UNIVERSITY OF CAPE COAST

BANK CRISIS, SELF-EFFICACY AND DEPOSITORS' CONFIDENCE IN FINANCIAL INSTITUTIONS IN GHANA: THE CASE OF CAPE COAST METROPOLIS

LOUIS K. K. ESSANDOH

2022

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BY

LOUIS K. K. ESSANDOH

Thesis is submitted to the Department of Finance of the School of Business of the College of Humanities and Legal Studies, University of Cape Coast, in partial fulfillment of the requirement for the award of Master of Business Administration in Finance

AUGUST 2022

DECLARATION

Candidate's Declaration

I hereby declare that this dissertation is the result of my own original research and that no part of it has been presented for another degree in this university or elsewhere.

Candidate's Signature: …………………………… Date: ……………………

Name: Louis K. K. Essandoh

Supervisor's Declaration

We hereby declare that the preparation and presentation of the dissertation were supervised in accordance with the guidelines on the supervision of thesis laid down by University of Cape Coast.

Supervisor's Signature: ………………….... Date: …………………

Name: Dr. Samuel Kwaku Agyei

ABSTRACT

The study dwell on the aftermath of the current bank crisis and the subsequent reforms to examine the extent to which depositors' confidence were affected as well as the role that depositors' self-efficacy plays in the extent of the effect on depositors' confidence. Primarily, the study sought to examine the relationship that exist among bank crisis, self-efficacy and depositors' confidence in the financial sector of Ghana. The purposive sample was used to sample a total of 100 depositors from the Cape Coast Metropolis for data collection and structured questionnaire was used for the data collection. The distribution free asymptotic SEM was used to model the simultaneous relationship between self-efficacy and investors' confidence in the mist of bank crisis. The results suggested that bank crisis has adversely affected the confidence level of depositors in the financial sector of Ghana. Depositor confidence level during the crisis statistically depended on their sex and age group. A significant bi-directional relationship was observed between financial self-efficacy and depositors' confidence during crisis. The bankers were found to have adequate knowledge on the way forward in ensuring confidence in the financial sector of Ghana. The bankers recommended law enforcement, introduction of depositor's insurance in Ghana, education of the depositors to manage their expectation and seek more information on investment product before investing huge amounts as the way forward reduce the possible effects of the crisis. The Central Bank must put in measures to boost depositors' confidence through sensitisation programmes.

ACKNOWLEDGEMENTS

I would like to express my heartfelt gratitude to my supervisor, Dr. Samuel Kwaku Agyei for his effective supervision, encouragement and guidance. I am much grateful to you for dedicating your time to help me throughout my work. You have taught me and I have realized that hard working and perseverance will carry me throughout my life.

My profound appreciation goes to my wonderful wife, Mrs. Paulina Aboagyewa Essandoh and our lovely children; Louisa Abena Tetseba Essandoh, Emmanuel Akotey Essandoh, Ann-Chantalle Ekua Nkensan Essandoh and Christiana Aba Nyamekye Essandoh that their unflinching love and support have been my strength.

To my parents, Mr. and Mrs. Emmanuel Kwame Akotey Hayford, I am forever proud of you for the virtues you inculcated in me as a son and your prayers. My special thanks also go to my colleague staffs of the Directorate of Finance, University of Cape Coast for their support. To you Mr. Robert Kofi Ofori Abosompim of payroll unit of the University of Cape Coast, thank you for your advice and encouragement.

DEDICATION

To my charming Wife and Children

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LIST OF ACRONYMS

AQR	Asset Quality Review
BOG	Bank of Ghana
CCMA	Cape Coast Metropolitan Assembly
ECB	European Central Bank
FSE	Financial Self-Efficacy
GDP	Gross Domestic Product
NCCE	National Commission and Civic Education
PWC	Price Water Copers
SEM	Structural Equation Model

CHAPTER ONE

INTRODUCTION

The study dwell on the aftermath of the current bank crisis and the subsequent reforms to examine the extent to which depositors' confidence were affected as well as the role that depositors' self-efficacy plays in the extent of the effects. Primarily, the study sought to examine the relationship that exist among bank crisis, self-efficacy and depositors' confidence in the financial sector of Ghana.

Background to the Study

The official description of the Bank of Ghana of what is currently happening to the financial sector of Ghana is *cleaning* of the banking sector (Bank of Ghana, 2018). But to the ordinary person the entire process constitutes a failure or crisis in the financial sector of Ghana. Whichever way one perceives the current happenings in the financial sector, especially in the banking sector, there are causes for concern. That is, the Ghanaian financial service was touted as gradually developing to serve its developmental role as empirical evidence suggest that well developed and functional financial sector is a prerequisite for sound economic development (Ksantini & Boujelbène, 2014). That is, the mobilization of savings from the general public who are perceived to be net lenders and loaning of the excess liquidity to the investment community who are net borrowers is the task of a well-developed financial sector (Bernanke, 2018).

That is, according to mainstream economics and finance, every individual is either a *net lender* or a *net borrower*. An individual is considered a net lender if at a particular point in time the individual generates more than he/she consumes or invests and hence have excess liquidity. Similarly, an individual who consumes or invest more than he/she generate at a particular point in time is a net borrower. This is according to inter-temporal choice of current and future consumption to a rational entity. In a world of perfect information flow, net lenders can easily identify net borrowers and the two parties can trade current and future consumptions at an agreed interest rate. But the real world is characterized by information asymmetry which requires a trusted third part for the market in which current consumptions are traded for future consumptions and that is the point where financial intermediaries comes into the picture. Hence, a bank or financial intermediary must be trust worthy to both the net lender who in simple terms is a depositor and the net borrower who in this case is a real investor. Anything that breaks this trust or confidents of the depositor, breaks the entire channel and both financial intermediaries and investors suffer the consequences.

Depositors, therefore, sits at the very heart of the financial sector of every economy since they generate the savings necessary to support real investment for economic growth and development. Several macro variables such as inflation can easily be put into check if depositors have confidence in the financial system and hence deposit with banks. That is monetary policies can easily monitor and control the level of money supply since there shall be less money outside the banking sector. Funds shall also be available to supports loan demands from investors for economic growth and development. A deteriorating depositors' confidence will then have adverse consequences on the economy.

The issue took a serious turn when reforms from the Bank of Ghana, based on the call to take charge of the financial sector, rather saw banks collapsing which pointed to the fact that all has not been well with the financial sector of Ghana especially in the case of banks (Apea & Sezibera, 2002). Several reasons have been cited for the collapse and revoking of licenses of some banks, predominantly local, but that does not in any way comfort the layman who feels his or her deposit and investment are not safe with the banks and other financial institutions. Until the reforms that exposed some rots in the banking sector, for example, all seems to be well with the financial sector of Ghana with few cases of failed micro-finance institutions at some regional level.

As part of its attempts to regain trust in the banking and specialist deposit-taking industries, the Bank of Ghana conducted a clean-up exercise in August 2017 to address insolvent financial firms whose continued presence presented threats to depositors' interests (BOG, 2018). In view of the threats that poor financial institutions continue to pose to the entire financial system and the need to secure the interests of depositors, the Bank of Ghana is cleaning this subsector through the structured resolution of collapsed institutions in compliance with Sections 123 to 137 of Act 930. Originally, clients were naturally not optimistic of the modifications that had taken place. But after a month after they found that they had quick access to their money and that the maturity had been settled, clients' loyalty increased/restored (Abdullai, 2019). Clients have now understood the value of BOG in terms of its role in promoting and maintaining the smooth transfer and stability of banking when banks have collapsed. Customers are now very sensitive and trust BOG as well as the banking industry as a whole. (Abdullai, 2019).

The Special Investigation Team (SIT) set up to prosecute financial offences in the country has already forwarded a range of documents to the Attorney General's Office for consultation and potential indictment of any of the employees of the disbanded banks. The Bank of Ghana believe dealing with individuals that mismanage depositors' funds shall restore confidence in the financial sector (BOG, 2019).

Receivers of the nine collapsed banks have been able to recover GH¢731 million out of the GH¢10.1 billion funds that were advanced to the customers of those banks. Recovering and pay the depositors their funds, the Governor of the Bank of Ghana (BoG) believe, shall further restore confidence into the financial sector (BOG, 2018).

In addition to all their short to medium term measures, the Bank of Ghana has also put in place measures to strengthen the existing banks, protect depositors' funds and restore confidence into the financial system. While several important steps have been taken thus far, a lot remains to be done to restore safety, soundness and stability in the financial sector. The BOG has improved its legislative and supervisory structures in order to cultivate trust in the financial sector through the following:

1. Introduction of the Basel Regulatory Capital Requirement Directive.
2. Review of guidelines, directives and regulations to the industry in line with the new Banks and Specialized Deposit-taking Institutions Act, 2016 (Act 930).

3. Roll-out of the Basel II/III supervisory framework, and ensure implementation of IFRS 9 by banks;
4. Full implementation of the new minimum capital requirements for banks by end of December 2018 deadline. To this end, the BOG will issue guidelines to the industry on compliance with the capital increase directive of 2017 and strictly monitor compliance;
5. Address specific risks from high NPLs, poor corporate governance and poor risk management systems. To this end, we will issue directives on corporate governance, risk management (including cyber and information security-related risks);
6. Strictly enforce Fit and Proper Guidelines for Shareholders, Directors and Key Management Personnel of Banks and SDIs as well as other supervised Non-Bank Financial Institutions to ensure bad behavior is not recycled within the financial sector;
7. Strengthen the capacity and resources of the Banking and Supervision Department, undertake a comprehensive review and improvement of all supervisory processes, and ensure strong enforcement of prudential and conduct regulatory requirements;
8. Strengthen overall financial stability risk assessments and establish adequate measures to promote stability of the financial system (BOG, 2018)

A number of the proposed measures has been followed and the remaining being followed to restore safety, soundness and stability in the financial sector. These initiatives, together with the commitment to fiscal stabilization and macro-economic stability, could help to increase the supply of credit to the private sector and reduce lending rates. Restoring faith and belief in the banking sector by the Bank of Ghana is essential to promoting the Government's efforts to reform the economy (MOF, 2018).

