UNIVERSITY OF EDUCATION, WINNEBA

ASSESSING THE FACTORS THAT CONTRIBUTE TO FINANCIAL DISTRESS OF FINANCIAL INSTITUTIONS: THE CASE OF GHANA

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DECLARATION

Student's Declaration

I, Ophelia Ekua Akyere Abbiw, hereby declare that this research, with the exception of quotations and references contained in published works, which have all been duly identified and acknowledged has not been submitted either in part or whole for another degree elsewhere.

Signature: …..………….………………….…..…

Date: ……………………….………………….

Supervisor's Declaration

I hereby declare that the preparation and presentation of this work were supervised in accordance with the guidelines for supervision of dissertation as laid down by the University of Education, Winneba.

Mr. Michael Amoh Asiedu (Supervisor)

Signature: …..………….………………….…..…

Date: ……………………….………………….

DEDICATION

I dedicate this work to my children.

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I have been privileged to have found favour with some people either directly or indirectly towards this research. I am so grateful to them and would like to take this chance to show them how much I appreciate their contributions to shaping my life. First of all, I thank the almighty God for his care, protection and blessing.

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ABSTRACT

The purpose of the study was to identify factors that contribute to financial distress of some financial institutions in Ghana. The study is a descriptive survey which covered financial institutions in the Effutu Municipality in the Central Region of Ghana. The purposive sampling technique was used to select 42 employees from GCB bank, Emesa Rural Bank, Akyempim Rural Bank, Zenith Bank and CBG Bank. Structured questionnaires were distributed to respondents and results from the study show that factors such as financial stress, inadequate capital, poor succession planning and governance, poor government policies, inadequate managerial skills and accounting systems and competition all leads to financial distress in banks in Ghana and moreover, the study found out that banks in Ghana can review the business plans of banks, cut down costs and also restructure their debts and renegotiate debts to improve liquidity of the banks. Thus, it is highly recommended for organizations to ensure that they budget carefully to avoid financial distress.

CHAPTER ONE

INTRODUCTION

1.0 Background to the Study

Financial institutions, particularly banks, clearly play a significant role in the nation's economy. They do not only make it easier to save and provide funds for practically all of a country's investment operations, but they also play a larger part in the country's overseas trade and overall economy (Umadia Sr & Kasztelnik, 2020). As a result, they might be regarded the economic heart of a country. If banks fail, it will trigger a broader economic downturn (Jahan, 2018). Bank failure calamities begin with a bank run, which occurs when all depositors rush to take their money from the bank at the same moment, and can lead to a widespread economic crisis. The global economic crisis of 2008, which was caused by the failure of large financial institutions, is a good example of the implications of bank financial distress. Meher and Getaneh (2019) attributed financial distress to insider lending, lending to high-risk borrowers, macroeconomic instability, liquidity support, and prudential regulation.

Financial hardship and bankruptcy are more prevalent in the banking sector than they are in other industries. Financial distress occurs when a bank is unable to meet or is having trouble meeting its financial obligations to creditors (Njiru, 2018). Bank financial difficulty is defined as a circumstance in which a bank's cash flow is restricted for one cause or another. This limitation or cash flow shortfall can be brief if bank management has the competence and ability to respond quickly. According to Aasen (2011), managerial incompetence is the most common cause of a company's distress and potential failure, although the final cause of failure is often simply running out of cash and other available sources. Failure is a progressive process, not something that happens all at once. If a country's banking sector has a financial crisis, the chances of a general economic downturn are significant (Njiru, 2018; Umadia Sr & Kasztelnik, 2020).

External factors identified by Wanderi (2016) include insufficient supervision and enforcement, regulatory forbearance, insufficient infrastructure, financial deregulation policies, weak accounting standards and poor disclosures, and ineffective external audit methods. Researchers have indicated that banks are distinct from other businesses in that they follow different accounting rules, have different transparency requirements, and perform different economic activities (Anisom-Yaansah et al., 2016). Banks bridge the gap between the needs of borrowers and lenders by converting modest, low-risk deposits into larger, riskier, and illiquid loans.

1.1 Statement of the Problem

The Ghanaian banking system have received very strong financial policies for the past few years after the closure and merging of some of the banks and financial institutions. The Ghanaian banking system is currently exhibiting signs of improvement, with certain banks posting positive accounting profits after the clear up in the banking sector (Obuobi et al., 2019). Despite the hurdles created by overall economic difficulties and strict regulation, Ghana's banking industry continues to increase in total assets (YuSheng & Ibrahim, 2020). However, this does not guarantee that the businesses will continue to operate, nor does it imply that all profitable businesses will be able to meet their short- and long-term responsibilities (Pranowo et al., 2010; Söylemez & Ahmed, 2019). This is owing to the fact that not all profits can be cashed as a source of revenue or used to meet the company's commitments.

According to Njiru (2018), the problem of financial distress is caused by legislative barriers and the time-consuming nature of asset disposal processes, delay of the problem by banks in order to display higher profits on assets, and manipulation by debtors utilizing political influence. Improper selection of borrowers' activities, a weak credit appraisal system, industrial issues, inefficient management, slackness in credit administration and monitoring, and a lack of effective follow up are all key causes of financial distress (Umadia Sr & Kasztelnik, 2020). It is legitimate to argue that one of the key causes of financial distress is non-performing loans, which reduce operational efficiency and have a negative influence on bank profitability, liquidity, and solvency. This notwithstanding in the case of Carmona et al. (2019) indicating that distressed firms are a major lead to bank failure and that it is vital for regulators and bank managers to act swiftly before distressed financial institutions reach a point of no return.

As the percentage of non-performing loans in financial institutions rises, earnings drops and significant capital losses may have a detrimental impact on capital adequacy. According to De Bock and Demyanets (2012), bank managers' herding behavior can lead to a degradation of credit standards during periods of growth, since credit mistakes are viewed more leniently. According to Irungu (2013), the causes of non-performing loans can be divided into four categories: political, economic, social, and technology. He pointed out that poor credit appraisal, lack of monitoring and follow-up, poor credit administration, recessionary pressures in the economy, changes in the government's monetary and fiscal policies, and diversion of funds are all major causes of non-performing loans, which can lead to financial distress and bank failures. Such studies have been conducted mostly in develop countries (Carmona et al., 2019; Huang & Yen, 2019; Susanti et al., 2020) and papers concentrated conducted in developing countries have produced conflicting results (Emuron & Yixiang, 2020; Meher & Getaneh, 2019; Opoku-Asante, 2021)

Financial distress in Ghana's banking system have resulted in significant losses (Segbefia, 2017). Increased non-performing loans (NPL) in commercial banks are a sign of this occurrence (Gebreslassie, 2015). Gomes et al. (2012) points out that the literature on banking sector financial distress in Africa is quite scarce and thus more research will have to be undertaken to understand the determinants of financial distress in the developing world. According to a review of the literature, few research on bank performance in Ghana have been conducted (Owusu-Antwi et al., 2015). As a result, financial institutions will benefit from performing financial distress studies in the instance of financial enterprises in developing countries (Gebreslassie, 2015; Gomes et al., 2012). As a result, conducting research on financial distress and its determinants in some financial institutions is a reasonable motivation. Thus, this study discusses some factors that contribute to financial distress of financial institutions in a developing economy setting.

1.2 Objectives of the study

The main purpose of the study is to identify factors that contribute to financial distress of some financial institutions in Ghana.

Specifically, this study seeks to;

1. To identify factors that contributes to financial distress among some financial institutions in Ghana.
2. To identify the impact of financial distress on financial performance of financial institutions in Ghana.

3. To identify strategies that can be employed to avert financial institutions in Ghana.

1.3 Research Questions

For the successful completion of this study, the following questions will guide the researcher.

