



DETERMINANTS OF TRUST IN BANKS: EVIDENCE FROM GHANA

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**THIS LONG ESSAY IS SUBMITTED TO THE DEPARTMENT OF FINANCE,
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DECLARATION

I Kwame Ankomah Gyamfi, do hereby declare that except for references cited, which have been duly acknowledged, this thesis titled “Determinants of trust in banks: Evidence from Ghana” is the product of my own research work in the Department of Finance, University of Ghana Business School, Legon, from August 2018 to July 2019. This long essay has not been published or submitted either in part or in whole anywhere for the award of a degree in any other University.

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(Student’s name)

Signature

Date

CERTIFICATION

I, hereby, certify that this work has been duly supervised in accordance with procedures laid down by the University regarding research supervision.

Dr. Lordina Amoah

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.....

(Supervisor)

Signature

Date

DEDICATION

I dedicate this work to the Almighty God who made all grace available to me from the start of the course to the end. I also dedicate it to everyone who in one way or the other contributed to the successful completion of this study.

ACKNOWLEDGEMENT

I want to sincerely acknowledge the Almighty God for His direction and grace to complete this work without any difficulty. I also want to specially appreciate the extraordinary input of my Supervisor (Dr Lordina Amoah) without whom, this work would not have seen the light of day. Furthermore, my sincere gratitude goes to my parents (Mr. Charles and Mrs. Naomi Gyamfi), my siblings (Ama Kwartemaah Gyamfi and Kwadwo Gyamfi) and all those whose prayers and financial support enabled me to successfully complete this programme. Finally, I want to acknowledge my study mates (The Serious Group) and loved ones for their encouragement, patience, time and diverse support that cushioned me to complete this work. To you all, I am eternally grateful and may the good Lord replenish everything in multiple folds to you.

ABSTRACT

The purpose of this study is to examine the determinants of customer trust in the Ghanaian banks. The study determines the effect of bank competence, bank integrity, stability, client orientation, transparency and shared values on customer trust. The data was collected by self-administered questionnaires and analyzed by correlation and multiple regression analysis. The results indicated that competence, transparency and client orientation exhibit a statistically significant influence on customer trust in the context of Ghanaian banks. By contrast, integrity, stability and shared values have an insignificant effect on customers' trust. The study concludes that in the context of Ghanaian banks, in order to influence customer trust, banks need to invest in competence of their staff, display benevolent character and be transparent.

TABLE OF CONTENTS

Content	Page
DECLARATION.....	i
CERTIFICATION.....	ii
DEDICATION.....	iii
ACKNOWLEDGEMENT.....	iv
ABSTRACT.....	v
LIST OF TABLES	ix
LIST OF FIGURES	x
CHAPTER ONE	1
INTRODUCTION.....	1
1.0 Background of Study.....	1
1.1 Problem Statement	3
1.3 Research Purpose	4
1.4 Research Objectives	4
1.5 Research Questions	5
1.6 Significance of Research.....	5
1.7 Scope and Limitations of the Study	5
1.8 Organization of Study	6
CHAPTER TWO	8
LITERATURE REVIEW	8
2.0 Introduction	8
2.1 Theoretical Review	8
2.1.1 Definition of Trust.....	8

2.1.2 Finance-Growth Nexus Theory	9
2.1.3 Impact of Trust in Financial Development	11
2.2 Empirical Review	12
2.2.1 Determinants of Trust.....	12
2.3 Conceptual Framework and Hypothesis	16
2.3.1 Proposed Hypothesis	17
CHAPTER THREE	19
METHODOLOGY	19
3.1 Introduction	19
3.2 Research Design.....	19
3.3 Population.....	19
3.4 Sampling Size and Technique	19
3.4 Data Collection Method	20
3.5 Design of Measurements and Questionnaire.....	20
3.5.1 Competence	21
3.5.2 Integrity	21
3.5.3 Customer Orientation	21
3.5.4 Transparency	21
3.5.5 Shared Values.....	22
3.5.6 Stability	22
3.6 Data Process and Analysis	22
3.6.1 Descriptive Statistics	22
3.6.2 Ordinary Least Squares Regression	22
3.6.3 Cronbach’s Alpha Test.....	23
CHAPTER FOUR.....	24

