
The impact of new foreign banks strategies on banking in Africa

Cynthia Akwei

Liverpool Business School,
Liverpool John Moores University,
Redmond Building, L3 5UG, UK
Email: c.a.akwei@ljmu.ac.uk

Abstract: With the deregulation and liberalisation of the Ghanaian financial sector, the Ghanaian banking sector has seen an influx of new foreign banks, which are competing very well in this market. However, there is limited research on the impact of the strategies and impact of these new bank's operations in the host country. Using a qualitative and the interview method, data was collected from a case of four foreign banks operating in Ghana and analysed using cross-case comparative analysis. The findings from the study reveal that the exposure of foreign bank strategies in domestic markets leads to both positive and negative impacts. The operations of these foreign banks impact positively on their performance with higher profits and a negative impact on domestic bank's profitability. This paper explores these empirical findings and presents its implications for foreign bank's operations in the domestic markets of an emerging economy.

Keywords: impact of competitive strategies; Africa; foreign banks; domestic markets; deregulation; Ghana.

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Biographical notes: Cynthia Akwei is a Senior Lecturer and programme leader for PhD training and Development at the Liverpool Business School, Liverpool John Moores University. She currently teaches and supervises postgraduate students in strategic and marketing management subjects. She has over 20 years' experience managing businesses and in academia. She has published in top journals and her research interest are in strategic planning and implementation, international business, dynamic capabilities, performance management and measurement, innovation and entrepreneurship, public management and governance, and customer relationship management.

1 Introduction

The increasing worldwide movement of liberalisation and deregulation of the banking industry in recent times has drastically altered the environment within which financial sectors operate. This has led to the opening of up of new opportunities and greater risks for financial institutions. With the favourable political macro-environmental trends of deregulation and a stable economy, Ghana reduced its strict regulatory barriers of entry

into the financial sector. The Central Bank of Ghana implemented policies that allowed banks to recapitalise for universal banking and free participation in the economy of Ghana. The liberalisation has led to the establishment of new foreign banks (Baah-Wiredu, 2006; Armah, 2015). It is important to note that foreign banks are coming to emerging economies like Ghana to explore profit opportunities and to hold or expand market share (Minhas and Jacobs, 1996; Chen et al., 2019). The changes in the Ghanaian banking industry have led to intense competitive pressures both from other domestic financial institutions and from foreign banks. Thus, foreign banks that hitherto had no interest in the Ghanaian economy embarked on aggressive strategies to gain part of the financial sector market share through the acquisition of local banks or entering into a strategic alliance with local banks. As such, the banking sector in Ghana is almost completely internationalised, with over 70% of banks in Ghana foreign-owned banks.

This study, therefore, joins emerging research, which indicates that the influx of foreign new banks into other economies have many benefits. The majority of the literature attributes the impact to improvement in efficiency, competitiveness and domestic banking within such economies (Cardim de Carvalhoe, 2000; Korsah et al., 2001; Agénor, 2003; Hauner and Peiris, 2005; Buchs and Mathisen, 2005; Ashie, 2012; Chen et al., 2019). However, this study goes beyond just the operations of these banks and focus on how their business strategies impacted in different areas of the Ghanaian economy, which includes customers, the banking sector, and the socioeconomic performance.

This paper makes three main contributions to the international business, banking and strategy literature. First, this research seeks to improve the understanding of the impact of foreign direct investment and the operations of the new banks' competitive operations and strategies. Using four leading foreign banks in Ghana, the findings show that foreign banks competitive strategy and operations in Ghana have both positive and negative effects; however, the positive effects outweigh the negative impacts. Secondly, most of the literature (Agénor, 2003; Hauner and Peiris, 2005; Ashie, 2012; Chen et al., 2019) identified in Ghana was on the impact of new banks from a foreign direct investment approach and not from a strategic approach. These studies only focused on the impact on customers and the economy, but not on the banking sector performance. This study goes beyond just customers and the economy to include impacts on the bank's performance and competitiveness focusing on how the macroeconomic and government policies, cost and trust issues within the host country impact significantly on the implementation of the competitive strategies. Using cross-case analysis, I captured the new banks' differences and similarities in strategies, impacts and performances. Further, the level of impact of a particular new bank is dependent on the number of years of operation, market position and the type of competitive strategy developed. Finally, this paper contributes to the literature on foreign bank's operations and business strategies in Ghana.