1. What factors contribute to financial distress among some financial institutions in Ghana?
2. How does financial distress affect the performance of financial institution in Ghana?
3. What strategies can be employed to avert financial institutions in Ghana?

1.4 Significance of the Study

First of all, to practice, the findings of the study is important for the management of the financial institutions in the area of financial distress. The findings of the study assists in ascertaining factors that cause financial distress among the financial institutions in Ghana. It again shed more light on how financial distress impact on financial performance of the selected financial institutions and assist them to device strategies to avert financial. The study assists financial institutions to be more conscious on risk management techniques and managerial competence towards liquidity management. Moreover, to policy, the study also assists management and policy makers of the financial institutions to implement policies that help in ensuring operational cost control and increasing income. This helps to reduce the impact if any of the financial institutions become financially distressed. The study assists the financial institutions to appreciate the need to disclose relevant and useful information about their operations to depositors, shareholders, regulators and other market participants. To research, the study serves as a reference for studies that will be conducted on financial distress and its various variables.

1.5 Limitations of the study

First of all, this study is an academic study bounded by timelines. Thus, time was a limitation in this study. The study also used selected banks only in the Effutu municipality. This was done since the researcher had access to data in the chosen municipality and any move to take data outside the municipality could delay the work being done. The study was also not financially sponsored and thus, the scope could not be broadened.

1.6 Delimitations of the study

The research covered the determinants of financial distress in financial institutions in Ghana, a case of Effutu Municipal Assembly. The scope as only limited to banks in the Effutu Municipality and more attention was on the banks where data was collected. The study was moreover, restricted to specific objectives that have been stated above in this chapter.

1.7 Organization of the study

The study is organized into five chapters with a brief explanation of each chapter below;

Chapter one provides a general introduction of the study and which covers the background of the study, the statement of the problem, the objective of the study, the research questions, and scope of the study and the significance of the study, Limitation and delimitation of the study.

Chapter two provides a comprehensive review of extant literature on the topic of study. The chapter includes a theoretical review on the topic under study.

Chapter three presents the research methodology which includes the research design, target population, sample size and sampling techniques, sources of data, data collection instruments/tools and method of data analysis.

Chapter four outlines the data presentation, analysis and discussion of results of the study.

Chapter five finally provide an overall summary of the research and present a conclusion from the study and recommendations for future research is also provided.

EDUCATION FOR SERVICE

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.0 Introduction

This chapter reviews a host of extant literature. It covers the theoretical framework of the study, some expositions on the keywords of the study and empirical evidences are also presented in this chapter.

2.1 Theoretical review

2.1.1 Liquid asset theory

A cash flow model was used to describe financial distress. This model is predicated on the idea that the primary benchmark for describing a company's financial distress should be net cash flows relative to current liabilities (Singh & Misra, 2019). Enterprises with positive cash flows can raise capital and borrow from the capital market, whereas firms with negative or insufficient cash inflows are unable to do so. As a result, they are in risk of default. According to this hypothesis, a company will go bankrupt if its profit or net cash flow for the current year is negative or less than its debt commitments. This is referred to as technical insolvency. When a company can't satisfy its current financial obligations due to a lack of liquidity, it's called technical insolvency (Smith & Pennathur, 2019). Firms that have positive cash flows can increase their capital and borrow from the capital market (Abina & Maria, 2019), whereas firms which have negative or inadequate cash inflow are unable to borrow from the capital market (Amraoui et al., 2018; Yeo, 2018). Thus, this theory relates to this study where the financial distress of firms can be described using the liquid asset theory.

2.1.2 Cash management theory

Each company's primary issue is the management of cash balances. This is due to the difficulty of accurately forecasting cash flows, particularly inflows, and the fact that cash inflows and withdrawals do not always coincide (Giarto & Fachrurrozie, 2020). An imbalance between cash inflows and withdrawals would indicate a failure of the firm's cash management function, which might lead to financial distress and, ultimately, business bankruptcy (Waqas & Md-Rus, 2018). Thus, if firms are able to manage their cash flow well, they will not be financially distressed. Therefore, this theory relates to the financial distress of firms.

2.2 Financial Distress

Kisman and Krisandi (2019) asserts that financial distress is a term used in corporate finance to describe when a company fails to pay its debt obligations to its creditors. The majority of business failures are thought to be due to financial difficulties. In other words, financial distress can be defined as a state of significant financial hardship that may result in bankruptcy (Chang-e, 2006; Pranowo et al., 2010). According to Njiru (2018), a company is in financial distress when loan contracts are broken, the company suffers constant losses, and the company fails to meet its obligations when they are due. When a company is in financial distress, its operating conditions deteriorate, resulting in a significant financial pressure on the company and its inability to pay secured, preferred, and unsecured creditors (Benmelech et al., 2012; Garlappi & Yan, 2011).

According to Wesa and Otinga (2018), financially distressed companies typically have one of two major issues: a cash deficit on the asset side or a past-due obligation on the liabilities side of the statement of financial position. Financial distress has a negative impact on an organization's ability to continue operating. Because a company's liabilities are disproportionately large in comparison to its overall equity, managing its capital structure can be difficult - especially when the company has a diverse group of debtholders. Debt financing may result in a conflict of interest between shareholders on the one hand and debt holders on the other, widening the gap between management and shareholders (Yulianto & Witiastuti, 2021). Clients of a financially distressed company will be more cautious about placing orders with them because they are unsure whether the company will remain operational for long enough to finish the desired order (Githinji, 2018).

A similar line of thought can be applied to the firm's suppliers. Suppliers prefer to work with companies that they know will pay for the goods or services they deliver (Lian, 2017). Moreover, Oliveira et al. (2017) also concludes that employees at a financially distressed company must be paid regardless of the company's financial state. Employees who can be fired to save money will almost always be fired by management in an effort to salvage the company. This has an indirect cost in that it results in a loss of human capital for the company. Finally, because a financially distressed corporation is unable to pay its debtholders' commitments, it is compelled to sell its assets at desperate prices in order to create adequate cash flow to meet immediate financial needs (Zhao & Huchzermeier, 2019). Another insignificant, indirect difficulty produced by financial distress is that when the firm's financial distress becomes public knowledge, it will suffer a reputational hit and lose confidence with its suppliers (Custodio et al., 2019; Oliveira et al., 2017).

2.3 Determinants of financial distress among banks

2.3.1 Profitability

Profitability ratios reflect a company's ability to generate revenue above expenses and demonstrate how effective it is in making profits given sales and/or capital assets. According to study conducted on a financially distressed corporation, adopting efforts to change the business to boost profitability is a good idea (Rafatnia et al., 2020). Muigai and Muriithi (2017) looked at the factors that lead to company failure and the pricing of financially distressed equities, and found that decreased profitability leads to a higher level of financial distress, which raises the likelihood of bankruptcy. As a result, it implies that profitability and financial difficulties are inversely related.

2.3.2 Firm size

Firm size is dependent on the number of workers you have, the amount of money you make, or both. It's also dependent on the size of the assets on the balance sheet of the organization at times (Irianto et al., 2017; Munawar, 2018). Several studies have found that firm size is one of the most important predictors of corporate financial difficulty, and that financial distress is inversely related to firm size. According to Turner and Endres (2017), small businesses are more likely to fail than large businesses because they lack market experience, connections, and financial resources. According to Waqas and Md-Rus (2018), the most important predictor in a firm's use of public debt is its size. Firm size, according to Isayas (2021), is adversely connected to the likelihood of a company going bankrupt.

2.3.3 Liquidity

Liquidity, which measures a company's ability to satisfy short-term obligations, has been identified as a key factor of corporate financial difficulty in a number of studies.