ANALYSIS AND DISCUSSION	24
4.0 Introduction	24
4.1 Demographic Characteristics	24
4.1.1 Gender	24
4.1.2 Employment Status	25
4.1.3 Education Level.....	25
4.2 Descriptive Analysis	26
4.3 Reliability Test	28
4.3.1 Cronbach’s Alpha Test.....	28
4.3.2 Correlations Matrix	29
4.4 Interpretation of results	30
4.4.1 Statistical Model.....	30
4.4.2 Regression Results and Discussion.....	31
4.5 Trend of Deposit Liabilities	33
CHAPTER FIVE	36
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS	36
5.0 Introduction	36
5.1 Summary	36
5.2 Conclusion.....	36
5.3 Recommendations	37
REFERENCES	38
APPENDIX A	45
APPENDIX B	47

LIST OF TABLES

Table	Page
Table 1: Descriptive Analysis.....	26
Table 2: Cronbach's Alpha Test	28
Table 3: Correlation Matrix	47
Table 4: Deposit Liabilities of Private Sector (2015-2018).....	48
Table 5: Rate of Growth of Deposit Liabilities	48

LIST OF FIGURES

Figure	Page
Fig 1: Conceptual Framework	16
Fig 2: Gender	24
Fig 3: Employment Status.....	25
Fig 4: Education Level.....	26
Fig 5: A graphical representation of growth in deposits.....	34
Fig 6: Rate of Growth (Deposit Liabilities).....	35

CHAPTER ONE

INTRODUCTION

1.0 Background of Study

The financial sector is essential to the economic growth of a country. This is as a result of the critical role the financial sector plays in promoting economic growth. Levine (1997) and Walle (2014) opines that economic growth is impacted by a stable and efficient financial sector.

The financial sector of Ghana is categorized into banking, insurance and capital markets. Banks are the most prominent in the financial industry of Ghana.

The functions of banks include financial intermediation. Additionally, banks serve as the platform for an efficient payment system. Banks also serve as agents through which monetary policies are implemented. Again, banks play a role in bridging the information asymmetry gap. An efficient and effective banking sector is essential not only to drive intermediation, but also to protect depositors, encourage healthy competition, maintain confidence and stability in the banking sector

The major role of the bank is financial intermediation. As an intermediary, banks mobilize from the surplus units and channel it to the deficit unit in an economy particularly, the private sector. Excess funds are made available to the deficit units who are in need of cash to spend or invest. Both Goldberg (2014) and Prina (2015) highlights on the benefits of savings to an individual. It enables the accumulation of wealth, consumption smoothing, investments, and most ultimately, poverty reduction.

Numerous studies have shown that trust and confidence as well as accessibility determines whether the surplus unit will deposit their savings in a financial

intermediary. Studies such as Ajayi (2016), Beckmann and Mare (2017), Delis and Mylonidis (2015), Filipiak (2016), confirms this.

In the process of performing their functions, there have been set-backs on both the global and the local banking fronts. In 2008, there was the global financial crisis. According to Roth (2009) “ the collapse of Lehmann Brothers in mid-September 2008 had an enormous impact on the financial markets and the global economy by undermining trust – trust in counterparties among banks and trust in the overall stability of the financial system, but also citizens’ trust in their institutions – systemic trust – and the validity of the underlying principles. It is thus not surprising that re-establishing trust in the financial system has become a key task for policymakers throughout Europe (and the US)”.

On the local front, Bank of Ghana (BOG) sanctioned the taker over of UT and Capital Banks by GCB Bank on August 14th 2017 (BOG, 2017). A year later, BOG also consolidated 7 banks to form The Consolidated Bank, Ghana (BOG, 2018). Reasons given for the collapse of these institutions included insolvency and lack of corporate governance. The non-bank sector has been devilled with challenges. This led to the revocation the licenses of 347 and 10 insolvent microfinance and microcredit companies respectively (BOG,2019).