2 Literature review

2.1 *Overview of impact of foreign banks' competitive strategies*

The reforms of the financial sector of the Ghanaian economy have led to the influx of foreign banks, and it is important to identify the impact these banks have on the customers, the economy, competitiveness and performance of these banks (Dadzie and

Ferrari, 2019; PwC, 2019). Identifying the impact of foreign banks operating in a particular economy may depend on the evaluation of some factors. These include their operations, target markets; how they intend to increase market share and the kind of relationship, they develop with existing banks, specifically large banks (Cardim de Carvalho, 2000). Some empirical evidence suggests that new banks bring about economic and industrial growth in both developed and developing countries (Claessens and Van Horen, 2012; Giannetti and Ongena, 2009). Foreign banks have a positive effect in their host countries such as an increase in the real growth of net competitive reaction; help to overcome information and legal obstacles and lending, especially in developing countries where companies lack access to alternative sources of finance (Bruno and Hauswald, 2014). It brings overall economic growth and stability to the host country economies. The extant literature explicates several economic impacts with new banks' operations in countries such as the USA, Singapore, Hong Kong, Switzerland and Indonesia (Ashie, 2012). Although several impacts have been identified in these countries, there are no adequate comparative data to measure the impact on the economy of Ghana. Therefore, this research study aims to identify some of the impacts of the foreign bank's strategic operations in Ghana.

2.2 Impact of foreign bank's competitive strategies in Ghana

The main impact demonstrated in the literature focuses on the adoption of e-technology strategies such as mobile and internet banking to compete and the development of new technological infrastructure and systems to support the banking sector. These technology strategies have made banking more efficient, easier, faster accessible and convenient from the customer perspective in Ghana (Moody, 2002; Ashie, 2012). The impact of technology infrastructure also helps with the faster diffusion of new technology and innovations in the financial sector. In Ghana, e-banking, mainly the internet has been used as entry strategies for new foreign banks to compete mostly targeting the technology savvy customers to lure them to move from traditional banking mediums of technology-led banking services (Woldie et al., 2008). Due to these innovative strategies, customers in Ghana now have access to and transfer funds using their mobile phones, the internet to conduct a transaction without being physically present in a bank. Therefore, IT usage has led to improved capacity utilisation, access to new technology, enhanced corporate social responsibility and diversification in extending the firm's product line (Famiyeh and Twum-Barimah, 2012).

The competition from the foreign banks has stimulated the banking sector leading to lower rates and easier lending procedures. It has also led to increased employment and improvement in policy reform in host countries (Ashie, 2012; Armah, 2015). Further, the impact of foreign banks in Ghana, specifically for customers, can be seen in the improvement and innovation of new products and services. Since, foreign banks compete based on their strengths in product offerings (Cardim de Carvalho, 2000); foreign banks in Ghana have developed various product and service offering credit cards and credit. They have also developed an excellent relationship with customers and have entered into areas of banking which hitherto the old banks did not serve. The use of technology as an entry strategy has enabled these banks to improve efficiency, offer convenient banking and deliver quality services (Woldie et al., 2018).

The literature shows that the influx of foreign new banks into other economies has many benefits, mainly improvement in efficiency and domestic banking within such economies (Cardim de Carvalho, 2000; Hauner and Peiris, 2005; Agénor, 2003; Ashie, 2012; Pelletier, 2018). It is also suggested in the literature that reforms in the banking sector improve efficiency and competitiveness (Hauner and Peiris, 2005; Chen et al., 2019). Ghana new banks bring competition in the banking sector (Korsah et al., 2001; Buchs and Mathisen, 2005). The reforms in Ghana and the influx of new banks have led to increased competition within the banks. As a result, there is increased efficiency to meet the competitive environment. Some researches indicate that the strategies and operations of foreign banks go beyond efficiency and competition; it leads to the development and strengthening of the financial systems (Ashie, 2012; Manzano and Neri, 2001). The operations of new banks have also led to the development of innovative technological infrastructure, improved regulation, supervision and governance practices. Some of these are achieved through the transfer of capabilities, regulatory and supervisory advantages from home country to the host country (Manzano and Neri, 2001; Ashie, 2012). Although the competitiveness and efficiencies in the financial market were well noted, one critical risk of this situation could be the eventual loss of the sovereignty banking sector of the Ghanaian economy from the foreign dominance of local banking systems. To date, research and statistics on the impact of the operations of these banks are almost non-existent because it is a recent phenomenon. The expansion of foreign banks in emerging economies like Ghana is still in its early years; hence, the effects on the banking system and the economy in Ghana are not adequately researched and documented in the literature.

It can be inferred from the scant literature (Moody, 2002; Woldie et al., 2008; Ashie, 2012; Chen et al., 2019) on the impact of foreign banks' operations in Ghana that these banks have brought about some positive impacts to the Ghanaian banking service. These studies measured the impact, focusing on the foreign direct investment perspective and the general operations of the new Banks. This study, therefore, aims to examine how the business and operational strategies affect the performance not only from the customer perspective, but also from the bank and the economy of Ghana perspectives. This study, therefore, focused on the identification of the impacts of the strategies of new banks in Ghana. The paper identifies the impact of the new bank's operations as both positive and negative effects, which have a direct influence on customers, the banking industry, bank's performance and the economy of Ghana. Hence, the motivation of this study suggests an inductive research design to gain an in-depth insight into the impacts of new banks operation in Ghana.