According to a study done by Nagar and Sen (2016), more liquidity leads to a reduction in corporate financial distress. According to Thim et al. (2011), there is a negative relationship between liquidity and financial distress. However, investigations by Gathecha (2016) and Kristanti et al. (2016) found a positive correlation between liquidity and financial distress.

2.3.4 Leverage

The leverage ratio of a company indicates how deeply it is in debt, as well as the amount of leverage it employs. Large debt burdens with high-interest payments are common among financially struggling companies. When a company borrows money, it agrees to pay a series of interest payments before repaying the amount borrowed. According to studies undertaken by Gathecha (2016) and Chancharat (2008), corporate financial hardship increases as firm leverage increases. However, Kristanti et al. (2016) and Tesfamariam (2014) discovered a negative link between leverage and financial distress.

2.3.5 Capital adequacy

The capital adequacy ratio is used to determine how well a company can withstand an acceptable amount of loss before going bankrupt. That is to say, a company with a higher capital adequacy ratio will be able to tolerate a higher degree of unanticipated losses, becoming more resilient to financial distress (Borio & Zhu, 2012). The capital adequacy ratio, according to Dang (2011), demonstrates the institution's internal strength to bear losses during a crisis. Because deposits are the most vulnerable and prone to runs, financial institutions' capital produces liquidity. Furthermore, more money lowers the risk of financial distress (Gul et al., 2018).

2.3.6 Earnings growth

Most insurers' principal source of revenue is premium revenue, which is more consistent than other revenue streams. As a result, premium growth should aid in the forecasting of future revenue and profitability growth. Premium increase and financial difficulties in insurance firms have a negative link, according to empirical findings. In their studies, Al-Tally (2014), Isayas (2021) and Thim et al. (2011) discovered a significant negative association between premium rise and financial difficulty.

2.3.7 Company age

The company's age is one of the most important determinants of financial performance and is one of the most influential factors in organizational research (Malik, 2011). In their first years of operation, newly founded insurance companies are not particularly stable, since they focus more on gaining their market share than on improving and sustaining financial health. According to Isayas (2021), older insurance is believed to be more financially stable and healthier due to their lengthy history and ability to establish a solid reputation.

2.3.8 Asset tangibility

In most studies, the tangibility of assets in insurance businesses is measured by the ratio of fixed assets to total assets. Isayas (2021), a high ratio shows inefficient working capital management, lowering the firm's current assets. According to many research findings, having a high fixed asset to current asset ratio is negatively connected to financial difficulty (Gathecha, 2016). Ikpesu (2019), Ikpesu et al. (2020), Isayas (2021) and Thim et al. (2011), who discovered a negative and significant association between asset tangibility and insurance companies' financial difficulties, all backed up this theory.

2.4 Financial distress and banks financial performance

Tan (2012) concluded that financially distressed firms underperform in his investigation of the influence of financial distress on firm performance using regression analysis and financial leverage as a surrogate for financial distress. This means that when a company is in financial trouble, its performance suffers. Despite profits, according to Irungu (2013), bank loan risks continue to climb. Commercial banks' profits in Kenya increased by a fifth in 2012, with non-performing loans (NPLs) rising by 13.33% to 61.6 billion shillings. Despite the increase in profit, banks should exercise prudence when lending money, as nonperforming loans (NPLs) can easily put a bank in financial difficulties.

According to Wanjohi (2013), credit risk is the most expensive risk in financial institutions since the quantity and level of loss it causes is so significant when compared to other types of risks. This is because the severity of the problem is such that it might result in significant loan losses and even bank failure. As a result, he emphasizes that loans are the most significant source of credit risk for Kenyan commercial banks. He goes on to say that banks should be aware of the need of identifying, measuring, and controlling credit risk. Risk management guidelines and a risk-based supervision strategy to overseeing financial institutions have resulted as a result of this.

The term "financial performance" refers to a company's prospective earnings versus its expenses (Sanni, 2009). As a result, the ratio compares an organization's earnings before interest and taxes to its total net assets. As a result, it is seen as a useful indicator of how companies utilize their assets to produce earnings prior to the payment of contractual commitments. The profitability ratio, on the other hand, determines how well rural banks are able to make informed decisions about new asset purchases. Bank profitability is predicted to rise as a result of effective asset selection and efficient usage of overall asset base (Lizal, 2002).

Simply said, return on total asset is a measure of a company's efficiency and effectiveness in generating profits from its assets. Bank profitability is typically stated as a function of both internal and external factors. Internal determinants of profitability, often known as bank specific drivers of profitability, have to do with bank management (Kosmidou, 2008). External factors, on the other hand, reconcile the economic and legal environment that impacts bank operations, such as the rate of inflation, real GDP growth, cocoa prices, oil prices, and gold prices (Sanni, 2009; Sufian & Habibullah, 2009).

2.5 Empirical Review

Segbefia (2017) defines a collection of banking stability measures that account for dependence among banks in a system. They characterize the banking system as a portfolio of banks, from which they infer the system's multivariate density (BSMD), from which the proposed metrics are computed. They claim that the BSMD can be retrieved using the CIMDO-method, a novel approach that improves density specification in the presence of restricted data without explicitly imposing parametric forms that are difficult to characterize in restricted data sets.

Gebreslassie (2015) use two complimentary methodologies to investigate the relationship between nonperforming loans (NPLs) and macroeconomic performance. They claim that a sharp rise in NPL creates long-term tailwinds that wreak havoc on macroeconomic performance on multiple fronts. When compared to non-financial firms, the amount of financial distress literature related to the banking sector is small.

Makri et al. (2014) used aggregate and bank level data from numerous nations to investigate what happens to the financial system following a banking crisis. They discovered that current crises are not followed by falls in aggregate bank deposits or credit relative to production, despite the fact that both deposits and credit growth slows significantly.

Ali et al. (2020) analyze the factors that influence IFDC in Pakistan's financial industry. The study looked at 25 banks and 7 years of data (2009–2015) to see if there was a link between various bank-specific characteristics and IFDC. Non-performing loans (NPL), bank credit rating, and bank cost of funds are major determinants of IFDC, according to the results of the run test to ensure the randomness of the unexplained variance. Furthermore, NPL and BCO are positive, although credit rating is inversely related to IFDC. The literature on financial distress in the banking industry in Africa is quite scarce. Despite the hurdles created by overall economic woes and strict regulation, Ghana's banking industry continues to increase in total assets. Some banks, such as UT bank, Capital bank, Heritage bank, and others, have been liquidated or are financially pressured as a result of the recent increase in minimum capital from GHS 120 million to GHS 400 million.

Muluneh (2007) examined the impact of credit growth and loan delinquency in the United States using data from 2004 to 2006 and a vector auto regression model. According to the findings, there is a clear link between loan growth and damaged assets. He also pointed out that rapid credit growth, which was connected to lowered credit criteria, resulted in larger loan losses in some US states. Loan delinquency, according to him, is defined as loans that are more than 90 days late or do not accrue interest.

On a time series data of 18 industrial firms listed on the Nigerian Stock Exchange, Bulot and Abd Aziz (2017) investigate the drivers of financial hardship. The Altman Z-score is used to measure financial hardship; exogenous variables include business size, leverage, liquidity, and profitability, while control variables include revenue growth and share price. Leverage, profitability, share price, liquidity, and firm size are the firm specific predictors of financial distress among manufacturing enterprises in Nigeria, according to the fully modified ordinary least square (OLS) model.