Statement of the Problem

The Fractional Reserve Banking, which is the bank model operating in Ghana and the rest of the world, requires that the general public or the investment community have full confidence in the banking sector. This assumption of confidence of depositors and investors in the banking sector is so important that its failure can results in panic withdrawal and single handedly leads to the collapse of an individual bank and gradual degeneration of the financial sector in the long run (Ksantini, & Boujelbène, 2014). The bank reform has been implemented with it aftermaths still vivid in the memory of the general public; but there is an urgent need for damage control. One area that requires immediate attention from all stakeholders is restoring depositors' confidence into the general public. This is because a continuous degeneration of depositor's confidence in the financial sector shall lower savings and hence mitigate against banks' ability to create funds for the investment community.

Empirical study also suggests that even before the crisis savings level were low especially among the less educated who also are in the majority. According to Tandoh (2016), "The idea of low savings has been found to be an issue of one's literacy status". Other studies have also demonstrated the linkages between savings and investment in Ghana. Osei (2011) revealed that the level of investment has positive and significant impact on savings in Ghana. This implies that a fall in the investors' confidence shall have its own negative consequences on savings. However, these existing studies do not examine how the banking crisis have affected the level of confidence in the banking sector. This study seeks to contribute to the debate on how the reforms that engineered the "bank crisis" has affected the confidence level of depositors and investors in the banking sector of Ghana using the Cape Coast Metropolitan Assembly (CCMA) as a case study area. The study is timely because it is in line with the very objective of the Bank of Ghana in reforming the Banking Sector of Ghana.

Purpose of the Study

The main purpose of the study is to examine the effects of the recent bank crisis on the confidence level of depositors and investors in Ghana using Cape Coast Metropolitan Assembly (CCMA) as a case study.

Research Objectives

The specific objectives of the study are to:

1. the level of depositor's confidence in Banks in the Cape Coast metropolis of Ghana
2. the relationship between bank crisis and depositors' confidence in Banks in the Cape Coast metropolis of Ghana
3. the relationship of self-efficacy and depositors' confidence in Cape Coast metropolis of Ghana

Research Questions

1. What is the level of depositor's confidence in Cape Coast metropolis of Ghana?
2. What is the relationship between bank crisis and investors' confidence in Cape Coast metropolis of Ghana?

3. What is the relationship of self-efficacy and investors' confidence in Cape Coast metropolis of Ghana?

Significance of the Study

The study examines the level of confidence of the general public in the banks following the bank reform that turns to a crisis in the view of the general public. The outcome of the study provided valuable information to the Central Bank of Ghana on the depth of fall in depositors' and depositors' confidence following its reforms and in response to the failed investment companies. Management of commercial and investment Banks shall also be able to formulate the right marketing strategies to restore confidence back into the system. Other government agencies such as Ministry of Information and National Commission and Civic Education (NCCE) shall also gain more insight into the issues on restoring confidence that they have already began to address in the press media. Also, since the moderating factors throws more light on which groups have the least confidence and perception of the banking sector; stakeholders shall be clear on which group to target.

Delimitation

Even though the current study could have been conducted on the whole of Ghana, the study is delimited to depositors and investors of the Cape Coast metropolitan Assembly and with reference to only confidence in the banking sector. The limited scope was to allow the researcher ample time to effectively address the stated objectives.

Limitations

Like all academic research, the study is limited by time and resources. One of the limitations is that the study could have been conducted using secondary data. Also, the population of the study will not be uniform in terms of level of education since a section is highly educated and another is average or below average. Language was a barrier in some few isolated cases but it was addressed by personal administration of the questionnaire.

Organization of the study

This paper shall be organised into five chapters. The Chapter one shall present the Introduction which will cover the background of the study, the problem statement, the research objectives, the research questions, and the purpose of study, the scope of the study and the organization of the study. The Chapter two shall present the review of the related literature which shall cover both theoretical and empirical review. The Chapter three shall describe the research methods applied in the conduct of the research. The Chapter four shall present and discuss the results from the primary data collected based on the stated research questions and hypotheses. The Chapter five shall present the summary of findings, conclusions that can be drawn from the research conducted and research recommendations.

CHAPTER TWO

LITERATURE REVIEW

Introduction

This chapter presents the review of the related literature by exploring concepts related to the objectives of the study. It covers theoretical reviews in the area of theoretical framework, model of the effects of financial crisis on depositors' confidence, fallout from the recent bank crisis in Ghana, the measures the Bank of Ghana has put in place to restore depositors' confidence and empirical review of studies on the relationship between financial crisis and depositors' confidence both within and outside Ghana. Finally, a chapter summary was provided to highlight the empirical gap that exist in the literature based on the empirical reviews on Ghana.

Definition of self-efficacy and financial self-efficacy

Bandura (1977, 1997, 2006) described self-efficacy as an individual's belief in their ability to thrive at specific tasks. An individual's understanding of his or her level of ability plays a crucial role in his or her efforts. Gist and Mitchell (1992) defined Self-efficacy as the evaluations an individual makes about their own abilities to trigger the requisite mental energy, inspiration, and behavior needed to complete a task. Bandura (1977) also referred to Self-efficacy as individuals' feeling of being able to take charge of their acts and effects. Irrespective of the words used to define self-efficacy, the concept points to an individual perceived ability in his/her possibility to accomplish a task. The concept of general self-efficacy has been adapted to several field including finance and economics. The extension of general self-efficacy is termed financial self-efficacy. Financial Self-Efficacy (FSE) refers to an individual's belief about his/her personal capability in ultimate financial goals achieving (Gathergood & Weber, 2014). Financial self-efficacy refers to beliefs in one's capabilities in managing their finances to become financially self-sufficient (Nguyen, 2016).

Theoretical Framework

The study adopted the self-efficacy theory and the bank trust theory to explain the theoretical basis for the relationship between bank crisis and depositors' confidence in the financial sector of Ghana. The self-efficacy theory was used by Bandura (1977). The bank trust theory was developed based on financial intermediation theory and agency theory to explain the role of trust in the financial system during crisis. The core tenet of the bank trust theory is that in the presence of information asymmetry, trust or confidence is and remains binding force for financial intermediation. That is, the special role of trust is not limited to the crisis period that remains a requirement in every financial system. The role of trust, however, becomes crucial during financial crisis period and has implication for how fast the crisis period subsides (Butzbach, 2014). The theory of bank trust identified three aspect of trust which allows the theory to blend well with the self-efficacy theory. The three notions are that trust is behavioral as much as it is cognitive; trust is a social phenomenon; and trust is not the property of individual transactions or relationships (Butzbach, 2014). Here each theory conforms to cognitive theories of planned human behaviour.

The key distinction between both methods is the focus on control. Motivational theories concentrate on "motivation of control," while cognitive theories center on "experience of control". This study employed both perspectives of self-efficacy since depositor's needs self-motivation to save with financial institutions as well as a feel of control over the situation in times of financial crisis.

Bandura's social cognitive theory emerged from his theory of social learning, which gained prominence in the 1960s and continued to date. Nevertheless, in the 1970s, Bandura found that his theory of social learning had a missing central factor, which was self-belief. In 1977, he wrote the paper "Self-efficacy: towards a unifying theory of behavioural change" and suggested an integrated theoretical model for behavioural change and how self-efficacy has an impact on these changes.

The basis of Bandura's (1986) social cognitive theory is "triadic reciprocity," which explains the relationship between three variables; environmental, behavioural, and personal factors (p77). Behaviour can be described as the abilities and acts, contextual factors apply to things such as the social background and circumstance, and personal factors include cognition, self-confidence or self-efficacy (Bandura, 1986). For instance, in order to develop financial literacy for trainees, if a social cognitive theory paradigm were used, trainers will need to enhance their financial awareness and skills (behaviour), their access to resources or the environment that enables them to have more opportunity to exercise their skills (environment) and their belief in their abilities to realize their skills (personal). (personal). (personal). The three variables must be at play in the appropriate ratios for behavioural and social improvement to develop.

However, personal factors play a vital role in the initiation and continuation of actions, and self-efficacy plays a central role in social cognitive theory among all the information that influences human functioning (Bandura, 1986). Hence, all the three factors are important but their effects are not equal for an action to proceed. The core concept in the concept of self-efficacy is that people's lives are influenced by their supposed conviction in their ability. Individuals with high self-efficacy prefer to see problems as things to conquer and master (Bandura, 1986). Alternatively, individuals with limited self-efficacy prefer to feel that they cannot resolve these obstacles, and therefore mostly ignore challenges and prefer simpler things to perform. In reference to a crisis period, individuals with high self-efficacy may be less risk averse than those with low self-efficacy. It could be inferred from the above that a population with more depositors who possess less self-efficacy are most likely to have deepened financial crisis in view that their action shall contribute to the crisis itself (Bandura, 1986).

Hence, self-efficacy can be seen as a predictor of trust or confidence of an individual in an institutions or situations. That is, an individual with low self-efficacy expects institutional factors and/or regulations to protect their investment while those with high self-efficacy believe in both institutions and their own capabilities to protect their investment.