3 Overview of banking sector in Ghana

The banking sector has always played a significant role in the economy of Ghana, and was the main driver of economic activities before and after the independence of the country. The first banks that were established in Ghana then Gold Coast, where the British West Africa bank now Standard Chartered Bank Limited in 1896 and Barclays Bank in 1917 which was incorporated in 1971 (Barclays, 2018; Standard Chartered Bank, 2019). These two banks were the only banks that operated commercial banking

supporting commercial firms and assisted with the revenue collection and payment of salaries of the colonial government until the establishment of the Bank of the Gold Coast (BGC) in 1953. The BGC was essentially divided into two institutions, the Ghana Commercial Bank and the Bank of Ghana. The Ghana commercial bank became the largest commercial bank with the aim of supporting Ghanaian traders, business and farmers who could not access funding support from the two expatriate banks. The Bank of Ghana which was nurtured to become the central bank of Ghana formally established on the 4th March 1957 by the Bank of Ghana Ordinance (No. 34) of 1957, passed by the British Parliament with an oversight and regulation of investment, interest rates activities of Banks in Ghana (Bank of Ghana, 2020).

The BGC thrived and quickly developed a strong competitive position to the two expatriate banks through the opening of regional branches in the Ashanti and the Northern regions of Ghana. With the independence in Ghana, new government legislation established more national banks; National investment, Agricultural development bank, Social security and merchant banks to improve investment, trade, agriculture and encourage savings. The banking sector faced several challenges due to strict government restrictions on the exchange control act. To improve, an investment code was enacted to relax the previous strict restriction. This led to the 1989 Banking Law, which enabled private investment in the banking sector and led to the licensing and operations of Meridian (BIAO), Trust Bank, CAL Merchant Bank, Allied, and the Metropolitan and Ecobank. Also, In 1993, a provision for licensing for non-banking institutions to operate discount and finance houses, building societies, leasing and hire-purchase firms under the P.N.D.C.L. 328 Non-Banking -Law 1993 (Buckle & Co., 1999).

Since 1988, there have been several financial reforms in Ghana, which have led to several changes in growth and transformation in the financial system. These reforms have had a positive impact measured on the relative success indicators of the central bank: an influx of foreign banks in the system, a variety of financial services and the integration of the Ghanaian financial system with the global economy (Akoena et al., 2009; PwC, 2019). Over the years, though, the financial system as a whole is still underdeveloped, banking operations, insurance, capital market and microfinance sectors have increased considerably (IMF, 2011). One impact of the reforms is the establishment of banks and non-bank institutions. This improvement has broadened the services offered with a high level of shareholding in the banking sector, predominantly within the African sub-region. The financial sector of Ghana at present has 23 commercial banks, 126 rural banks and 41 NBFIs, 126 rural banks and 41 NBFIs (Biekpe, 2011). The most impacted upon area is the foreign-owned commercial banks and now Ghana's financial sector is dominated by the foreign banks, which accounts for 75% of the total assets of the financial system in Ghana (IMF, 2011). There are 23 commercial banks in Ghana, 14 (see Table 1) of these are foreign-owned with a market share of 51% of bank assets. From the literature (IMF, 2011), British banks have dominance; however, the combined assets of the banks of the African sub-region, particularly Nigeria and Togo presents a larger market share creating a cross border dominance in the banking sector in Ghana. The authorities are continually implementing reforms in the sector to ensure the efficient and effective operation of these changes (IMF, 2011).

Table 1 List of new commercial banks in Ghana

<i>NAME</i>
First Allied Bank
Banque Sahe'lo-Saharienne pour L'investissement et le Commerce
Bank of Africa
Access Bank
Zenith Bank
Guaranty Trust Bank
UT Bank
United Bank for Africa
Unibank
Stanbic bank
First International Capital Bank
Fidelity Bank
Energy Bank
Bank of Baroda

These changes have had impacts on the operations of the banking sector, the economy of Ghana and customers. Hence, due to the presence of global customers and operations, these have increased competition and customer's demands. Therefore, developing a competitive edge within Ghana's financial system is an important element for the overall competitiveness of a country's banking industry.

4 Methods

This study adopts a qualitative case study design to collect data from four foreign banks in Ghana using the semi-structured interview method. The qualitative research approach was selected because it is an effective and appropriate way of researching an emerging phenomenon in its own organisational and human context (Creswell, 2018). The topic on foreign banks operating from 2006 to present is a current phenomenon, which is lacking in the extant literature. Therefore, adopting a quantitative approach and theories available from another context and countries will not enable the researcher to identify the rich and detailed variables in this natural setting of the foreign banks operating in an emerging market in Africa. Secondly, certain human behaviours, which cannot be documented during a survey and the opportunities for probing further into certain aspects of the strategies and impact of the foreign banks, will be missed. Besides, little is known about the impact of the competitive strategy of new foreign banks in Ghana. Rubin and Rubin (1995, p.31), states, "meanings emerge through interaction and are not standardised from place to place or person to person". So although there are theories of how banks compete

in Western countries, using the same principles alone to adopt a quantitative approach to such research will not allow for meanings of the impact used on the Ghanaian society and banking sector to emerge. This study focuses on the outcome (impacts) both at the individual and group level, qualitative research approach are appropriate for answering research questions that focus on the organisational process, procedures and outcomes which focus on understanding both the individuals and groups within a particular organisation (Cassell and Symon, 1994).