Richard (2010) researched into the reasons of financial difficulty in African local banks and what this means for prudential policy. His research focused on Kenyan, Nigerian, Ugandan, and Zambian banks. As a result of the insolvency and illiquidity caused by non-performing loans, several of the local banks established in the aforementioned nations have been closed or taken over by their Central Banks. He claims that moral hazard and adverse selection were to blame for the severity of bad debt problems. Several reasons, he claims, contributed to bank owners' moral hazard in taking excessive risks with depositors' money. Low bank capitalization, access to public-sector deposits through bank owners' political connections, excessive ownership concentration, and regulatory laxity were among them. Another reason for bank failure in the nations listed above is poor loan quality due to a lack of talent and information.

Apart from that, to the best of the researcher's knowledge, no research on the same topic has been undertaken in Ethiopia's banking sector. According to a review of the existing literature, almost all of the Ethiopian studies in this area, such as Alemayehu (2007) and Muluneh (2007), are simply looking at financial performance based on accounting figures and do not consider the impact of that performance on the entity's ongoing operations. Andualem (2011)'s other study on the drivers of financial distress exclusively looked at non-financial enterprises. Gebreslassie (2015) earlier investigated the financial health of six Ethiopian banks using the Z" score Model of Altman (2000), but they did not identify the factors of these banks' financial health.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter of the study discusses into details the methodological approach used in gathering data required for the study. It also covers the research design, study population and sample, data collection instruments, method of data collection, ethical consideration.

3.1 Research Approach

The study assumed the quantitative approach. This approach permits approximate fraction of the population that is, the sample through data collection process of asking questions for the purpose of generating research findings to be generalised to the entire population (Fraenkel & Wallen, 2003). Taking into consideration the nature of the phenomenon, the quantitative approach from the positivists' paradigm is allowed as it aids in the description of relationships, cause, effects, and social reality to any research phenomenon irrespective of the researchers' viewpoint (Gay, Mills & Airasian, 2009). For this approach, the social reality could be measured through the use of questionnaires and observation which is also considered for this study.

3.2 Research Design

The descriptive survey design was used for this study. This study is a survey since it seeks the opinion of a population about a specific subject matter. The design of this article has been developed to provide an easy-to-read visual representation of events, with emphasis on various elements of different research techniques. (Saunders et al., 2007). Descriptive research aims to accurately and systematically describe a population, situation or phenomenon. It also aims at describing systematically and accurately the facts and characteristics of a given population or area of interest and to provide an accurate portrayal or account of characteristics of a particular individual, situation or group.

These studies are a means of discovering new meaning, describing what exists, determining the frequency with which something occurs and/or categorizing information. Also, these studies are there to portray the characteristics of persons, situations, or groups and the frequency with which certain phenomenon occur. Moreover, these studies are to discover associations or relationships between or among selected variables and to answer questions based on the ongoing events of the present. The descriptive research design was applied in the study to analyze the responses from the data collected and present the data thereof to achieve the objectives of the study.

3.3 Population of the Study

Population refers to the universe of units from which the sample is to be selected (Ofori & Dampson, 2011). A study population is usually a big group of individuals or artefacts which is the primary focus of a scientific investigation (Nardi, 2018). Often known as a well-defined collection of people or artefacts considered to have similar attributes is a research population (Rahi, 2017). A statistical population is a set of people, objects or idea sharing a collection of properties designed to meet the study's objective (Creswell & Poth, 2016). The study will be carried out among banks in the Central region in Ghana specifically in the Effutu Municipality. After permissions have been sought, five banks accepted to partake in the study in the Effutu Municipality. The total population of employees in the five banks totaled fifty – four (54). All five banks with a total population of fifty – four (54) employees are located in the Effutu Municipality. Thus, the study was conducted using the employees of the five banks as the population for the study.

3.4 Sample and Sampling Technique

A research sample according to Ofori and Dampson (2011) is the segment of the population that is selected for investigation. According to Morse (2016), a sample denotes a group of elements or a single element from which information is extracted. A sample of a study thus represents a small percentage of a target population that can be used to represent the entire population. The study used the purposive sampling approach. The purposive sampling method was used to select the banks and the individual respondents which were used in this study, as the researcher wanted a particular group of respondents from the banking industry. Thus, the respondents were handpicked from the population to partake in the study. The sample units are selected using the purposeful sampling technique because they have the appropriate features, characteristics, as well as expertise to enable the researcher to perform a thorough assessment as well as an understanding of the central theme discussed in a study (Bell et al., 2018). The Purposive sampling approach has two main objectives that is, first, to ensure that all key groups applicable to the subject matter are represented, and second, to ensure that enough diversity is included within each of the key criteria to explore the effect of the characteristics in question.

To be able to ascertain the sample size for the study, the researcher used the Yamane (1967) method for sample size calculation. The formula is

$$n = \frac{N}{(1 + N(e)2)}$$

Where:

n = sample size

N = population under study (the employees of the five banks selected for the study)

e = margin error

Therefore, using this formula, the sample size will be

$$n = \frac{54}{1 + 54(0.05)2}$$

n = 54/1+54(0.0025)

n = 54/1+0.135

n = 54/1.135

n = 47.6= 48.

Therefore, the sample for the study is 48 respondents.

3.5 Sources of Data and Data Collection Instruments

Well-structured questionnaires were used in undertaking the study. Two data sources was adapted in the research work that is primary and secondary data sources. The primary data was obtained from the various responses obtained from managers and members of staff. Secondary data will be obtained from articles, journals and other publications. The data was gathered through the use of questionnaires. Structured questionnaires was used as to obtain data in a symmetric dimension. Structured questionnaire is where questions and answers are specified. They are simple to administer and relatively inexpensive to analyze. By definition, these questions are restrictive and can be answered in a few words. Structured questionnaires were administered personally by the researcher to ensure that relevant information was obtained. Open questions required in-depth explanation from the respondents while closed question required specific response. In this research, only closed questions were used. The questionnaire was distributed personally by the researcher to the various banks in the Effutu municipality and given to the employees to fill after permission have been sorted from the management of the various banks with an introductory letter. The questionnaire was left in the various offices for four (5) workings days before collection.

3.6 Method of Data Analysis

Descriptive statistics and measures of central tendency such as the mean values using version 23 of Statistical Package for Social Sciences (SPSS) in order to achieve the research objectives. Descriptive statistical analysis of data were presented in table and figures where appropriate. Descriptive statistics such as mean, maximum, minimum and standard deviation. These were used to descriptively explain the factors that causes financial distress according to the responses from the questionnaires collected. However,the correlation and regression was used to ascertain the relationship between the various financial distress variables and firm performance of the various banks that were included in the study. To access the relationship of the various variables under study, the correlation and regression analysis was conducted. The correlation analysis checked the interdependence of the variables and the regression analysis was used to estimate the relationship between the variables. Moreover, the regression analysis was used to determine the impact of one variable on the other.

3.7 Data Validity and Reliability

Reliability is the extent to which a test or instrument would produce similar measurements, given similar conditions while validity is the extent to which a test, scale or instrument measures what is intended to measure or assess (Ofori &

Dampson, 2011). Data reliability is a state that exists when data is sufficiently complete and error free to be convincing for its purpose and context. Reliability describes consistency within the employed analytical procedures. To ensure reliability of the findings a research process should be structured in a way that the same results can be achieved through a repetition of the research (Yin, 2017). The questionnaire was pre-tested and the Cronbach Alpha was tested to ascertain if the research instrument was reliable.

Validity implies precise and exact results acquired from the data collected. Validity refers to the integrity and application of the methods undertaken and the precision in which the findings accurately reflect the data (Norris et al., 2015). A measure can lead to a proper and correct conclusions to be drawn from the sample that are generalizable to the entire population. Validity refers to the insurance that the correct operational measures are studied for the specific concept applied. The questionnaire was first pre-tested with colleagues and friends to correct spelling and grammatical mistakes check for question wording and eliminate ambiguities. Again, the people from whom data were collected represented the study population.

