prevent diversion of funds into business ventures other than the agreed purposes.
- Since banks listed on the Ghana Stock Exchange (GSE) performs better financially, all banks registered in Ghana should try listing on the exchange in order to enjoy benefits such as; creating a market for the company's shares, enhancing the status and financial standing of the company, and increasing public awareness and public interest about the company and its products.
- The Ghana Association of Bankers (GAB) and other stakeholders in the banking institutions should be able to do a comprehensive assessment on banks registered in Ghana, so that researchers could rely on such information for the sake of comparison.

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