According to Yin (1994, p.8), “case studies are preferred strategy when ‘how’ and ‘why’ questions are being posed when an investigator has little control over events and when the focus is on a contemporary phenomenon within some real-life context”. The case study approach was more appropriate because the aim was to investigate and explain the new ideas, their impact on customers, the economy and the bank itself in Ghana using prior theories and research to inform the current study. To improve the validity of research data the multiple sources of evidence were adopted. Finally, to promote the validity of the data, the multiple rather than the single case study was selected for this study to enable replication. The multiple case study design, therefore, strengthened the findings by replicating a pattern matching hence, increasing the confidence in the results of the research (Yin, 1994).

Four case studies were selected from the new foreign banks based in the capital region of Ghana, Accra because the entire foreign bank’s headquarters are located in the capital city of Ghana. The main criteria for selecting the case studies were foreign banks, which have operated in Ghana since 2006 to present. Due to the exploratory nature of the study, which involves high-level strategic decisions, a purposive sampling approach was employed for the study. The purposive sampling was selected to ensure that the population sample is appropriate for the research and have good prospects for the accuracy of the information given (Creswell, 2018). Participants for the collection of data were Chief Executive Officers (CEOs) or their representatives from the strategy and marketing departments. CEOs and representatives of strategy and marketing departments were chosen to participate in this research due to their high managerial level status in strategic issues and have control over the strategic intent and decisions made within their organisation hence; had information in the area researched.

Both primary and secondary sources of data were used in the study. The secondary data were obtained mainly from previous studies related to topics on business-level strategies of banks and their impacts. Other research literature on competitive strategies of banks and their impacts in Ghana were also consulted with special attention paid to areas dealing with foreign banks strategies and impacts. In addition, company reports, and e-mails were used to obtain additional data from the companies to support the primary data.

The semi-structured interview method, which seeks to describe the meanings of the central themes and experiences in the life of world subjects (Kvale, 1996), was employed to collect data from the four case studies of foreign banks. The interview tool was useful in this study because it assisted the researcher in pursuing in-depth insights on the competitive strategies employed by foreign banks operating in Ghana and their impact directly from the CEOs or their representatives (McNamara, 1999). The face-to-face personal interview using a semi-structured approach was employed to collect data

relating to the understanding and perception of CEOs or representatives of the banks. Not all the questions for the research will be predetermined before the interview, the semi-structured interview allowed for a focused, conversational two-way communication, which encouraged flexibility to probe further for more information on the issue of competitive strategies and their impact. A case study protocol and database were established to minimise biases and errors in the research. For validity, a multiple case study approach was used, which aids replication. Also, multiple sources of data were employed, including documentary evidence. Further, interview data transcribed was confirmed with participants in the study (Kerlinger, 1965).

4.1 Data collection process

The collection of data was conducted based on the information from the literature review on the impact of new foreign banks in Ghana impact on performance, customers and the economy. Letters were sent to six new banks in Ghana, which met the criteria set above and out of the six, four agreed to participate in the study. Arrangements were made for interviews with the contact person within the strategy department in the banks through both face-to-face contact and telephone, explaining the research and assuring them of confidentiality of submitted data, and interview meetings were arranged. On the scheduled meeting days, some of the participants could not meet through the face-to-face interview, so the telephone and e-mails were used to collect the data.

The interview sessions commenced with a brief description of the research project (Feagin et al., 1991). This was then followed by business level strategies the banks adopt. Further, the impact of their strategy for the consumer, bank performance and the Ghanaian economy were explored. Twenty in-depth interviews were conducted, and all the interviews were recorded. Notes were taken to ensure that the key issues were captured during the interviews.

4.2 Analysis of data

Data from the four banks were analysed using thematic analysis, which allowed the development of themes and the modification of concepts, themes and relationships between concepts throughout the process of research, with the goal of more accurately representing the reality of the impact of competitive strategies in the banking sector in Ghana (Ratcliff, 1994). All the data were transcribed, and the NVivo10 qualitative software tool was adopted for storing, coding and management of the data. The traditional content analysis was then used to identify both sentence and paragraph boundaries (Smith, 2007) pattern- matching them with themes from the 20 transcripts for replication (Yin, 1994). The first stage in the analysis was carried out by examining the data line-by-line identifying and coding themes, concepts and passages of a statement from the interviews that explain the themes identified. During this analysis phase, large numbers of individual thematic nodes were identified and Figure 1 is an example of the free nodes created in NVivo 10.