3.8 Ethical Consideration

Researchers are expected to follow laid down procedures in the conduct of a study. To avoid biases and improve the value-free aspect of research, certain ethical standards which bother on a broader array of issues must be met (Bryman, 2017). The study adhered strictly to the acceptable ethical standards expected in research in the area of sample selection, data collection and data analysis procedures. Research ethics such as anonymity and confidentiality, informed consent, avoidance of deception, provision of the right to participate and withdraw, honesty and integrity were fully complied with. Formal consent from managers and members of staff, which was used for the purpose of the research work only, will kept confidential from third parties. Also, the names of the companies or respondents will not be made known to the public. The research was reported with fairness and as objective as possible. The nature of the study posed no threat to the respondents and test items were carefully selected and crafted to ensure they do not affect the respondents either emotionally or psychologically.

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CHAPTER FOUR

DATA PRESENTATION AND DISCUSSION

4.0 Introduction

This chapter presents the findings of the study. For this study, forty – eight (48) questionnaire responses were expected but forty – two (42) questionnaires were received. This represents 87.5% of the total sampled population. This chapter presents the demographic data of respondents, reliability statistics, descriptive statistics, correlation and regression of the various variables in the study.

4.1 Demographics Data Presentation

Respondents were asked of their gender, age, and length of employment. Moreover, the position occupied by the respondent is also another important factor to note. The gender shows the number of males and females who took part in the study to check for gender bias in the responses, the age shows the age group of the respondents and how such age groups relate to financial distress in an organization. The length and position occupied by the respondent also shows if the employee is capable to giving out the right information as per the questions on the questionnaire.

Table 1: Background information of respondents

		Frequency (F)	Percent (%)
Gender	Male	28	66.7
	Female	14	33.3
Age of respondents	Below 20 years	-	-
	21 – 30 years	15	35.7
	31 – 40 years	27	64.3
	41 years and above	-	-
Length of employment of respondent	Less than 2 years	-	-
	2 – 5 years	16	38.1
	6- 10 years	18	42.9
	11 years and above	8	19.0
Position occupied by respondents	Managers	-	-
	Supervisors	17	35.4
	Secretary/Receptionist	2	4.1
	Clerk	23	54.8

Source: Field study, (2021)

The Table 1 above presents the demographic data on the respondents of the study. From the study, it can be noticed that majority of the respondents are males with a frequency of twenty – eight (28) representing 66.7% and minority were females with a frequency of fourteen (14) representing 33.3%. This shows that averagely, there are more males in the banks than females.

Moreover, the table presents the age of the respondents and it can be observed that majority of the respondents are between the ages of 31 to 40 years with a frequency of twenty – seven (27) representing 64.3%, followed by respondents who were between the ages of 21 to 30 years with a frequency of fifteen (15) representing 35.7% and there was no respondents who was below 20 years and 41 years and above took part in this study. From the same table, the data for the length of employment of respondents have been presented. From the Table 1 above, it can be observed that majority of the respondents have been in the banks for six to ten years with a frequency of eighteen (18) representing 42.9%. Respondents who have been in the banks for two – five years totaled sixteen (16) representing 38.1% of the total population. Thus, respondents who have been in the banks for 11 years and above were eight (8) representing 19.0% whilst none of the respondents have been in the banks for less than 2 years. This shows that most of the respondents have been in the banks for a fair amount of time to be able to respond to the questionnaire.

Finally, for the demographic questions, the researcher wanted to know the positions occupied by respondents in the banks. From Table 1 above, it can be observed that majority of the respondents were clerks with a frequency of twenty – three (23) representing 54.8%, followed by supervisors who were seventeen (17) representing 35.4% of the total population. Respondents who were secretaries or receptionist were two (2) representing 4.1% whilst none of the managers took part in the study. This also shows that most of the respondents that took part in the study are eligible to take part in the study.

4.2 Reliability

To ascertain the reliability of the research instrument that was used for the study, the Cronbach Alpha value was computed using the SPSS software version 23. This value will show if the items and scales used in sorting data from respondents were accurate and reliable for furthering analysis.

Table 2: Reliability statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.759	.808	13

Source: Field study, (2021)

The Cronbach's alpha coefficient result, as presented in Table 2 indicates that the scales and items for measuring the constructs in the study exceeded the conventional acceptable 0.7 (Pavot et al., 1991). Thus in essence, the Cronbach's Alpha value of .808 as in the case of this study is an indication that the items and scales used in sorting data from respondents were accurate and reliable for furthering analysis.

4.3 Descriptive Statistics of Variables

To determine the financial distress factors in an organization, descriptive statistics were run to determine the respondent's level of agreement to factors that indicate financial distress in the organization. Thus, the mean, minimum, maximum and standard deviation of the variables under study have been presented in the tables below.

4.3.1 Descriptive statistics on factors of financial distress

The tables below shows the descriptive statistics on the factors of financial distress in the selected banks.

Table 3: Descriptive Statistics (Financial Stress)

	N	Min	Max	Mean	S.D
We are able to pay company bills in a timely manner	42	3.00	5.00	4.0000	.58435
We have been able to pay the employees in a timely manner	42	1.00	5.00	3.5238	1.13133
We have retained earnings to sustain the bank for six months	42	1.00	4.00	2.6667	1.31903
We suffer from lack of cash flows from time to time	42	1.00	5.00	3.0714	1.19741

Source: Field study, (2021)

Table 3 above shows descriptive data on the factors of financial distress (financial stress). From the table above, it can be observed that the mean values for most of the questions are above 3.0, this shows that the frequency of the answers which are strongly agree and agree are more than the answers which are strongly disagree and disagree. Only one statement which is retaining earnings to sustain the bank for six months was less than 3.0, indicating that more respondents disagreed and strongly disagreed to the assertion than agreed and strongly agreed. Thus, it can be argued that the banks involved in the study had low financial stress.

Table 4: Descriptive Statistics (Inadequate Capital)

	N	Min	Max	Mean	S.D
We have adequate capital for expansion	42	3.00	5.00	4.1905	.55163
We have been able to acquire credit with ease	42	3.00	5.00	4.4286	.63025
Lack of capital has led to stock out in the business	42	3.00	5.00	3.9048	.69175
Inadequate capital has led to loss of viable business opportunities	42	1.00	4.00	2.4524	1.27265

Source: Field study, (2021)

Table 4 above shows descriptive data on the factors of financial distress (inadequate capital). From the table above, it can be observed that the mean values for most of the questions are above 3.0, this shows that the frequency of the answers which are strongly agree and agree are more than the answers which are strongly disagree and disagree. Only one statement which is inadequate capital has led to loss of viable business opportunities was less than 3.0, indicating that more respondents disagreed and strongly disagreed to the assertion than agreed and strongly agreed. Thus, it can be argued that the banks involved in the study had adequate capital in their coffers to run the bank.

Table 5: Descriptive Statistics (Poor Succession planning and governance)

	N	Min	Max	Mean	S.D
We have trained people to run the business in future	42	1.00	5.00	3.2381	1.18547
We have a strategy to run the business for at least 5 years	42	3.00	5.00	4.0238	.60438
I have seen business fail on death of owner	42	1.00	5.00	3.9286	1.09082
There are proper governance policies in the bank	42	1.00	5.00	3.8571	.89909

Source: Field study, (2021)

Table 5 above shows descriptive data on the factors of financial distress (poor succession planning and governance). From the table above, it can be observed that the mean values for all of the questions are above 3.0, this shows that the frequency of the answers which are strongly agree and agree are more than the answers which are strongly disagree and disagree. Thus, it can be argued that the banks involved in the study had proper succession planning and governance.