In general, Bandura (1977) differentiated between “efficacy expectations” and “outcome expectations.” “Efficacy expectations” are “the conviction that one can successfully execute the behaviour required to produce the outcomes” (Bandura, 1977, p.193). That is the assessment of one's ability to conduct a particular task or action. “Outcome expectations” is defined as “a person’s estimate that a given behaviour will lead to certain outcomes” (Bandura, 1977, p.193). This is a judgment about the individual’s environment. Bandura (1977) noted that the "assumption of efficacy" defines both the initiation and the maintenance of operation. A person will assume that a certain action would result in a certain outcome; but, if they question their ability to execute that behaviour, that conviction does not influence their conduct. For example, if a person may not feel that he/she can save on a regular basis, even if they believe that frequent savings contribute to financial security, they will not start saving or may barely be able to sustain their saving habits. This is the core advancement of Bandura's social cognitive theory, in which he claims that self-efficacy plays a determining role in behavioural improvement.

Bandura (1997) further developed the idea of self-efficacy and positioned it within the sense of the personal agency. In this growth, Bandura (1997) claimed that self-efficacy is a key element of the human agency in which "agency" is classified as "acts done intentionally" (p3). In this situation, self-efficacy is assumed to be the primary force of strength for improvement. If individuals do not feel that they are willing to take action, they can do nothing to promote action. Additionally, to "triadic reciprocity" in social cognitive theory, Bandura stressed in this book that "human agency" functions within its social institutional structure and that "people are both producers and products of social systems" (Bandura, 1997, p.6). People are influenced by socio-structural influences, but these variables also shift. People with higher levels of self-efficacy appear to be able to make use of favourable conditions or to find solutions to solve unfavourable circumstances, while individuals with weaker levels of self-efficacy are less able to reap the benefits of resources and easily get overwhelmed by difficulties (Bandura, 1997).

Fall outs from the current Financial Crisis in Ghana

A 2016 Bank of Ghana Asset Quality Review (AQR) shows large decline in the quality of bank assets. There were also large and sizeable provisioning shortfalls in a subset of financial institutions (with a combined capital need of around 1.6 percent of GDP). These unhealthy balance sheets of banks led to a decrease in credit to the private sector and higher borrowing costs and spreads, weakening the transmission of monetary policy rate to the economy through market rates (Bank of Ghana [BOG], 2018). The central bank initially made official liquidity injection which did not work for the receiving banks leading to their eventually collapse. The collapse of the first two banks (UT Bank Ltd and Capital Bank Ltd) began what was later described as a bank crisis. The statement of the Governor of Bank of Ghana at the time of revoking the license of the first two banks' points to the fact that the situation could better be described as a financial crisis. That is, according to the Governor, "poor banking practices, coupled with weak supervision and regulation by the Bank of Ghana has significantly undermined the stability of the banking and other ***non-bank financial institutions*** and we all know some of the consequences by now—revocation of licenses of two banks while other banks were placed under comprehensive capital restoration plans" (BOG, 2018: 3). The process that lasted for about two years saw the Bank of Ghana revoking the license of not only banks but other non-bank financial institutions such as micro finance and savings and loans institutions. At the end of what was termed Bank Cleaning up exercise, Bank of Ghana revoked the licenses of nine (9) universal banks, 39 micro-credit companies/money lenders (10 of which had which had already ceased operations), 347 microfinance companies

(155 of which had which had already ceased operations), eight (8) financial house companies, 15 savings and loan companies, and two (2) non-bank financial institutions which had already stopped operating (BOG, 2019).

Much as the current crisis is not the first of its kind in Ghana, it remains the one that saw some reforms that lead to the collapse of the largest number of financial institutions. That is, as part of the measures to build a resilient financial sector, On 11 September 2017, the Bank of Ghana released a Minimum Capital Regulation (BG/GOV/SEC/2017/19) ordering all universal banks to raise their minimum paid-up capital to GHC400 million by 31st December 2018. Banks were expected to adhere to the novel minimum paid-up capital rule using (i) fresh capital injection; (ii) capitalisation of surplus income; or (iii) a combination of fresh capital injection and capitalisation of surplus income (BOG, 2019). The inability of banks that have been declared distressed by the bank of Ghana itself seems obvious and together with the many bank's specific problems such as undercapitalization, high non-performing loans, bad cooperate governance, acquisition of license under false pretense among others, a number of financial institutions wrapped up their business even before the licensed of a number of them were revoked (BOG, 2019).

The potential loss of confidence by the general public in the financial sector was a natural cause which the Bank of Ghana released and has made several efforts to resolved.

Empirical review of the literature

There has been efforts by researchers to address the issue of bank crisis and its effects on customers trust and confidence in the financial sector of Ghana; but a greater percent have been at the theoretical level and personal commentaries. Real empirical works was had to come by in the domestic setting. Apea and Sezibera (2002) reviewed some causes of bank failure in Ghana and came out with factors such as corruption, mismanagement, Deteriorating Economic Factors and regulation lapses among others. Mindra and Moya (2017) examined the mediating effect of financial self-efficacy (FSE) on the relationship between financial attitude, financial literacy and financial inclusion (FI) among individuals in Uganda. The outcome indicated that Financial Self-Efficiency is a mediator of the relationship between financial attitude, financial literacy and Financial Inclusion.

Despite the limited study at the domestic front, the topic has received loads of attention at the global level; especially in the advanced world. Brown, Evangelou and Stix (2016) studied banking crises, bail-ins, and Depositor Confidence in Cyprus using a survey of bail-in households. The outcome indicated that households withdraw significantly from their deposit accounts and hoard more cash during financial crisis due to mainly loss of confidence in the system. Over the medium term the results document a profound loss of trust in the banking sector which extends well beyond those households that were bailed-in. This loss in trust strongly affects intended deposit behavior going forward.

Brown, Guin and Morkoetter (2017) studied deposit Withdrawals from distressed banks with regards to the role of client relationships. The results showed that the propensity of households to withdraw deposits increases with the severity of bank distress. Withdrawal risk is, however, substantially was mitigated by strong bank-client relationships. Though the Brown et al. (2017) did not focus on investors' confidence directly, it could be inferred from the finding that a good client-bank relationship simply implies an improved level of confidence and transparency in the system.

According to Caprio, D'Apice, Ferri and Puopolo (2014) , the World Bank, "Crises … leave citizens wary of entrusting their savings to the official banking sector. This diversion of savings is likely one of the great and unmeasured costs of banking crises" (Honohan and Laeven, 2005). Diamond and Dyvbig (1983) demonstrate that a self-fulfilling lack of trust in the banking industry can cause investors to attempt to withdraw their monies from banks, leading to widespread collapse of the banking sector. In Chari and Jagannathan (1988), asymmetric details on the valuation of bank reserves drives investors to withdraw their deposits. Kroszner, Laeven and Klingebiel (2017) also found that businesses that are more dependent on foreign financing do comparatively worse during financial meltdown in countries with well-developed financial structures.

Farrell, Fry and Risse (2016) used an Australian women study in 2013 to investigate the importance of individual financial self-efficacy in describing their personal financial actions by the use of a psychometric instrument. The study indicates that women with higher financial self-efficacy – that is, greater self-assurance in their financial management ability – are more likely to hold investing and insurance products and are less likely to hold debt-related products. In addition to other important variables – such as gender, financial risk expectations, age and household income – the explanatory capacity of financial self-efficacy is shown to be meaningful at a critical 1% level.

Osili and Paulson (2009) commented on the long-term consequences of the financial crisis in the United States that global banking problems had a direct influence on investor conduct. Specifically, refugees who have undergone a banking crisis in their country of origin are slightly less likely to have bank accounts in their country of destination, regardless of the degree of financial growth in the country of destination. Osili and Paulson suggested that their results were rigorous to include significant individual controls such as capital, schooling, wages, age and country of origin.

Roth (2009) looked at the impact of the financial crisis on systemic confidence in the institutions of the European Union. The results showed that the financial crisis had a substantial negative effect on the degree of confidence that people put in the economy and its institutions. Roth found out that for the first time since its establishment, the majority of European citizens no longer support the European Central Bank (ECB).

Some studies indicated that the effects of a bank crisis on depositors' confidence and level of activities depends on the level of insurance in the financial system. Ramirez (2010) observed that banking failures reduce the proportion of state deposits by approximately 0.04 percent in the short run and by nearly 1 percent in the long run in the absence of depositor's insurance. The study, however, found no evidence that banking crises affected deposit growth where depositor's insurance exist. These results suggested that deposit insurance may have lessened the effects of banking instability on deposit growth.

Iyer and Puri (2016) looked at the variability of the depositor's solvency risk response using the depositor level data for a bank facing two separate courses. The result indicated that creditors and bank workers are less likely to run during a low-risk shock than others, but are more likely to run during a high-risk-solvency shock. Uninsured depositors are also vulnerable to bank solvency. In the other hand, depositors with older accounts run fewer, and those with frequent past transactions run more, regardless of the underlying risk. Lastly, their findings demonstrate that the fragility of a bank depends on the composition of its deposit base. The role of consumer characteristics in reacting to the crisis situation has been illustrated here.

Iyer, Jensen, Johannesen and Sheridan (2016) examine the fallout from bank reforms in Danish banks. The analysis showed that the reform caused a 50% decrease in deposits above the insurance limit in non-systemic banks, but a much smaller decrease in systemic banks which experienced less withdrawals from uninsured accounts, but also more openings of new uninsured accounts. The results further highlighted significant risks from a differential reallocation of uninsured deposits across banks and, in turn, the need for high insurance limits during a crisis.