Figure 1 Thematic codes (see online version for colours)

Name	Sources	References	Created On	Created By	Modified On	Modified By
Bank sustains its competitive strategy	4	6	24/07/2012 15:34	MONDAY417	27/07/2012 16:26	MONDAY417
Bank's competitive advantage	3	3	24/07/2012 15:41	MONDAY417	27/07/2012 16:26	MONDAY417
business level objective (s)	1	2	24/07/2012 15:52	MONDAY417	27/07/2012 16:26	MONDAY417
Business strategy	4	7	24/07/2012 15:33	MONDAY417	27/07/2012 16:26	MONDAY417
Competitive aim	1	1	24/07/2012 15:30	MONDAY417	27/07/2012 16:26	MONDAY417
Competitive aim in 5 years(Nodes)	1	1	24/07/2012 15:43	MONDAY417	27/07/2012 16:26	MONDAY417
Competitive objectives (Nodes)	4	4	24/07/2012 15:46	MONDAY417	27/07/2012 16:26	MONDAY417
Competitive position	2	2	24/07/2012 15:48	MONDAY417	27/07/2012 16:26	MONDAY417
Competitive strategies for achieving CA	3	3	24/07/2012 16:19	MONDAY417	27/07/2012 16:26	MONDAY417
Current competitive position (Nodes)	3	3	24/07/2012 15:52	MONDAY417	27/07/2012 16:26	MONDAY417
Does strategy help to meet expectation of customers (Nodes)	4	4	24/07/2012 16:25	MONDAY417	27/07/2012 16:26	MONDAY417
evaluated risk of this strategy	3	3	24/07/2012 16:14	MONDAY417	27/07/2012 16:26	MONDAY417
Future competitive position	4	4	24/07/2012 15:51	MONDAY417	27/07/2012 16:26	MONDAY417
Future strategies for gaining more competitive advantage	3	3	24/07/2012 16:12	MONDAY417	27/07/2012 16:26	MONDAY417
General characteristics of foreign banks	0	0	27/07/2012 16:25	MONDAY417	27/07/2012 16:26	MONDAY417
How bank achieves chosen business level strategy	4	6	24/07/2012 16:21	MONDAY417	27/07/2012 16:26	MONDAY417
Impact of banks' strategies on the economy of Ghana	2	2	24/07/2012 16:15	MONDAY417	27/07/2012 16:26	MONDAY417
Impact of strategy on bank	4	4	24/07/2012 16:10	MONDAY417	27/07/2012 16:26	MONDAY417
Impact of strategy on customers	4	5	24/07/2012 16:09	MONDAY417	27/07/2012 16:26	MONDAY417
Issues with implementation of strategy	4	6	24/07/2012 15:37	MONDAY417	27/07/2012 16:26	MONDAY417
problems that hinder the achievement and sustenance of competitive advantage	3	4	24/07/2012 16:14	MONDAY417	27/07/2012 16:26	MONDAY417
Ranking of Bank (Nodes)	2	2	24/07/2012 15:29	MONDAY417	27/07/2012 16:26	MONDAY417
Sources of competitive advantage	3	3	24/07/2012 15:29	MONDAY417	27/07/2012 16:26	MONDAY417
Ways to improve competitiveness	3	4	24/07/2012 15:31	MONDAY417	27/07/2012 16:26	MONDAY417
Which of these future strategies will gain more competitive advantage (Nodes)	2	2	24/07/2012 16:13	MONDAY417	27/07/2012 16:26	MONDAY417
Years of operations(Nodes)	4	4	24/07/2012 15:28	MONDAY417	27/07/2012 16:26	MONDAY417

Firstly, the individual cases were analysed to identify the strategies they use. Then a cross-case analysis was undertaken to identify patterns, similarities and differences in their competitive strategies, impacts and challenges in the implementation. A replication logic analysis was used across the cases through taking one piece of data (one interview, one statement, one theme) and comparing it with all others that may be similar or different to identify patterns. Further, to develop conceptualisations of the possible relationships between various pieces of data (Strauss and Corbin, 1998) on the impact of competitive strategies used by foreign banks in Ghana.

However, the nodes created did not explain the relationships between the various themes. Hence, to make sense of the data, the next stage of the analysis was the integration of the various concepts and themes into categories and relationships that explains the objectives of the study. For example, information relating to the general characteristics of the banks such as the banks' name and how long it has operated were grouped under the main theme 'General Characteristics of Banks' and the impact of their competitive strategies was grouped under main impacts. The analysis and the data were organised under three main categories – impact on customers, banks and the Ghanaian economy and subcategories were developed (see Figure 2). The information from the analysis was then used to write the findings of the research.