Table 6: Descriptive Statistics (Poor Government Policies)

	N	Min	Max	Mean	S.D
Policies on taxes have been seen to hinder business	42	1.00	5.00	3.2619	1.39790
Policies on payment of work permits hinder business	42	1.00	5.00	3.0000	1.34346
Policies on quality standards hinder business success	42	1.00	4.00	2.9286	1.11296
Policies in business locations hinders business success	42	1.00	5.00	2.8571	1.37169

Source: Field study, (2021)

Table 6 above shows descriptive data on the factors of financial distress (poor governance policy). From the table above, it can be observed that the mean values for two of the questions are above 3.0, this shows that the frequency of the answers which are strongly agree and agree are more than the answers which are strongly disagree and disagree. Also, two statements which had their mean less than 3.0, indicating that more respondents disagreed and strongly disagreed to the assertions than agreed and strongly agreed. Even though two of the statements are showing negative results, one of the statement is negative making the response positive and thus, it can be argued that the banks involved in the study had good governance policies.

Table 7: Descriptive Statistics (Inadequate Managerial Skills and Accounting Systems)

	N	Min	Max	Mean	S.D
We have adequate managerial skills on cash management	42	3.00	5.00	4.2857	.67302
There is adequate managerial skills to manage debt levels	42	3.00	5.00	4.3333	.61154
There is adequate managerial skills to prevent business liquidity	42	2.00	5.00	4.1429	.75131
We have adequate accounting systems to monitor business progress	42	3.00	5.00	4.0952	.72615

Source: Field study, (2021)

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Table 7 above shows descriptive data on the factors of financial distress (inadequate managerial skills and accounting systems). From the table above, it can be observed that the mean values for all of the questions are above 3.0, this shows that the frequency of the answers which are strongly agree and agree are more than the answers which are strongly disagree and disagree. Thus, it can be argued that the banks involved in the study had adequate managerial skills and accounting systems.

Table 8: Descriptive Statistics (Competition)

	N	Min	Max	Mean	S.D
There is unfair competition in the market	42	2.00	5.00	3.5952	.66478
Competition enhances innovation in the market	42	4.00	5.00	4.4524	.50376
Competition has led to the fall of many banks	42	1.00	5.00	3.4762	1.01784
Competition leads to loss of customers and hence financial distress	42	1.00	5.00	3.0952	1.05483

Source: Field study, (2021)

Table 8 above shows descriptive data on the factors of financial distress (competition). From the table above, it can be observed that the mean values for all of the questions are above 3.0, this shows that the frequency of the answers which are strongly agree and agree are more than the answers which are strongly disagree and disagree. Thus, it can be argued that the banks involved in the study were in a high competitive environment.

4.3.2 Descriptive Statistics on the Impact of Financial Distress on Firm Performance)

The table below shows the descriptive statistics on the impact of financial distress on firm performance in the selected banks.

Table 9: Impact of Financial Distress on Firm Performance

	N	Min	Max	Mean	S.D
Employees of a distressed firm have lower morale because of an increased chance of bankruptcy	42	1.00	5.00	3.4286	1.01556
Employees of a distressed firm have higher stress because of an increased chance of bankruptcy	42	1.00	5.00	3.3810	1.12515
Companies under financial distress may find it difficult to secure new financing	42	2.00	5.00	3.9524	.58236
Companies under financial distress have a fall in market value as suppliers change terms of delivery	42	2.00	33.00	4.9524	6.39723
Companies under financial distress have declining sales which affects profitability	42	2.00	5.00	3.5952	.79815
Companies under financial distress have bad money management	42	1.00	5.00	3.4524	1.25333

Source: Field study, (2021)

Table 9 above shows descriptive data on the impact of financial distress on firm performance. From the table above, it can be observed that the mean values for all of the questions are above 3.0, this shows that the frequency of the answers which are strongly agree and agree are more than the answers which are strongly disagree and disagree. Thus, it can be argued that financial distress has an impact on firm performance.

4.3.3 Descriptive Statistics on Strategies to remedy Financial Distress

The table below shows the descriptive statistics on the impact of financial distress on firm performance in the selected banks.

Table 10: Strategies to remedy Financial Distress

Financial Stress	N	Min	Max	Mean	S.D
Reviewing the business plans of the bank can help remedy financial distress	42	3.00	5.00	4.0238	.56258
The bank must cut down costs to remedy financial distress	42	3.00	55.00	6.6190	10.96547
The bank can restructure its debts and renegotiate debts to improve liquidity	42	3.00	33.00	5.2143	6.32276
Companies under financial distress have a fall in market value as suppliers change terms of delivery	42	2.00	5.00	3.6429	.90585
Companies under financial distress have declining sales which affects profitability	42	2.00	5.00	3.4286	1.10747
The company must budget carefully to avoid financial distress	42	2.00	5.00	4.1905	.83339

Source: Field study, (2021)

Table 10 above shows descriptive data on the strategies that can be used to remedy financial distress in a bank. From the table above, it can be observed that the mean values for all of the questions are above 3.0, this shows that the frequency of the answers which are strongly agree and agree are more than the answers which are strongly disagree and disagree. Thus, it can be argued that respondents agreed to the assertions that shows some solutions to financial distress.

4.4 Correlation Results

The table below shows the correlation of the variables which were involved in the study. The correlation shows the relationship between the financial distress factors and Firm performance of banks. The variables in the table include Financial stress (FS), Inadequate capital (IC), Poor succession planning and governance (PS), Poor government policies (PG), Inadequate managerial skills and accounting systems (IM) and Competition (C). Also, the variable Financial Performance (FP) and Strategies to remedy financial distress (SRF).

Table 11: Individual Correlation Results

		FS	IC	PS	PG	IM	C	FP	SRF
FS	Pearson Correlation	1	.267	.172	.624**	-.267	.662**	.350*	-.262
	Sig. (2-tailed)		.087	.277	.000	.088	.000	.000	.094
	N	42	42	42	42	42	42	42	42
IC	Pearson Correlation	.267	1	.019	.025	.318*	.497**	.033	-.398**
	Sig. (2-tailed)	.087		.904	.877	.040	.001	.000	.009
	N	42	42	42	42	42	42	42	42
PS	Pearson Correlation	.172	.019	1	.276	.247	.232	.769**	-.167
	Sig. (2-tailed)	.277	.904		.077	.115	.139	.000	.290
	N	42	42	42	42	42	42	42	42
PG	Pearson Correlation	.624**	.025	.276	1	-.249	.532**	.166	-.347*
	Sig. (2-tailed)	.00	.877	.077		.111	.000	.000	.024
	N	42	42	42	42	42	42	42	42
IM	Pearson Correlation	-.267	.318*	.247	-.249	1	.043	.324*	.211
	Sig. (2-tailed)	.088	.040	.115	.111		.787	.000	.180
	N	42	42	42	42	42	42	42	42
C	Pearson Correlation	.662**	.497**	.232	.532**	.043	1	.408**	-.288
	Sig. (2-tailed)	.000	.001	.139	.000	.787		.007	.064
	N	42	42	42	42	42	42	42	42
FP	Pearson Correlation	.350*	.033	.769**	.166	.324*	.408**	1	-.157
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.007		.321
	N	42	42	42	42	42	42	42	42
SRF	Pearson Correlation	-.262	-.398**	-.167	-.347*	.211	-.288	-.157	1
	Sig. (2-tailed)	.094	.009	.290	.024	.180	.064	.321	
	N	42	42	42	42	42	42	42	42

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

The correlation results between Financial Stress (FS) and Firm Performance (FP) shows a positive coefficient of .350, this indicates that there is a low but positive relationship (correlation) between the Financial Stress and Firm Performance**.** The p-value for the test is 0.000 which is less than 0.01. This implies that the result obtained for the correlation between FS and FP is significant (using a 0.01% significance level). Moreover, the correlation results between Inadequate Capital (IC) and Firm Performance (FP) shows a positive coefficient of .033, this indicates that there is a weak but positive relationship (correlation) between the Inadequate Capital and Firm Performance**.** The p-value for the test is 0.000 which is less than 0.01. This implies that the result obtained for the correlation between IC and FP is significant (using a 0.01% significance level).