Homanen (2018) observed that crisis reallocate deposited from affected banks to stabile one, but during the allocation it is savings rather than investment banks that benefits from the flight to safety. Deposit flights are local as they transfer resources from private to public sector banks in the same district. Das, Kulkarni, Mishra and Prabhala (2018) added that panic withdrawal results in flight of both short and long-term deposits but the deposit gains are in term deposits, suggesting that panics result in more stable funding in the aggregate.

Huurne and Gutteling (2009) examine the key and cumulative impact of self-confidence and faith in accountable institutions on affective reaction and knowledge adequacy. Based on a survey of 466 respondents, it was found that both self-efficacy and institutional confidence relate to emotional risk responses, as well as risk information needs and risk information desires. On the role of institutions, Edelman Trust Barometer conducted a survey in 2009, and observed that about 65% of the All participants decided that their government should enforce tighter controls and better oversight on corporations in all sectors. According to a mid-October 2008 FT/Harris survey, 81 per cent of Italian, 70 per cent of German, 68 per cent of French and 59 per cent of British respondents favor expanded control by their governments of market practices involving banks.

Chapter Summary

The chapter reviewed the self-efficacy model in the content of financial crisis along with other related theories that explain the position of the study. The empirical review indicated that a real gap exists in the effective understanding of the role of financial crisis on depositor’s confidence despite the volume of work done in the rest of the world. This was because the findings were found to be dependent on the level of financial development and customers characteristics which makes it difficult to directly apply studies from other settings to Ghana. Hence this study seeks to re-examine the effects of financial crisis on depositor’s confidence with regards to the mediating role of self-efficacy.

CHAPTER THREE

RESEARCH METHODS

Introduction

This chapter explains how the research was carried out. It determines the option of research method and architecture used in the undertaking of the study. The chapter further describes the population and sample size that was used for the study, and the statistical methods used to evaluate field results.

Research Design and Approach

A research design specifies the methods and procedures for acquiring the information needed to structure and solve the research problem and stipulates what information is to be collected, from what sources, and by what procedures (Eisenhardt & Graebner, 2007). The study shall adopt the descriptive survey design along with the mixed method strategy. The use of descriptive survey allowed for a wider geographical area to be covered for the data collection (Yin, 2009). The descriptive research design is able to blend the use of both quantitative and qualitative data under the mixed method research approach. The qualitative method involves collecting, analysing, and interpreting data through content analysis. Both the positivist (objectivity based on quantitative research) and interpretivist (subjectivity based on qualitative) philosophies shall be followed since the study shall adopt a mixed method approach (Creswell, 2009).

Target Population

Population refers to the whole group that the study focuses on (Malhotra, 2007). The Target population comprise all potential investors and depositors in the Cape Coast Metropolitan assembly. The population was focused on potential investors and depositors who are above 18 years or older, and are currently working and receiving salary or are self-employed. The population although finite was indeterminate since anyone can qualify to invest or deposit at any particular point in time. Also, no organised data exist on investors or depositors outside the banks but this study took a general position to deal with the individuals outside the banking system.

Sampling Technique and Sample Size

Since a sampling frame could not be drawn for the population; it implied that only a non-probability sampling procedure was possible and the purposive sampling technique was used to draw the require sample. The purposive sampling technique was necessary because it allowed for only individuals that meet the needed characteristics of the study to be included in the final sample. The quota sampling was used along to sample 60 male and 40 female respondents for the data collection and analysis to ensure representativeness based on sex. Together, 100 respondents were used for the study because they were the accessible population.

Instrument and Data collection Procedure

Since the mixed method was be used, both interview guide and structure questionnaire were used for the data collection. The questionnaire allowed for more respondents to be included and items to place on rating scale for further statistical analysis. The interview allowed for in-depth information to be sought for unselected issues to complement the quantitative analysis in a triangulation. Data collection instruments used for the study was the structured questionnaire. The questions were made up of open-ended and close-ended questions. Closed-ended questions used the Likert type scale and the open-ended type questions allowed for free expression of views and comments which was used for the qualitative analysis. The questionnaire was developed in line with the self-efficacy scale and financial self-efficacy scale proposed by Nguyen and Bandura (Nguyen, 2016; Bandura, 2006). The questionnaires were distributed to the sampled respondents and given some time to fill at their convenience and were collected latter. This process resulted in 95 percent response rate; though all questionnaire were collected few were not completely filled and were discarded.

Pretesting of Instrument

The structure questionnaire was initially pretested with 10 respondents from Elmina for further corrections and updates. Elmina although in a different municipality has Cape Coast as its principal city with strong ties that ensure similarity in respondent's characteristics. Both cities in the area are also the traditional cities and capital of their assemblies. The pretest results were tested for reliability using the Cronbach alpha and the items found to be less reliable were updated. Other ambiguous and fragmented responses were corrected or reconstructed to ensure clarity.

Validity and Reliability of Data

Validity and reliability describe how collection of the data or how the conduction of the analysis brings reliable findings (Saunders. Mark, Lewis & Thornbill, 2009). The study ensured validity by reducing subject or participant error, subject or participant bias, observer error and observer bias. Essentially, the sampling technique used ensured fairness in representation. The questions on the questionnaire were also selected from standardised questionnaires such as the self-efficacy questionnaire (Nguyen, 2016). The researcher was also objective in his observations and discussions of findings. The triangulation of qualitative and quantitative analysis also ensures the outcomes are consistent and reliable enough to ensure construct and statistical validities.

The Cronbach alpha was used to test the reliability of the items under each construct. George and Mallery (as cited in Namdeo & Rout, 2016) provided the rules of thumb which states that if the value of alpha is greater than 0.9 then the consistency is classified as Excellent, between 0.8 and 0.9 is Good, between 0.7 and 0.8 is Acceptable, between 0.5 and 0.6 is Questionable, between 0.5 and 0.6 is Poor, and less than 0.5 is Unacceptable. As presented in Table 1, the final data indicated a Cronbach's alpha value of 0.89, 0.82 and 0.85 for items in research questions one, two and three respectively, which were interpreted to mean good for all the research questions research (Namdeo & Rout, 2016). The responses were therefore adjudged reliable enough for the analysis.

Table 1: Reliability Statistics

Cronbach's Alpha	N of Items
.890	6
.820	7
.850	7

Data Processing and Analysis Tools

The quantitative data were presented in tables and chart and analysed with both descriptive and inferential statistics. The non-parametric test was used to compare the median rating of the respondent across the selected moderating variable such as sex, age and educational level of respondents. The use of non-parametric test was due to the fact that the study used non-probability testing which does not meet the distributional assumptions of parametric test. The non-parametric test, however, does not make any assumption on the distribution on the variables. Also, the median as a central tendency is valid even if the distribution is not normally distributed or the variables are placed on an ordinal scale.

The Wilcoxon rank sum test and the distribution free asymptotic structural equation model (SEM) were used for the inferential analysis. Structural Equation Models (SEM) is a family of multivariate statistical models that allow the analyst to estimate the effect and relationships between multiple variables (Luigi & Rocio, 2018). SEM provides greater flexible alternative to regression models since it is less restrictive than regression models because they allow for the inclusion of measurement errors in the criteria variables (dependent) and in the prediction variables (independent) (Fan et al., 2016). SEM could be thought of as a variety of factorial analysis models that allow the consideration of direct and indirect effects between factors. The choice of SEM model for the study lies in its ability to analyze more than one relationship at the same time and that its can overcome the obstacles that appear when latent variables need to be measured (Hox & Bechger, 2000). The SEM model allows the bi-causal relationship between financial self-efficacy and depositor confidence to be modeled. SEM is also more robust to the use of small sample size (Hox & Bechger, 2000).

Ethical Considerations

All the accepted ethical standard in research adhered be adhered to and validity, consistency and reliability was well considered. That is, though the study did not solicit many sensitive information, all attempts were made to ensure anonymity of the respondents, confidentiality of the data by placing it under password on a computer, seek the consent of all appropriate bodies as well as respondents and report all findings in truth and sincerity. Permissions were taken from all the appropriate bodies such as the institutional review board before respondents were involved in the study.

Chapter Summary

The Chapter proposed and used the stated method to select respondents, engaged them in data collection and managed the data based on the adopted research ethics. The data collected was therefore fit for analysis was done in the next chapter. The reliability test in the next chapter attest to the appropriateness of the adopted research approaches and strategies.

CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

This chapter presented the results estimated from the primary data collected and later discussed the main outcome based on the stated objectives. The estimation followed the prosed analytic framework and adopted the appropriate diagnostic test before applying any statistical tool.

Profile of the Respondents

The primary data was collected on 100 purposively sample potential investors comprising 60 males and 40 females in the Cape Coast Metropolis. The results in Table 2 indicate that about 40% of the respondents were single, 36 percent were married while the remaining 24 percent were divorced or separated from their partners. The content of Table 2 also suggested that a greater proportion of the respondent, 42%, were within the ages of 29 years to 39 years, 25% were above 40 years, 23% were with the ages of 18 years to 28 years and the remaining 10% below 18 years.

Table 2: Profile of the respondents

Variable	Frequency	Percentage (%)
Age (year)		
Below 18	10	10
18-28	23	23
29-39	42	42
40 and above	25	25
Marital status		
Married	36	36
Single	40	40
Separated/Divorce	24	24

Employment		
Government	41	41
Wage employee in private sector	25	25
Student	20	20
Retired/Unemployed	14	14
Level of Education		
None	18	18
Basic	21	21
SHS	29	29
Tertiary	32	32
Religion		
Catholic	23	23
Protestants	31	31
Charismatic	28	28
Islam	18	18

Source: Field survey, 2020

In terms of employment status, the results suggested that about 41% were government workers, 25% were wage employees in the private sector, 20% were students and the remaining 14% were either retired or unemployed. The distribution of level of education indicated that about 32% of the respondent had tertiary education, 29% had Senior High School (SHS) education and the remaining 18% had no formal education. The results in Table 2 again indicated that about 31% of the depositors were Protestant, 28% were Charismatic, 23% were Catholic and the remaining 18% were Moslems.