Figure 2 Integration of codes to form a relationship (see online version for colours)

Name	Sources	References	Created On	Created By	Modified On	Modified By
Impact of business strategies on foreign banks in Ghana	0	0	28/07/2012 14:13	C.A	28/07/2012 14:13	C.A
Bank's competitive advantage	3	3	24/07/2012 15:41	MONDAY417	27/07/2012 16:26	MONDAY417
Bank sustains its competitive strategy	4	6	24/07/2012 15:34	MONDAY417	28/07/2012 14:29	C.A
Competitive aim in 5 years(Nodes)	2	4	24/07/2012 15:43	MONDAY417	28/07/2012 14:29	C.A
Competitive aim	1	1	24/07/2012 15:30	MONDAY417	27/07/2012 16:26	MONDAY417
Competitive objectives (Nodes)	4	4	24/07/2012 15:46	MONDAY417	27/07/2012 16:26	MONDAY417
Competitive strategies for achieving CA	3	3	24/07/2012 16:19	MONDAY417	28/07/2012 14:29	C.A
Current competitive position (Nodes)	4	4	24/07/2012 15:52	MONDAY417	28/07/2012 14:30	C.A
Future competitive position	4	4	24/07/2012 15:51	MONDAY417	28/07/2012 14:29	C.A
Future competitive position (2)	4	4	27/07/2012 16:27	MONDAY417	27/07/2012 16:26	MONDAY417
Future strategies for gaining more competitive advantage	3	3	24/07/2012 16:12	MONDAY417	28/07/2012 14:29	C.A
problems that hinder the achievement and sustenance of competitive a	3	4	24/07/2012 16:14	MONDAY417	28/07/2012 14:29	C.A
Sources of competitive advantage	4	4	24/07/2012 16:29	MONDAY417	28/07/2012 14:33	C.A
Ways to improve competitiveness	3	4	24/07/2012 15:51	MONDAY417	28/07/2012 14:29	C.A
evaluated risk of this strategy	3	3	24/07/2012 16:14	MONDAY417	27/07/2012 16:26	MONDAY417
Which of these future strategies will gain more competitive advantage (4	4	24/07/2012 16:13	MONDAY417	28/07/2012 14:36	C.A
Business strategy	4	7	24/07/2012 15:33	MONDAY417	27/07/2012 16:26	MONDAY417
business level objective (s)	1	2	24/07/2012 15:52	MONDAY417	27/07/2012 16:26	MONDAY417
Does strategy help to meet expectation of customers (Nodes)	4	4	24/07/2012 16:25	MONDAY417	27/07/2012 16:26	MONDAY417
How bank achieves chosen business level strategy	4	6	24/07/2012 16:21	MONDAY417	27/07/2012 16:26	MONDAY417
General characteristics of foreign banks	4	9	27/07/2012 16:25	MONDAY417	28/07/2012 14:06	C.A

5 Findings

5.1 *Impact of foreign banks' business strategies on bank's performance, customers, and the economy*

The impact of these strategies of the bank was assessed. The participants were asked to explain whether their strategies developed and implemented have had an impact on their customers, their performance and the economy of Ghana. All the participants agreed that their strategies had had impacts on all three areas. The findings from the study show that for the bank's performance, it provides a corporate sense of direction and purpose, which serves as a motivating tool for employees to pursue the bank's long-term goals. With the formal business-level strategies, staff members know the particular pathway the bank is heading towards and therefore help to improve the attitude and enthusiasm with which members of staff are engaged in the operations of the bank to achieve the goal and growth.

The following excerpts from the data support these findings:

- On the strategies – service serves as a motivating tool for employees since they will all have an appreciation of the bank's drive and plans (Access Bank).
- Formalising strategies have primarily enabled the entire UBA family to understand and align themselves with the pathway the bank is heading. This has led to a marked improvement in the attitude and enthusiasm with which members work with (UBA).

The strategies implemented by the banks have led to improvements in the performance and the growth of the banks. According to Access bank, their strategies drive the customer's affinity to its bank. Through the activities of the business strategies, such as the innovative technology products and services have assisted the banks to increase their growth rates and market share over the years. For example, currently, Access bank is

number seven on major indices that are deposits, PBT, paid up capital, branch network and share of industry loans in Ghana. Energy Bank has seen a stellar performance during its first year of operations due to the strategies it implemented. For Fidelity, the impact has been positive internally as it entailed being able to establish formal structures that are necessary for the successful implementation of its strategies, and UBA bank attributes the impact on the organisation to its impressive financial results year on year.

The findings from the four banks show that the impacts of competitive strategies used by these banks have been very significant for customers as well. The new banks provide customers with new innovative and relevant products and services that are competitively priced that were hitherto not adequately offered by other banks in Ghana. The new banks also offer excellent quality customer services, which are timely and convenient. Access Bank confirmed this; *yes, to a greater extent by providing them with relevant products/services that are competitively priced and excellent customer service (Access Bank)*. The strategy employed by these banks offers support to customers, thereby promoting mutual business and customer growth for the banks. The new strategies with its innovative products and services, use of technology and the excellent customer services has led to the banks developing satisfied and loyal customers in the banking sector in Ghana, which reflects the financial performance of these banks:

- The strategies support service delivery and promote mutual business growth between the bank and the customers (Access Bank).
- The customers have come to appreciate these strategies and are seen in the bank's impressive financial results year on year (UBA Bank).
- Loyal customers (Energy Bank).