Amidst the above challenges in the banking sector, non-bank institutions have been hit with the issue of panic withdrawals by customers (Myjoyonline, 2018). Initially, some customers of the collapsed banks also complained of their inability to access their funds. Public trust in the banking sector seems to have eroded. The Governor of the Central Bank for instance, recently assured that full public trust and confidence will be realized by the end of the year (Ghanaweb, 2019). This is because, data from the Central Bank’s

Economic and Financial Data showed that total banking deposits as at the end of February 2019 had gone up by 20 per cent to reach GH¢71.9 billion, compared to the same period for last year.

Trust in banks is considered essential and considered when taking economic decisions. Researchers such as Ajayi (2016), Bachas, Gertler, Higgins and Seira (2016), Beckmann and Mare (2017) and Filipiak (2016), Mosch and Prast (2008), Guiso, Sapienza and Zingales (2008) emphasize the role of trust in decision making. Mosch and Prast (2008) reports that “trust influences people to deal with financial institutions in Netherlands”. Bachas, Gertler, Higgins and Seira (2016) also add that “trust is crucial in every economic transaction”. Such literatures emphasize that necessary policies must be put in place to enhance trust between people and financial institutions. This will eventually increase financial inclusion (Ogunleye 2017) since the financially excluded will be motivated to deal with formal financial institutions. Notwithstanding the importance of trust in financial sector development, few literatures exist that measures the determinants of trust in Ghana. This paper seeks to measure what determinates trust in banks in Ghana.

1.1 Problem Statement

Amidst the current financial crisis in Ghana, the regulator has promulgated policies and interventions to restore public confidence and build a resilient banking system (BOG 2018). A key intervention included salvaging depositors’ funds from the failed banks. Policies instituted included the Corporate Governance Directive, deposit protection scheme, fit-and-proper-person requirement among others. Banks have also embarked on several media outreaches to inform customers to continue to entrust their monies

with them. There has been the focus on regaining trust. There is therefore the need to determine what drives trust from the customer's perspective.

Moreover, there exists a plethora of studies on what determines trust in banks. However, very few focuses on Ghana. The World Value Survey for instance measured the confidence people have in some institutions in their country. Their last wave of research (2010-2014) measured the confidence Ghanaians have in banks. However, this survey does not focus on what drive the confidence in the banks. Sandada, M. and Magobeya, A. (2016) also focused on what determines costumers trust in banks in Zimbabwe. Since the banking sector of Zimbabwe differs from Ghana's, the findings cannot be generalized. Lebedyev, D. (2011) also focused on banks in Turkey. Little literature has been done on banks in Ghana and especially after the 2017 crisis. In the current situation, more needs to be done to rebuild trust and the one way to do this is to research on what will determine the trust. This paper thus seeks to research on the drivers of trust in banks in Ghana.

1.3 Research Purpose

The primary goal of the work is to determine what factors makes people trust banks in Ghana. Some variables will be tested to determine which of them drives trust in the banking system. Also, the study will analyze the trend in deposit liabilities of banks between the period of 2015 to 2018. This to determine whether savings with banks increased or decreased in value during the turbulent times in the banking crisis.

1.4 Research Objectives

To accomplish the goal of the study the specific objectives are:

1. To determine the main drivers of trust in the banks in Ghana.

2. To determine whether there was a growth or decline trend of the deposit liability variables (demand deposits, savings, time deposit,) in Ghanaian banks between 2015 to 2018.

1.5 Research Questions

1. What factors influence trust in Ghanaian banks?
2. Did deposit liabilities grow or decline in the Ghanaian banking industry between 2015 and 2018?