The profile of the depositors suggested that the respondents were relatively balanced on gender, age group, level of education and religious status to allow for comparison were necessary.

Table 3: Type of Product depositors held with financial institutions

Product	Frequency	Percentage
Savings accounts	87	87
Current account	46	46
Fixed deposit	14	14
Investment account	8	8
Treasury bill/bonds	28	28
Shares	15	15
Foreign currency account	0	0

Source: Field survey, 2020

The results suggested that about 87 percent of the depositors had savings accounts with their financial institution, 46 percent had Current or chequing accounts and 14 had fixed deposits. Only 8 percent had investment account, 28 percent had Treasury bill or bond and 15 had shares through their accounts. The fewer investment accounts could not be interpreted to imply low investment since a number of investment policies can operate through a savings or current accounts. Not surprising though, none of the depositors had a foreign currency denominated account. A followed-up analysis was done on the frequency of activity with financial institutions, as presented in Figure 3.

Table 4: Changes to investment decision within the Crisis/Reform Periods

Statement	Strongly Agree	Agree	Disagree	Strongly Disagree
I have reduced my savings with banks	33	37	22	8
I now do real investment instead of financial investment	14	61	20	5
I am now investing more into my business or projects instead of depositing them in banks	26	46	21	7
I now keep more money on me than before the reform/crisis	16	41	32	11
I make withdrawals more frequently than before	20	44	30	6
I don't take marketers from financial institutions serious anymore	39	31	23	7
I don't recommend any financial institution to friends and family again	18	35	38	9
I don't do business with local and small banks anymore	20	46	23	11
I have moved or considering moving my account to a different bank I trust	31	30	31	8
I have split my savings into several banks for safety	16	44	34	6
For my money transfers I still use banks	14	54	26	6

N/B: Since the total sample was 100, the frequencies corresponds to percentages

Source: Field survey, 2020

From Table 4 it was observed that about 70 percent (strongly agreed=33%, agreed=37%) accepted that they have reduced their savings with banks, about 75 percent (strongly agreed=14%, agreed=61%) accepted that they now do real investment instead of financial investment and the observation was collaborated by about 72 percent (strongly agreed=26%, agreed=46%) who indicated they now investing more into their business or projects instead of depositing them in banks. Also, about 57 percent (strongly agreed=16%, agreed=41%) indicated that they now keep more money on them than before the reform/crisis, while 64 percent (strongly agreed=20%, agreed=44%) accepted that they make withdrawals more frequently now than before the reform/crisis. Again, about 70 percent (strongly agreed=39%, agreed=31%) accepted that they do not take marketers from financial institutions serious anymore, as such about 53 percent (strongly agreed=18%, agreed=35%) indicated they do not recommend any financial institution to friends and family again anymore as they did before the crisis. On the issue of trust, about 66 percent (strongly agreed=20%, agreed=46%) revealed that they do not do business with local and small banks anymore, which corresponds with about 61 percent (strongly agreed=31%, agreed=30%) who indicated they have moved or are considering moving their account to a different bank that they trust. As a strategy, about 60 percent (strongly agreed=16%, agreed=44%) indicated they have split their savings into different banks for safety. However, about 68 percent (strongly agreed=14%, agreed=54%) confirmed that they still prefer to do their money transfers use banks.

Depositors confidence does not depend on their demographic characteristics

This hypothesis searched for evidence to support the dependency that could exist between depositors' confidence in the financial sector during the crisis and three selected demographic characteristics. Three specific hypotheses were tested under this broad hypothesis using depositors' sex, age group, and marital status. The Wilcoxon rank sum test as used instead of the chi-square test of dependency because it has the ability to give information about the probability that one group shall have higher median rating than another. To take advantage of this feature of the Wilcoxon test, all the variables were categorised into dichotomous variables so that the groups can be compared.

Table 5: Sex and Depositor Confidence of deposit

	Sex			Age Group			Marital Status		
Statement	**Z**	**P**	**P(male>female)**	**Z**	**P**	**P(young>old)**	**Z**	**P**	**P(mar.>sing.)**
I have reduced my savings with banks	-1.039	0.2988	0.496	1.285	0.1987	0.505	1.268	0.205	0.503
I don't take marketers from financial institutions serious anymore	-0.444	0.6573	0.473	0.383	0.7015	0.525	-0.131	0.896	0.491
I don't recommend any financial institution to friends and family again	-0.131	0.8957	0.491	0.711	0.4772	0.506	-0.754	0.4507	0.455
I am now investing more into my business or projects instead of depositing them in banks	2.421	0.0155	0.654	2.147	0.0318	0.635	-0.481	0.6307	0.471
I don't do business with local and small banks anymore	4.479	0.000	0.589	2.038	0.0416	0.634	-0.854	0.3932	0.483
I now keep more money on me than before the reform/crisis	-2.411	0.006	0.393	1.979	0.0478	0.624	-2.455	0.0141	0.336

Source: Field Survey, 2020

The results suggested that the decisions to *reduce savings with banks during the crisis, not to take marketers from financial institutions serious again*, and *not to recommend any financial institution to friends and family again* were not dependent on either sex or age group. It was also observed that the decision to investing more into personal business or projects instead of depositing money into banks was dependent on both sex and age group of the respondent. The extended probability indicated that there was 65.40% chance that the median rating of the males shall be higher than that of the females, which implies the females agreed more to the statement than the males on the average ($Z=2.421$, $P\text{-value}=0.0155<0.05$ and $P(\text{male rating}>\text{Female rating})=0.654$). Also, there was 63.50% chance that the median rating of the young shall be higher than that of the old depositors, which implies the old depositors agreed more to the statement than the young depositors on the average ($Z=2.147$, $P\text{-value}=0.0318<0.05$ and $P(\text{young rating}>\text{old rating})=0.635$).

It was further observed that depositors lost confidence in doing business with local and smaller banks, and keeping of more money on them than before the reform/crisis were dependent on their sex or age group. The extended analysis suggested that the females lost confidence in the local and small business more than the male depositor ($P(\text{male rating}>\text{Female rating}) = 0.589$) while older depositor lost more confidence in the local and small banks than younger depositors ($(\text{young rating}>\text{old rating}) = 0.634$). However, the male depositors were found to keep more money on the than during and after than before the reform/crisis as compared to females (P (male rating>female rating)=0.393). The older investor still kept more monies on them than the younger depositors (young rating>old rating) =0.393).

Only one of the manifestation of investor confidence dependent on the marital status of the depositors. That is, statistical significant dependency was observed between the marital statuses of depositors' decision to keep more money on them during the reform/crisis than before the reform/crisis. The results suggested that married depositors have low chance to keep more money on them than the depositor who were single (P(married rating>single rating)=0.336).

It was concluded from the analysis that fall in investors' confidence during the reform/crisis dependent more on sex and age group than the marital status of the depositors.

The level of financial self-efficacy of depositors

The level of self-efficacy of the depositor was assessed and the results were presented in Table 6.

Table 6: Depositors Level of self-efficacy

Statement	Do not agree	Slightly Agree	Moderately agree	Agree	Strongly Agree
I am certain I have the ability to take necessary action to protect myself during a crisis.	22	10	30	24	14
I can anticipate likely events during a crisis.	32	22	17	16	13
I am confident that I can deal efficiently with unexpected crisis situations.	35	24	30	11	0

Table 6: Continued

During a crisis, I can usually handle whatever comes my way.	48	35	12	5	0
Thanks to my resourcefulness, I know how to handle unforeseen situations during crisis.	42	22	20	12	4
I am able to achieve most of the goals that I have set for myself during crisis	14	18	16	32	20
I am able to use available resources with effectiveness during crisis.	11	13	24	28	24
Given enough time and effort, I believe I can solve most problems during crisis.	10	9	23	32	26
I can stick to spending plan if unexpected expenses arise	15	12	30	28	15
I can figure out solution when faced with financial challenge	10	15	51	14	7
I have confidence in my ability to manage finances	11	15	22	32	20

Source: Field survey, 2020

From Table 6, it was observed that the respondents had varying endorsement for different aspect of financial self-efficacy. From the results, about 68% of the respondents indicated high agreement (moderately agree=30%, agree=24% and strongly agree=14%) that they were certain they have the ability to take necessary action to protect themselves during a financial crisis. It was interesting to note that about 22% believe they were not certain about their financial abilities during crisis. About 32% of the respondent indicated that they could not anticipate likely events during a crisis, while 22% slightly agreed to the statement. Only 16% agreed and 13% strongly agreed in their ability to anticipate events correctly during financial crisis. Accordingly, about 35% indicated they were not confident about the capability to deal efficiently with unexpected financial crisis situations, while 24% slightly agreed to the statement. Also, about 48% did not agree while 35% slightly agreed to the statement that they could handle whatever comes their way during financial or bank crisis. About 42% of the respondent did not agree to the statement that based on their resourcefulness, they know how to handle unforeseen situations during crisis, while another 22% slightly agreed to the statement.