Further, some impacts of the strategies developed by new banks were identified. When asked about the impact on the economy of Ghana, only two of the banks were able to identify the economic impact. The implementation of their strategies leads to job creation in the economy of the host country and for example, Access bank employs about 400 permanent employees. New banks contribute to the growth of the national economy and its impact on the larger society by being a partner in their developmental processes. This is evidenced through payment of company and employee taxes to increase revenue, investment and economic growth of the country. The banks also engage in corporate social responsibility activities through promoting and sponsoring education, health and other social programmes in Ghana. The following excerpts confirm the impact on the economy:

- Employment (over 400 permanent employees), revenue and tax to the economy and foreign direct investments (90% Majority shares owned by foreign investors) (Access Bank).
- Job creation and increased income, taxes to Government, education through CSR activities (Energy Bank).

6 Discussion

The findings of this study catalogue many impacts on customers, the bank's performance and the economy of Ghana (Armah, 2015; Pelletier, 2018; Chen et al., 2019). The

findings from the study suggest that for their performance, the strategies of the banks provide a sense of corporate sense of direction, purpose and a motivating tool for employees to pursue the bank's long-term goals. Further, the strategies of the new banks have led to improved performance, growth and the development of efficiency in the internal organisation. Three of the four banks are within the top ten positions of commercial banks in Ghana. This finding of efficiency is consistent with some of the literature reviewed which indicates that both old and new banks' strategies have led to improvements in efficiency and domestic banking within such economies (Cardim de Carvalho, 2000; Hauner and Peiris, 2005; Agénor, 2003; Ashie, 2012; Chen et al., 2019). The findings also suggest that business strategies also increases and improves competition in the banking sector (Buchs and Mathisen, 2005). However, these studies did not examine the current and future competitive position of the new banks' business strategies. The evidence from annual reports and financial statistics (UBA bank, 2018; PwC, 2019; Fidelity Bank, 2018; Access Bank, 2018; Energy Bank, 2018) indicate that these banks are highly competitive in the Ghanaian financial market.

Further, the findings suggest a significant impact of the new banks 'business strategies on customers. The new banks provide customers with new innovative and relevant products and excellent customer services that were hitherto not adequately covered by other banks in Ghana that are competitively priced. These new strategies with its innovative products and services, use of technology and the excellent customer services have led to the banks developing satisfied and loyal customers in the banking sector in Ghana, which is reflected in the financial performance of these banks. Hence, customers have new products such as credit cards, SMS, the internet and telephone banking. Customers now have access to their funds without being physically present. The adoption of e-technology strategies as part of cost leadership and differentiation strategies such as mobile and internet banking to compete has made banking more efficient, easier, faster accessible and convenient for customers (Moody, 2002; Ashie, 2012; Chen et al., 2019). The impact of technology infrastructure also helps with the faster diffusion of new technology and innovations in the financial sector. Further, the impact of foreign banks in Ghana on customers is evident in the improvement and innovation of products and services.

In recent times, customers in Ghana now have access to and transfer funds using their mobile phones and the internet without being physically present in a bank. They have developed an excellent relationship with customers and have entered into areas of banking which hitherto the old banks did not serve. The use of technology has enabled these banks to improve efficiency, offering convenient banking and delivering quality services. The competitive environment has also led to lower rates (Cardim de Carvalho, 2000; Famiyeh and Twum-Barimah, 2012; Chen et al., 2019). In addition, some of these banks have achieved capabilities transfer from the parent company in the host country, which has improved regulatory and supervisory advantages from home country to the host country (Ashie, 2012; Manzano and Neri, 2001). Although technology now forms the basis of the innovative products and services, some of the researchers have stated (Woldie et al., 2008) that technology has affected customers in a positive way. Still, the new banks have only used it as an entry strategy rather a business level strategy to gain footing in the Ghanaian banking market. This research has identified technology not as just an entry strategy, but a continuous business strategy that the new foreign banks compete.

Furthermore, the findings also suggest that the business strategies used by the new banks have a positive impact on the economy. Two of the banks were able to articulate the impact on the economy as job creation and payment of taxes. One of the new banks stated that it requires human resources to implement its strategies; so, it recruits from the Ghanaian population, which invariably leads to job creation in Ghana. They also contribute to the growth of the host country's economy through the payment of tax, both company and employee taxes increases revenue in Ghana. Further, they engage in corporate social responsibility activities, specifically donating to the education sector to improve schools. The extant literature explicates a well-documented evidence of the impact of economic growth and stability in other countries such as the United States, Singapore, Hong Kong, Switzerland and Indonesia (Cardim de Carvalhoe, 2000; Giannetti and Ongena, 2009; Bruno and Hauswald, 2014; Claessens and Van Horen, 2012; Ashie, 2012). However, there is limited literature that explains the impact explicitly on the economy of Ghana due to the limited comparative data to measure this (Chen et al., 2019). This research, therefore, sets the pace by providing some evidence of impact on the economy from the perspective of two of the participating new foreign banks in Ghana.