Moreover, the correlation results between Poor succession planning and governance (PS) and Firm Performance (FP) shows a positive coefficient of .769, this indicates that there is a strong and positive relationship (correlation) between the Poor succession planning and governance and Firm Performance**.** The p-value for the test is 0.000 which is less than 0.01. This implies that the result obtained for the correlation between PS and FP is significant (using a 0.01% significance level). Also, the correlation results between Poor government policies (PG) and Firm Performance (FP) shows a positive coefficient of .166, this indicates that there is a weak but positive relationship (correlation) between the Poor succession planning and governance and Firm Performance**.** The p-value for the test is 0.000 which is less than 0.01. This implies that the result obtained for the correlation between PG and FP is significant (using a 0.01% significance level).

Also, the correlation results between inadequate managerial skills and accounting systems (IM) and Firm Performance (FP) shows a positive coefficient of .324, this indicates that there is a low but positive relationship (correlation) between the inadequate managerial skills and accounting systems and Firm Performance**.** The p-value for the test is 0.000 which is less than 0.01. This implies that the result obtained for the correlation between IM and FP is significant (using a 0.01% significance level). Finally, the correlation results between competition (C) and Firm Performance (FP) shows a positive coefficient of .408, this indicates that there is a moderate positive relationship (correlation) between the competition and Firm Performance**.** The p-value for the test is 0.007 which is less than 0.01. This implies that the result obtained for the correlation between IM and FP is significant (using a 0.01% significance level).

Table 12: Correlations between financial distress factors and financial performance

		FP	FS
FP	Pearson Correlation	1	.499**
	Sig. (2-tailed)		.001
	N	42	42
FS	Pearson Correlation	.499**	1
	Sig. (2-tailed)	.001	
	N	42	42

****. Correlation is significant at the 0.01 level (2-tailed).**

The correlation results between financial distress factors (FS) and Firm Performance (FP) shows a positive coefficient of .499, this indicates that there is a moderate but positive relationship (correlation) between the financial distress factors and Firm Performance**.** The p-value for the test is 0.001 which is less than 0.01. This implies that the result obtained for the correlation between FS and FP is significant (using a 0.01% significance level).

4.5 Regression Results

The regression result confirms the relationship between the financial distress variables and the performance of financial institutions in the country. The regression results presents the summary of the model, Anova results and the coefficient of the various variables under study.

Table 13: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.897[a]	.804	.770	.54868

a. Predictors: (Constant), C, IM, PS, IC, PG, FS

It could be found in Table 13 that the coefficient of determination (adjusted R^2) for the dependent variable FP is 0.770, which means that about 77.0% of the variation in the IFD variable is explained by the six variables capable C, IM, PS, IC, PG and FS simultaneously. While the remaining 23.0% is explained by other variables outside the model.

Table 14: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	43.230	6	7.205	23.933	.000[b]
	Residual	10.537	35	.301		
	Total	53.767	41			

a. Dependent Variable: FP
b. Predictors: (Constant), C, IM, PS, IC, PG, FS

F-test is used to determine the effects of independent variables towards the dependent variable simultaneously. According to the table, the influence significance test of C, IM, PS, IC, PG and FS simultaneously towards the FP, with the F statistic, it was obtained F_{count} 23.933 and the error probability (p) = 0.000. It shows that the p value (0.000) less than significance level (0.01), so it can be concluded that the variables C, IM, PS, IC, PG and FS simultaneously gave significant effects towards Financial Performance of the banks.

Table 15: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-4.686	1.204		-3.893	.000
	FS	.686	.198	.407	3.468	.001
	IC	-1.019	.298	-.331	-3.419	.002
	PS	1.740	.220	.666	7.920	.000
	PG	-.369	.104	-.378	-3.567	.001
	IM	.576	.202	.264	2.849	.007
	C	.591	.209	.338	2.822	.008

a. Dependent Variable: FP

From Table 15, it can be observed that the regression co-efficient of financial stress is 0.686 and coefficient significance test with the t statistic is t_{count} equal to 3.468 with an error probability of (p) = 0.001 at the significance level of 0.01. It shows that the p value (0.001) less than significance level (0.01). So, it can be concluded that partially, FS variable positively affects the FP variable significantly. Also, it can be observed that the regression co-efficient of inadequate capital is -1.019 and coefficient significance test with the t statistic is t_{count} equal to -3.419 with an error probability of (p) = 0.002, at the significance level of 0.01. It shows that the p value (0.002) less than significance level (0.01). So, it can be concluded that partially, IC variable negatively and significantly affects the FP variable.

Also, it can be observed that the regression co-efficient of poor succession planning and governance is 1.740 and coefficient significance test with the t statistic is t_{count} equal to 7.920 with an error probability of (p) = 0.000, at the significance level of 0.01. It shows that the p value (0.000) less than significance level (0.01). So, it can be concluded that partially, PS variable positively affects the FP variable and significantly. It can also be observed that the regression co-efficient of poor government policies is -0.369 and coefficient significance test with the t statistic is t_{count} equal to -3.567 with an error probability of (p) = 0.001 at the significance level of 0.01. It shows that the p value (0.001) less than significance level (0.01). So, it can be concluded that partially, PG variable positively affects the FP variable significantly.

Moreover, it can be observed that the regression co-efficient of inadequate managerial skills and accounting systems is 0.576 and coefficient significance test with the t statistic is t_{count} equal to 2.849 with an error probability of (p) = 0.007, at the significance level of 0.01. It shows that the p value (0.007) less than significance level (0.01). So, it can be concluded that partially, IM variable positively and significantly affects the FP variable. Finally, it can be observed that the regression co-efficient of competition is 0.591 and coefficient significance test with the t statistic is t_{count} equal to 2.822 with an error probability of (p) = 0.008, at the significance level of 0.01. It shows that the p value (0.008) less than significance level (0.01). So, it can be concluded that partially, C variable positively affects the FP variable and significantly.

4.6 Discussion of Findings

First of all, the study found out the various factors that contributes to financial distress among financial institutions in Ghana. The study found that factors such as financial stress, inadequate capital, poor succession planning and governance, poor government policies, inadequate managerial skills and accounting systems and competition all leads to financial distress in banks in Ghana. The findings of this study is moreover, supported by Gul et al. (2018) and Dang (2011) who asserts that when the bank is liquid and have more money, lowers the risk of financial distress in the bank. a study done by Nagar and Sen (2016), more liquidity leads to a reduction in corporate financial distress.

Moreover, the study found that financial distress has an impact on the financial performance of banks in Ghana. The study indicated this as the variables that cause financial distress all shows a significant impact on the dependent variable which is financial performance. The results from the correlation analysis indicates that the variables all have a positive and significant relationship with firm financial performance. This relationship shows the expected impact financial distress factors have on firm financial performance. Moreover, the correlation results between the computed financial distress factors and firm financial performance also shows a positive coefficient of 0.499 and this relationship is a significant one. Thus the regression analysis output also indicated that all the factors of financial distress had a significant impact on the firm's financial performance. Thus, it can be argued that financial distress has a significant impact on the financial performance of Ghanaian banks. The respondents that took part in the study mostly indicated that such factors cause financial distress in Ghanaian banks. The findings of this study supports the findings of Ali et al. (2020), Gebreslassie (2015) and Richard (2010) who indicates that financial distress have an impact on banks and non-financial firms financial performance.