About 20% of the respondents strongly agreed while 32% of them agreed to the statement that they are able to achieve most of the goals that they set for themselves during financial crisis, while 14% indicated no agreement with the statement. Also, 24% strongly agreed and 28% agreed that they are able to use available resources with effectiveness during crisis, while 11% rejected the claim. However, 26% strongly agreed and 32% agreed to the statement that, when given enough time and effort, they could solve most problems during financial crisis at the individual level. On financial discipline, about 15 percent strongly agreed and 28 percent agreed that they can stick to their spending plan if unexpected expenses arise due to financial crisis. The

The results presented in Table 6 tested the dependency between level of self-efficacy and financial losses during the crisis period. The results indicated that statistical significance difference could be observed between the level of financial self-efficacy and losses during the financial crisis (chi2(4) =28.1775, Pr= 0.000<0.05). That is, the null hypothesis that there is no statistical dependency between the level of financial self-efficacy and financial loss could not be accepted at the five percent significance level. A closer look at the distribution in the cross-tabulation in Table 5 implies that more individuals with high financial self-efficacy (23 out of 30 representing 76.66%) have experience financial losses during the crisis period, as compared to few individuals with low self-efficacy (17 out of 70 representing 24.3%) who have experience losses. More of the individuals with low self-efficacy indicated they were not certain of a loss which in itself was a manifestation of their low financial self-efficacy.

Table 7: Test of Dependency between self-Efficacy and Financial Losses during Crisis

	Financial effects of crisis			
Self-efficacy	**Loss**	**No loss**	**Uncertain**	**Total**
High	23	4	3	30
Low	17	23	30	70
Total	40	27	33	100
Chi-square test: Pearson	chi2(4) =28.1775		Pr	= 0.000

Source: Field data, 2020

The rest of the discussion was done in a Structural Equation Model (SEM) framework. The SEM model was built with Financial Self-Efficacy

(EFFICACY) and Depositors Confidence (CONFIDENCE) as endogenous variables. That is, the model was built with the assumption that financial self-efficacy could influence depositors' confidence while depositors' confidence could in turn influence the level of financial self-efficacy during a crisis period. The level of self-efficacy was determined by the extent to which depositors can *anticipate* good financial decision, their *ability* to take financial decision and how *certain* they were about making the right decisions. The level of confidence was determined by how the depositors *worry* about their investment, how they engage in *panic* withdrawals, readiness to *switch* investment from local to foreign due to lack of trust and their unwillingness to engage in *word-of-mouth (no_wom)* about their banks' during the crisis period.

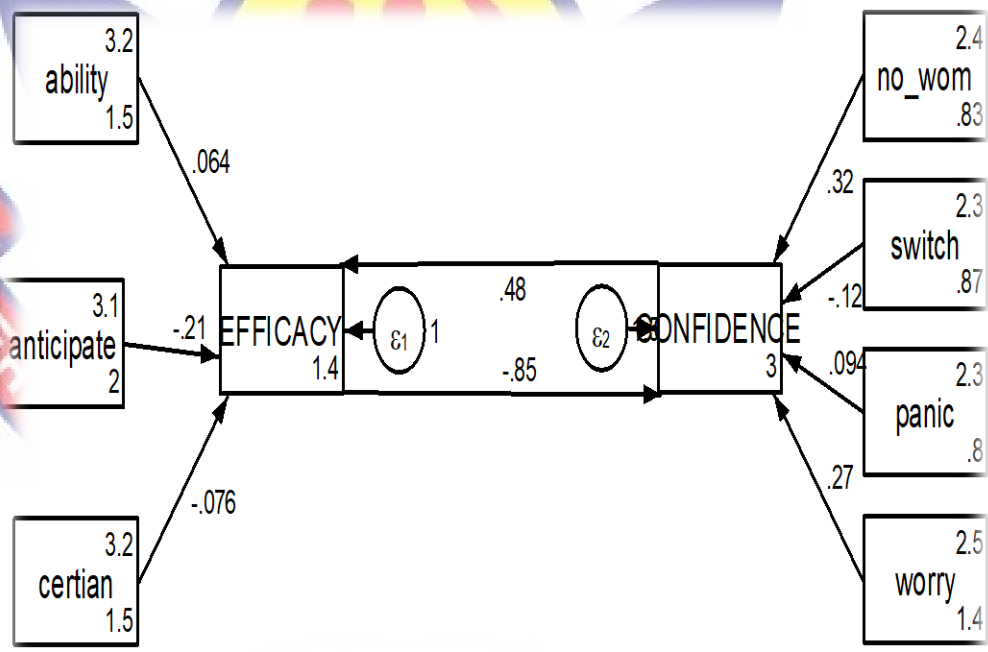

Figure 6: The SEM model of self-efficacy and level of confidence

Source: Field survey, 2020

The post-estimation test suggested the structural model was well fit at the five percent significance level compared to a non-structural model (LR test of model vs. structured: chi2(8) = 40.71, Prob > chi2 = 0.0000<0.05). The equal level Wald test suggested that both the EFFICACY model (chi2=156.09, df=4, p-value=0.0000<0.05) and the CONFIDENCE model (chi2=223.42, df=5, p-value=0.0000<0.05) are better than an empty model with only an intercept. The R-square of the model were 52.4% and 72.5% respectively which were relatively good for cross-sectional models. The structural model was therefore adjudged fit enough for interpretation and policy recommendations.

The results suggested that financial self-efficacy had statistically significant negative effects on the level of investors' confidence within the crisis period (coeff=-0.85, Z=-2.18, p-value=0.029). The results indicate that a standard increase in the level of Financial Self-Efficacy could decrease the level of depositors' confidence by about 0.85 standard deviations, keeping all other factors constant. In turn, the level of confidence indicated a statistical significant positive effects on the level of Self-efficacy (coeff=-0.48, Z=3.01, p-value=0.003). That is, a standard deviation increased in the level of depositors' confidence could increase the financial self-efficacy of the depositors by about 0.48 standard deviations, all other factors remaining constant. Since the coefficient were standardised, it was possible to compare the magnitude of the coefficients. It was therefore observed that, in absolute terms, the self-efficacy have stronger effects on level of confidence within the financial sector of Ghana, than the reverse effect of investors' confidence on self-efficacy.

Discussion of the Results

The analysis of the study focused on answering four major research questions to address four major research objectives. The first research question sought to the level of depositor's confidence in financial institution in the Cape Coast metropolis of Ghana. The results suggested that depositors' confidence was significantly affected by the financial crisis. Depositor modifications to the investment suggested that their confidence level was adversely affected by the outcome of the financial crisis. The results suggested that depositors have reduced their savings with banks, withdraws more frequently than before, keeps more money on them than before the reform/crisis, switch accounts across banks, and split their account into deposits in several banks. These outcome points to the fact that depositors have adjusted their investment behaviour due to bitter lesson learnt from the crisis and the actions suggest fall in their confidence in the banking sectors. They now speculate more by keeping money on them through panic withdrawals and diversify their deposits by putting them into different portfolios. The results suggested that the confidence of the depositors has been shifted from local banks to foreign banks.

It was also observed that the depositors don't do business with local and small banks anymore, but still have trust and confidence in the foreign banks. These results suggest that confidence is generally not falling in the financial sector of Ghana but rather shifting towards foreign and bigger more visible banks. The major implication of this finding was that the share of local banks in the total banks shall reduce, and the foreign concentration and dominance shall increase in Ghana in the near future. It was also clear from the analysis that the depositors are trading of financial investment for real investment into capital goods and projects. These results have mixed effect on the financial sector depending on the entrepreneurial ability of the depositors. That is, if more of the depositors have good entrepreneurial capabilities, then real investment could generate more wealth than financial investment and they will in terms increase the volume of transactions with financial institutions in the medium to long run. If the real investment is actually just a reaction to falling confidence in the presence of crisis, then the resulting outcome could be failed investments that could further sink the financial sector of Ghana. It was also observed that depositors no more take marketers from financial institutions seriously and hardly recommends financial products to others. This presents a daunting challenge to marketing department of banks and other financial institutions. The only good news from the analysis was that financial institutions remain the preferred mode for money transfers even in the crisis period.

The results were consistent with the earlier observation of Apea and Sezibera (2002) that bank crisis indeed have significant effects on depositors since the loss trust in regulatory system of Ghana during crisis. The work of Brown et al. (2016) discovered that bank crisis negatively affects depositors' confidence which manifest in the form of panic withdrawals and massive leakage of cash from the financial system. Brown (2017) added that bank crisis increases the propensity of panic withdrawal by depositors as it was observed in the current study. Kroszner et al. (2017), Roth (2009) and Osoli and Pualson (2009) also confirmed the negative impact of bank crisis on depositors' confidence. The observation that depositors attempt to manage their risk during crisis by moving to more stable banks was consistent with the earlier findings of Homanen (2018) and Das, Kulkarni, Mishra and Prabhala (2018) who indicated that depositors fly to safety during crisis or reforms.

The first hypothesis was stated to test the dependency of between depositors' confidence and their demographic characteristics in the reform/crisis period. The results suggested that investors' confidence level in the bank crisis period dependent more on their sex and age group than on their marital status. It was observed that males exhibited confidence on more observed aspect of confidence than females while the older depositors more sceptical than the younger depositors. The fact that males were more confident in the crisis than the females could be explained to imply the difference in confidence level between males and females in general. Kay and Shipman (2014), for example, indicated that females are less self-assured or confident than men in most decision-making process. Zenger (2018) alluded to empirical studies that proves that males generally over-estimates their ability which they can interpret to mean confidence than females but the actual performance the actual confidence gap between them is not statistically significant. Guillen (2018) also added that "while self-confidence is gender neutral, the consequences of appearing self-confident are not". Hart (2019) explained further those women try to avoid the social consequences of appearing self-confident in what she referred to as "backlash effects". That is, women know they are expected to appear vulnerable and put such believe into practice but they actually possess real confidence in themselves just as men do (Ogihara, 2020).