7 Conclusions, limitations and further research

The findings from this study conclude that the new foreign banks' business-level strategies impact positively on customers, the banks' performance and the economy of Ghana. On the part of the customers, the study concludes that the new foreign banks' strategies have significant impacts and has created a variety of product options for customers. The use of e-technology strategies as part of cost leadership, and differentiation strategies such as mobile and internet banking to compete have made banking to customers in Ghana more efficient, easier, faster accessible and convenient. Another impact identified was the excellent customer services and relationship management strategies the banks employ to serve their customers; hence, most of these banks have developed satisfied and loyal customers who are receiving value for their money. The cost leadership approach of offering low priced products for similar qualities has enabled the new foreign banks in Ghana to provide lowest rate charges making funding affordable than it used to be in Ghana.

Further, the findings and discussion show that the banks benefited from their business-levels strategies developed. It led to the improvement of efficiency in operations through the coordination and integration of process and systems. The formal development of business level strategic plans gave a clear sense of direction and purpose to the banks. Further, it served as a motivating tool for employees to work together to pursue the bank's long-term strategic goals.

In the opinion of the new foreign banks, having a clear strategic direction has improved their performance and growth in the Ghanaian banking market. Three of the banks in this study have achieved a top ten positions in the banking sector. This contributes to the performance measurement of new banks in relation to the local domestic and large commercial banks in Ghana. Another impact is that the Ghanaian banking sector has changed from a non-competitive market into a gradually increasing competitive market environment. This impact extends the extant literature on the competitiveness of the Ghanaian banking market. Most research (e.g., Buchs and

Mathisen, 2005) states that the Ghanaian banking market is non-competitive. However, this study identified that with the influx of new foreign banks since 2006, the market has gradually moved from a non-competitive position to an increasingly competitive banking market. It must be noted that though, competition is good for the economy of Ghana, but it could hurt the operations of the local domestic banks in the long term, if they do not develop effective business-level strategies to compete with the new foreign banks in Ghana.

The findings illustrate that the business-level strategies developed by new foreign banks' impact on the economy of Ghana. The participants of the study explained how their strategies affected the economy of Ghana. From the findings of the study, the new foreign banks create jobs in the economy and pay taxes for both the company and employees in the bank. Further, some of these banks engage in CSR activities in the education and health sector sponsoring programmes. The new banks also transfer their home countries' capabilities to the host nation, which helps to improve regulations supervisory procedures. Although the impact identified was not much on the economy, it is a starting point for further research to explore into detail. Hence, this study concludes that the new foreign banks' business-level strategy has a positive impact on the economy of Ghana.

7.1 Implications of research

This study has two main implications for practice and theory. Although the impact of business strategies for competing with the banks is documented in the literature in other countries business level strategies of new foreign banks and their impact in Ghana is under-researched. The study, therefore, has improved our understanding and knowledge of the strategies implemented and their impacts. The findings therefore contribute to the extension of the extant literature on foreign direct investment, business and competitive strategies of new banks in Ghana. Academics, strategist, bankers and financial institutions will use this research as a basis to conduct further research and teaching. In practice, it offers practical findings on the impact on the types of business and competitive strategies of new foreign banks. Thus, financial institutions and bank managers of new and old banks can use this as a benchmark to develop business strategies and activities that suit their particular circumstances to compete in the banking market.

7.2 Limitations

This research, though presents a good overview of the impact of the business-level strategies adopted by new foreign banks in Ghana, the first limitation identified is the use of a qualitative research approach. Although, the approach aided the in-depth investigation of the strategies and impact of new foreign banks in Ghana, the findings from the study is limited to the banking sector, specifically the new foreign commercial banks in Ghana. This means that the findings cannot be generalised to other sectors or industry. Further, the sample size was limited to four banks in new banks. The sample could be improved by looking at others, such as domestic, large and investment banks. While the sample size and interview of four are considered small, it be must be emphasised that theoretical saturation was reached (Eisenhardt, 1989) and therefore

reasonable data to draw adequate conclusions on the business level strategies and their impact in Ghana.

7.3 Future research

This research has set the pace for identifying the impacts of strategies for new foreign banks in Ghana. It also highlights areas that research needs to extend to improve upon these findings; a future study can conduct a comparative study of old and new foreign banks' impact on the economy and performance of the banks. This can also be extended to other areas of the financial sectors in Ghana, such as insurance and investment banks. Further, the study did not measure the competitiveness amongst the new banks, and it can be a fertile area for research. Thirdly, this study used a qualitative research approach; hence, the generalisation of the findings is limited to these new banks, further research could use a quantitative approach to test these findings from the qualitative study to enable the generalisation of the results to a larger section of the banking market.

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