Finally, the study identified some strategies that can be put in place to avert financial distress in Ghanaian banks. The study found that banks in Ghana can review the business plans of banks, cut down costs and also restructure their debts and renegotiate debts to improve liquidity of the banks. Other respondents indicated that the banks must budget carefully to avoid financial distress in their banks.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

After a successful completion of the study, this chapter provides a summary, conclusion, and recommendations for the study.

5.1 Summary

The global economic crisis of 2008, which was caused by the failure of large financial institutions, is a good example of the implications of bank financial distress. Financial distress occurs when a bank is unable to meet or is having trouble meeting its financial obligations to creditors. Managerial incompetence is the most common cause of a company's distress and potential failure, although the final cause of failure is often simply running out of cash and other available sources. Moreover, external factors include insufficient supervision and enforcement, regulatory forbearance, insufficient infrastructure, financial deregulation policies, weak accounting standards and poor disclosures, and ineffective external audit methods.

For the research questions to be achieved, the researcher employed descriptive survey design and used employees from banks located in the Effutu Municipality of the Central region of Ghana. The study used the purposive sampling technique to select the respondents for the study and used a research questionnaire which is a five point Likert scale to collect data for the study. The questionnaires were closed ended questions and cross checked for reliability and validity. The SPSS version 23 was used for data analysis after the data was coded and collated in excel and the results was presented in means, maximum, minimum and standard deviation. Also, the study presented correlation and regression results of the variables under study.

The findings of the study indicate that factors such as financial stress, inadequate capital, poor succession planning and governance, poor government policies, inadequate managerial skills and accounting systems and competition all leads to financial distress in banks in Ghana. . The study indicated this as the variables that cause financial distress all shows a significant impact on the dependent variable which is financial performance. The results from the correlation analysis indicates that the variables all have a positive and significant relationship with firm financial performance.

5.2 Conclusion

The research goes forth to show that financial distress as a whole has a great positive influence on the performance of the organization. The study assesses the influence of financial distress factors on financial institutions in Ghana. Questionnaires were administered to respondents who are employees at banks in the Effutu Municipality to find out their opinions and views about financial distress factors and its influence on financial institutions in the country.

Information deduced from the research reflects that financial distress factors has huge positive influence over the performance of financial institutions in the country. Distinct aspect of financial distress has been looked at as well as the important relationship between financial distress and firm performance. The findings further explained how financial stress, inadequate capital, poor succession planning and governance, poor government policies, inadequate managerial and competition has impacted on performance and outcome of financial institutions in Ghana.

5.3 Recommendations

The study makes the following recommendations to the institution, policy and to academia.

1. Based on the finding of the study and relevant literature, it is highly recommended for organizations to ensure that they budget carefully to avoid financial distress. Thus, financial companies should prepare good budgets and make sure they work according to the budget prepared. This will help keep financial institutions on track to prevent financial distress. Management should also review business business plans of the banks and as well as cut down cost
2. Policy makers can put down policies (for example, a policy on reducing financial distress) that will regulate financial institutions in order to prevent financial distress and ensure trust in financial institutions in the country by customers.
3. In light of the completed study, there remains a large scope for future research studies to be conducted within the Ghanaian context, especially in the rural setting regarding factors that causes financial distress and its impact on the performance of financial institutions within the banking industry. It is therefore recommended that further study should be conducted to extend the sample size by choosing sample units for greater representation of banks from all the main cities in Ghana.

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APPENDICES

QUESTIONNAIRE

Dear Respondent,

This study seeks to solicit information on **THE FACTORS THAT CONTRIBUTE TO FINANCIAL DISTRESS OF SOME FINANCIAL INSTITUTIONS IN GHANA**. Please note that all information provided will be strictly confidential and will be used for academic purposes only. By completing the questionnaire, you indicate that you voluntarily wish to participate in this research.

SECTION A: DEMOGRAPHICS

Please provide the correct information by ticking in the appropriate box and fill in the where necessary.

1. Sex of respondent

   Male □ Female □

2. Age of respondent

   Below 20 years □ 21 – 30 years □ 31 – 40 years □

   41 years and above □

3. Length of employment of respondent

   Less than 2 years □ 2 – 5 years □ 6 – 10 years □

   11 years and above □

4. Position occupied by respondent

   Manager □ Supervisor □ Secretary/Receptionist □

   Clerk □

SECTION B: FACTORS THAT CONTRIBUTE TO FINANCIAL DISTRESS

To what extent do you agree with the following statements on financial distress and determinants of financial distress in your bank? Rate on a scale of 1 to 5

1= To no extent at all, 2 = To a low extent, 3 = To a moderate extent, 4 = To a great extent, 5 = To a very great extent

Part 1: Financial stress

Statement	**1**	**2**	**3**	**4**	**5**
We have adequate capital for expansion					
We have been able to acquire credit with ease					
Lack of capital has led to stock out in the business					
Inadequate capital has led to loss of viable business opportunities					

Part 2: Inadequate capital

Statement	**1**	**2**	**3**	**4**	**5**
We are able to pay company bills in a timely manner					
We have been able to pay the employees in a timely manner					
We have retained earnings to sustain the bank for sixmonths					
We suffer from lack of cashflows from time to time					

Part 3: Poor succession planning and governance

Statement	**1**	**2**	**3**	**4**	**5**
We have trained people to run the business in future					
We have a strategy to run the business for at least 5 years					
I have seen business fail on death of owner					
There are proper governance policies in the bank					

Part 4: Poor government policies

Statement	**1**	**2**	**3**	**4**	**5**
Policies on taxes have been seen to hinder business					
Policies on payment of work permits hinder business					
Policies on quality standards hinder business success					
Policies in business locations hinders business success					

Part 5: Inadequate managerial skills and accounting systems

Statement	**1**	**2**	**3**	**4**	**5**
We have adequate managerial skills on cash management					
There is adequate managerial skills to manage debt levels					
There is adequate managerial skills to prevent businessliquidity					
We have adequate accounting systems to monitor business progress					

Part 6: Competition

Statement	**1**	**2**	**3**	**4**	**5**
There is unfair competition in the market					
Competition enhances innovation in the market					
Competition has led to the fall of many banks					
Competition leads to loss of customers and hence financial distress					

SECTION C: IMPACT OF FINANCIAL DISTRESS ON FIRM PERFORMANCE

To what extent do you agree with the following statements on financial distress and its impacts on banks? Rate on a scale of 1 to 5

1= Strongly Disagree 2 = Disagree 3 = Neutral 4 = Agree 5 = Strongly Agree

Statement	**1**	**2**	**3**	**4**	**5**
Employees of a distressed firm have lower morale because of an increased chance of bankruptcy					
Employees of a distressed firm have higher stress because of an increased chance of bankruptcy					
Companies under financial distress may find it difficult to secure new financing					
Companies under financial distress have a fall in market value as suppliers change terms of delivery					
Companies under financial distress have declining sales which affects profitability					
Companies under financial distress have bad money management					

SECTION D: STRATEGIES TO REMEDY FINANCIAL DISTRESS

To what extent do you agree with the following statements on remedies to financial distress on banks? Rate on a scale of 1 to 5

1= Strongly Disagree 2 = Disagree 3 = Neutral 4 = Agree 5 = Strongly Agree

Statement	**1**	**2**	**3**	**4**	**5**
Reviewing the business plans of the bank can help remedy financial distress					
The bank must cut down costs to remedy financial distress					
The bank can restructure its debts and renegotiate debts to improve liquidity					
Companies under financial distress have a fall in market value as suppliers change terms of delivery					
Companies under financial distress have declining sales which affects profitability					
The company must budget carefully to avoid financial distress					

Thank you very much for your time