The implication of the findings of this study, therefore, was that though females indicated low self-confidence in themselves as compare to males, their actual financial performance or self-efficacy may not differ much. The observation that younger depositors were confidence in the depository decisions that older depositors was also consistent with the literature that younger depositors have more future options for financial investment than older depositors (Orth, Trzesnieweski & Robins, 2010). That is, older depositors have more incentive to be risk averse, on the average, than the younger depositors. Coulston (2020), Mutter and Plumlee (2009) and Pliske and Mutter (1992) indicated that though older individuals have correct strategy for mental judgement, such ability does not mostly result in accurate judgement which eventually reduce confidence with age. Burgess (2019) based his arguments on the “7 ages of confidence” and concluded that holder people are as fragile in confidence as children.

The second research question was concern with depositors’ level of financial self-efficacy in the financial sector of Ghana. The results suggested that the depositors generally had moderate level of financial self-efficacy. The respondents moderately agreed to the fact that they are able to anticipate, handle and make financial decision needed to achieve the desire financial goals even in times of financial crisis.

The second research hypothesis aimed at determining the relationship between financial self-efficacy and depositors’ confidence. The analysis tested two hypotheses in a SEM framework to determine the bi-causality between financial self-efficacy and depositors’ confidence. The results confirmed the existence of a bi-directional relationship between financial self-efficacy and depositors' confidence. The interest aspect of the finding was that the direction of effects was not consistent since financial self-efficacy indicated negative effects on the level of confidence but level of confidence indicated direct effects on financial self-efficacy. Such inconsistent simultaneous relationship could be explained by the fact that the effects follow different transmission mechanisms. That is, high financial self-efficacy simple implies that the depositor response more confidence in his/her ability and may therefore have less confidence in the systems or existing institutions. Hence though high financial self-efficacy can aid a depositor to survive erratic financial condition, the depositor shall do so by trust more in his/her own capabilities not the necessary because of confidence in the existing institutions.

As was observed in the analysis, the respondents indicated *"I am confident that I can deal efficiently with unexpected crisis situations".* Here the respondents were confident they could handle whatever the crisis throw at them but not that they are confident the system will shield them against the effects of the crisis. Hence the negative effect of financial self-efficacy on depositors' confidence during crisis was plausible. It is also plausible to expect that the decision to trust in one's ability to handle situation could steam from the person confidence in understanding the system. Hence, it is empirically appealing to think that high level of confidence in the system shall increase financial self-efficacy as it was observed in this study. A study by Mindra and Moya (2017) in Uganda indicated that self-efficacy moderate financial outcome of depositors which includes their confidence, which is consistent with the observation in Ghana. Ter Huurne and Gutteling (2009) also confirmed the negative effects of low self-efficacy on depositors' confidence.

The results, however, contradicted that position of Bayat, Akbarisomar, Tori and Salehiniya (2019) who found no statistically significant difference between self-confidence and risky decision making.

The last research question aimed at identifying the depositors view on what that felt is the way forward in improving the financial sector of Ghana. The results suggested that the depositors highly recommends that the Central Bank of Ghana must sanitise the financial system to improve confidence, depositors must seek expert's views of financial brokers before making final investment decision and managers of financial institutions must maintain good corporate governance to boost confidence in the financial sectors. They also recommended that depositors must manage their expectations of high interest rate to reduce risk of defrauding, the Central Bank must enforce depositors' insurance to reduce risk and boost confidence of depositors and depositor must learn to divide their investments across different products and institutions.

As part of the measure to reduce risk, the Central Bank must introduce a cap on the number of customers a particular investment package can take base on the capacity of the institution. This recommendation was simple a wakeup call to enforce and extend the law on capital adequacy ratio which inherently restrict volume of loans a bank can create. There should also be a limit to the number of depositors a financial institution can sign on depending on their capacity to meet their obligations. Finally, the depositors were advised to collaborate information from both formal and informal sources before making a final investment decision. That is, word-of-mouth information that depositors' receive must be crosscheck and scrutinised in light of the formal information from regulators and analyst before final investment decision are taken. The recommendation given by the respondents had empirical supports from the studies of Iyer, Puri and Ryan (2016), Laeven and Valencia (2011), Ramirez (2010) all of which supported that fact that improving monitoring and strengthening state regulation is the way forward in improving depositors' confidence.

Chapter Summary

The study found four main findings of the study based on the stated objectives. First, the bank crisis has adversely affected the confidence level of depositors in the financial sector of Ghana. Second, depositor confidence level during the crisis statistically depended on their sex and age group of depositors. Males and younger depositors proved to be less sceptical during the reform/crisis than female and older about deposits into formal banks. Third, the depositors generally exhibited moderate level of financial self-efficacy. The moderate self-efficacy was observed in the fact that an average number of them believed that they are able to anticipate, handle and make financial decision needed to achieve the desire financial goals even in times of financial crisis. Finally, the depositors were found to have adequate knowledge on the way forward in ensuring confidence in the financial sector of Ghana. They recommended law enforcement, introduction of depositor's insurance in Ghana, education of the depositors to manage their expectation and seek more information on investment product before investing huge amounts.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

This chapter is the final of this study and it presents the summary of key findings, conclusions drawn from the study and based on the key findings, and provides appropriate recommendations for stakeholders. Also, the chapter presented suggestions for further studies.

Summary of the Study

The main purpose of this study was to examine the relationship among bank crisis, self-efficacy and depositors' confidence in the financial sector of Ghana. The study dwell on the aftermath of the current bank crisis and the subsequent reforms to examine the extent to which depositors' confidence were affected as well as the role that depositors' self-efficacy plays in the extent of the effects. The self-efficacy theory was followed to guide the conduct of the study. The descriptive survey design was adopted because of the wider scope of the study and the fact that the study sought to describe the empirical relationship among depositors' confidence, self-efficacy and bank crisis. The study was purely quantitative and follows the positivist research philosophy. The purposive sample was used to sample a total of 100 depositors from the Cape Coast Metropolis for data collection. The structured questionnaire was used for the data collection and the outcome was coded for the analysis. Standardised questionnaire was adapted and pre-test for the data collection to improve reliability and validity.

Both descriptive and inferential statistics were used for the analysis which was purely quantitative. The descriptive statistics used included frequencies, percentages and the median rating. Non-parametric tests such as the chi-square test and the Wilcoxon rank sum test were used for the evaluation of dependency among the variables and the comparison of means. The distribution free asymptotic SEM was used to model the simultaneous relationship between self-efficacy and investors' confidence in the mist of bank crisis. The validity of the results was particularly checked and attempts were always made to ensure statistical validity by chosen the most appropriate estimation methods for the analysis. The results were presented and discussed in the fourth chapter of the study based on the following research questions.

Summary of Findings

The following were the main findings of the study based on the four stated objectives:

1. The bank crisis has adversely affected the confidence level of depositors in the financial sector of Ghana. The adverse effects manifests in the form of depositors reducing their savings with banks, withdrawing more frequently than before the crisis, keeps more money on them than before the reform/crisis, switching accounts across banks for safety, and split their account into deposits in several banks to spread risk.
2. Depositor confidence level during the crisis statistically depended on their sex and age group of depositors. Males and younger depositors proved to be less sceptical during the reform/crisis than female and older about deposits into formal banks.
3. The depositors generally exhibited moderate level of financial self-efficacy. The moderate self-efficacy was observed in the fact that an

average number of them believed that they are able to anticipate, handle and make financial decision needed to achieve the desire financial goals even in times of financial crisis.

4. A significant bi-directional relationship was observed between financial self-efficacy and depositors' confidence during crisis. The interest aspect of the finding was that the direction of effects was not consistent since financial self-efficacy indicated negative effects on the level of confidence but level of confidence indicated direct effects on financial self-efficacy.
5. The depositors were found to have adequate knowledge on the way forward in ensuring confidence in the financial sector of Ghana. They recommended law enforcement, introduction of depositors insurance in Ghana, education of the depositors to manage their expectation and seek more information on investment product before investing huge amounts.

Conclusions

The main findings of the study are premised to drawing a number of conclusions, some of which were outline below:

1. Depositors are reactive to bad news in the banking sector which is heightened during financial crisis and manifested through reduced confidence.
2. The reform or crisis period had different implications on the males and females in terms of confidence in the bank sector.
3. Depositors' views of their self-efficacy did not translate into improved ability to manage confidence during financial crisis, which implies that

self-efficacy may induce risky behaviour during crisis which adversely impact depositors' confidence when the effects are felt.

4. Depositors indicated high level of awareness of what should be done to improve depositors' confidence in the financial sector of Ghana. The conclusion was that if stakeholders follow the position of the depositors, they will get the depositors to comply better than introducing entire new measures to them.
5. The effects of financial crisis and reforms transcend financial decision to include their unwillingness to share positive word-of-mouth about financial products.
6. It was also concluded from the results that local banks concentration in the financial sector shall reduce further in the aftermath of the crisis and reforms.

Recommendation

The study had recommendation as one of its objectives which provided a number of recommendations. This section directs the resulting recommendations to the appropriate institutions and individuals.

1. The Central Bank of Ghana needs to enforce existing financial laws and communicate the sanctions to depositors to improve their sense of protection from the regulators.
2. The Central Bank of Ghana need to fast track processes on depositors' insurance to further calm the nerves of the depositors.
3. The Central Bank must lift the veil of incorporation to deal with perpetrators of financial fraud through established institutions to serve as deterrent to other owners of financial institutions.

4. The Central Bank of Ghana needs to institute special support and guarantee to surviving local banks to improve depositor's confidence in the local banks.
5. Customer protection associations need to roll out sensitisation programmes for depositors to improve their financial knowledge on how and when to invest.
6. Depositors need to apply their financial self-efficacy to seek proper information about financial product before committing huge sums to a financial product.
7. Depositors need to manage their interest rate expectation by understanding that higher rate implies higher risk.
8. Depositors must collaborate information from different source including financial advisors before making financial decisions.
9. Surviving banks must instil confidence into their customers through dedicated services that will generate positive word-of-mouth among depositors and potential depositors.

Suggestions for Further Studies

The study had a limited scope since it was delimited to the Cape Coast Metropolis. Future studies can expand the scope to include more districts, municipalities and metropolis and also include more participants.

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APPENDICES

APPENDIX 1

QUESTIONNAIRE

UNIVERSITY OF CAPE COAST

SCHOOL OF BUSINESS

DEPARTMENT OF FINANCE

QUESTIONNAIRE FOR MASTERS DISSERTATION ON "BANK CRISIS, SELF- EFFICACY AND DEPOSITORS' CONFIDENCE IN FINANCIAL INSTITUTIONS IN GHANA: THE CASE OF CAPE COASTS METROPOLIS"

The purpose of this research is to examine the effects of bank crisis and depositors' self-efficacy on depositors' confidence in the financial sector of Ghana. The information you provide is mainly for academic purpose. I, therefore, assure you of total confidentiality and anonymity of your responses. Please, be informed that participation in this study is voluntary.

INSTRUCTION: Please answer the following questions as given below. Tick [√] where applicable and write where needed.

THANK YOU.

Please read this before continuing:

Deposit *as used here refers to all kinds of transactions with banks that involve a customer putting money into a bank including investment decisions like deposit into account, buying of shares, fixed deposit and other investment product.*
Investment product *refers to any deposit with financial institution which promise returns such as fixed deposit, bank-assurance, shares among others.*

Bank crisis as used here refers to period of instability in the banking sector where banks are not able to meet depositors continuous withdrawals coupled with low deposits.
Depositors Confidence: refers to the level of trust depositors have in the banking sector which influence the level of financial activities done through banks.
Financial Self-efficacy: refers to an individual's ability to accomplish or work towards achieving the decision taken as right.

Section A : Profile of respondents

1. Sex: Male [ ] Female [ ]

2. Marital Status: Single [ ] Married [ ] Divorced/Separated [ ] Widowed [ ]

3. **Age Group**: Below 18 [ ] 18-28 [ ] 29-39 [ ] 40-50 [ ] 51-60 [ ] Above 60 [ ]

4. **Occupation**

Student [ ] Government worker [ ] Self-employed [ ]

Wage employee in private sector [ ] Retired [ ] Unemployed [ ]

5. **Level of Education**

No formal Education [ ] Junior High School/Middle School [ ]

Senior High School [ ] Tertiary [ ]

Other (please specify)………………………………………………

6. **Religion**: Catholic [ ] Protestants [ ] Charismatic [ ]

Moslems [ ] Traditionalist [ ]

7. Do you have a bank account? Yes [ ] No [ ]

8. If yes, which financial institution do you normally deposit or save with?

[Pick as many as it apply]

Commercial/Investment Banks [ ]

Rural Banks [ ]

Savings and Loan Banks [ ]

Micro Finance Institutions [ ]

Cooperative Credit Union [ ]

Others (please Specify)……………………………………………………….

Section B: Deposit History

Please indicate your response based on your past and present involvement in transacting business with financial institutions.

8. How long have you kept your oldest account with a bank?

Less than 5 years [ ] 5-9 years [ ] 10-14 years [ ]

15-19 years [ ] 20 or more years [ ]

9.When was the last time you did business with a financial institution?

Three days ago [ ] One week Ago [ ] One month ago [ ] Three months ago [ ]

10. Which of the following financial products do you have with a bank or any financial institution?

Product	**Please Thick as apply**
Savings accounts	
Current account	
Fixed deposit	
Investment account	
Treasury bill/bonds	
Shares	
Foreign currency account	
Others {please specify}	

11. Have the current happenings in the financial sector affected the extent of business you used to do with financial institution in Ghana? Yes [ ] No. [ ]

12. If yes kindly specify by ticking the extent to which you agree or disagree with the following statements.

Statement	Strongly Agree	Agree	Disagree	Strongly Disagree
I have reduced my savings with banks				
I now do real investment instead of financial investment				
I now keep more money on me than before the reform				
I don't recommend any financial institution to friends and family again				
I make withdrawals more frequently than before				
I am now investing more into my business or projects instead of depositing them in banks				
I don't take marketers from financial institutions serious anymore				
For my money transfers I still use banks				

I have moved or considering moving my account to a different bank I trust				
I don't do business with local and small banks anymore				
I have split my savings into several banks for safety				

13. How will you describe the current happenings in the financial sector of Ghana?

Statement	**Please Thick as apply**
Reform rather than a crisis	
Crisis rather than a reform	
Crisis caused by a reform	
A reform that caused a crisis	

14. Arrange the following according to the order in which you will consider when choosing between an investment package: **[please number them 1st to 7th in order of importance]**

Factor to consider	**Rank**
Size of the return or interest	
Reputation of the investment institution	
The perceived sustainability of the scheme	
The size of the investment amount	

relative to the size of the investment institution	
How other investors recommend the product	
Recommendation from media adverts	
Personal convictions and feelings	

15. Have you lost an investment amount due to a bank or financial institution crisis before? Yes [ ] No [ ] Can't Recall [ ]

16. Do you believe you can make a wrong investment?

Yes [ ] No. [ ] Not Sure [ ]

Section C: Self-Efficacy

17. Please indicate the extent to which you agree or disagree with the following statements:

[Key: the rating scale has **Do Not Agree as 0** through to **strongly agreed as 4]**

Please thick the cell that apply.

Statement	**Do not agree** 0	**Slightly Agree** 1	**Moderately agree** 2	**Agree** 3	**Strongly Agree** 4
I am certain I have the ability to take necessary action to protect myself during a crisis.					

I know that I have the ability to do things in the case of crisis.					
I can anticipate likely events during a crisis.					
I am able to use available resources with effectiveness during crisis.					
Given enough time and effort, I believe I can solve most problems during crisis.					
I am confident that I can deal efficiently with unexpected crisis situations.					
Thanks to my resourcefulness, I know how to handle unforeseen situations during crisis.					
During a crisis, I can usually handle whatever comes my way.					
I am able to achieve most of the goals that I have set for myself during crisis					

I can stick to spending plan if unexpected expenses arise					
I can make progress towards financial goals during crisis					
I always use credit when unexpected expenses occur					
I can figure out solution when faced with financial challenge					
I have confidence in my ability to manage finances					

Section D: Possible Effects of Bank Crisis on Depositors' Confidence

18. Please indicate the extent to which you agree or disagree with the following statements: [Key: the rating scale has **Do Not Agree as 0** through to **Strongly agreed as 4**]

Please thick the cell that apply.

Statement	**Do not agree** 0	**Slightly Agree** 1	**Moderately agree** 2	**Agree** 3	**Strongly Agree** 4
I still have full faith in the financial sector of Ghana					
I have reduced my savings with banks and all other financial					

institutions due to the current happenings in the financial sector					
I currently save with only large formal banks					
I currently save only with foreign banks because I don't have trust in the local banks anymore					
I now channel all my investment through a formal registered bank in good standing					
I still invest in financial products that give the highest returns irrespective of the institution's standing with Bank of Ghana or SEC					
I now consider the sustainability of an investment scheme					

than the size of the interest on their product.					
I now prefer to keep my money home instead of depositing it into a savings account I can't trust.					
I prefer to invest my money into real assets like cars and buildings to investment products from banks and other financial institutions					
There is no cause for alarm in financial investment as far as one invests in registered institution in good standing with the Central Bank					
I now fear to trust any financial institution with my hard earn money, whether					

registered or not.					
I now trust foreign banks but fear to do business with local banks.					
I now divide my investment into smaller units and invest them in different banks or financial institutions.					
I won't advice anyone to invest their money into any financial products in recent period					
I try to gather my personal information about the financial sector which aid my investment decision.					
I believe in my ability to gather right information about financial products that					

will lead to correct decision even in hard times					
I now fall on investment analysts to choose an investment package for me					
I now scrutinise what others say about an investment product before depositing my money.					
I have reduced my transactions in terms of deposit with banks and other financial institutions due to recent happenings					
I use to trust my financial capabilities but I now feel I need an expert's view before investing huge sums of money in financial products					

I still maintain my activity level in terms of loans and overdrafts with banks					
I can monitor my investment personally to know when to transfer my fund to safety and hence have no fear of current crisis to affect my investment negatively					
Though the system is rough I still believe in my ability to make the right choice of financial investment					
I was naturally not a fun of financial sector investment even before the bank crisis but the crisis has worsen my fear					

Section F: The way forward

19. Please kindly indicate your views on the way forward in improving the financial sector of Ghana.

Way forward	**Highly recommended**	**Recommended**	**Not recommended**
Central bank must sanitize the financial system to improve confidence			
Managers of financial institutions must maintain good corporate governance to boost confidence			
Depositors must manage their expectations of high interest rate to reduce risk of defrauding			
Investors must collaborate with their sources from both formal and informal sources before making a final investment decision.			

Depositors must seek expert's views of financial brokers before making final investment decision.			
Depositors insurance must be enforced to reduce risk and boost confidence			
Depositor must learn to divide their investments across different products and institutions			
The central bank must introduce a restriction on the number of customers a particular investment package can take.			

20. Please any general comments on how the current crisis has reduced depositors' confidence?

……………………………………………………………………………………

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