1.6 Significance of Research

It is worth mentioning that scholars agree to the positive impact of the financial sector on economic growth. The role of the financial industry in an economy cannot be taken lightly. Financial crisis has detrimental effect on health of the economy. To restore confidence in the system, the Government of Ghana for instance spent billions of tax payers' monies to safeguard depositor's funds in the current crisis. The significance of the study can be viewed along research, practice and policy perspectives. Research-wise, the study seeks to add to existing literature in trust since there is little literature on trust in banks in Ghana so this study thus contributes to existing literature.

For practice purposes, the study will provide insight to managers of banks in Ghana on how to get their customers to trust them. Policy-wise, the study will provide the regulator with insights on what to do to increase public trust in the banking industry

1.7 Scope and Limitations of the Study

The study seeks to ascertain the main factors which drives trust in banks in Ghana. The sample size studied was just 150 respondents. This was a result of time constraints. The study also did not cover trust drivers in other financial intermediaries such insurers,

pension fund managers, investment banks among others. It would have been prudent for the researcher to provide a holistic picture on what determines trust in the various financial institutions. The researcher however decided to focus on only banks. The study also focused on the perspective of customers on what influences trust in banks. Research surveyed gives other factors which influence trust but this study decided to focus on the customer's perspective of trust in banks.

1.8 Organization of Study

The whole research work is organized into five chapters.

Chapter 1: This includes the work's introductory chapter. It covers the context of the study that involves the problem statement, the study goals, research questions, significance of study, scope and study constraints, and concludes with the study organization

Chapter 2: This covers the review of relevant existing literature on the subject. The chapter presents a discussion of related literature from books, journals, articles and periodicals, the internet and reports from Bank of Ghana.

Chapter 3: This focuses on the research methodology. It offers information of the study design, population study, research tools, information collection and evaluation techniques.

Chapter 4: This chapter focuses on the analysis of research data gathered and discusses the results of the analysis. The chapter basically tries to make meaning of the data collected.

Chapter 5: The chapter takes inferences from the previous chapters and draws conclusions for the study. It also makes recommendations that intends to help shape policy in the banking industry and future studies.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter discusses the relevant literature that exist concerning the research. The chapter looks at the different perspectives from which trust is defined, finance-growth nexus, the role of trust in financial development and finally the determinants of trust in banks. Finally, the conceptual framework and proposed hypothesis of the study are discussed.

2.1 Theoretical Review

This section discusses the various theories underpinning the research. The various definitions of trust are analyzed. The issues of finance-growth nexus as well as the impact of trust on financial development is discussed below

2.1.1 Definition of Trust

Trust has been a concept of importance to many researchers in the social sciences. Scholars in economics, marketing, management, political science and psychology have researched on trust from different perspectives (Alesina and La Ferrara 2002; Cowles 1997; Furlong 1996; Sapienza, Toldra-Simats and Zingales 2013; Mayer, Davis and Schoorman, F. D. 1995; Sulemana and Issifu, 2015). Wang and Emurian (2005) is of the view that the multiple definitions of trust is as a result of two reasons. Firstly, “trust is an abstract concept and often used interchangeably with other concepts such as reliability, credibility, or confidence and secondly, trust is a multifaceted concept that incorporates cognitive, emotional, and behavioral dimensions”.

Several definitions of trust exist in literature. These definitions are mostly from psychologists and sociologists. Giffin (1967), states that “trusting behavior occurs when a person relies on another, risks something of value, and attempts to achieve a desired goal”.

Trust according to Mayer, Davis, and Schoorman (1995) is the “willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party”.

For Gambetta (2000), “When we say we trust someone or that someone is trustworthy, we implicitly mean that the probability that he will perform an action that is beneficial (...) is high enough for us to consider in engaging in some form of cooperation with”

Economist Kazuhiro Arai also propounded a definition of trust using expected utility theory. He is of the view that “individual A trusts individual B if A believes with a high probability that B will keep B's promise or comply with what is socially considered to be ethical (when B says nothing)” (Arai, 2009)

From the assertions above, it can be concluded that trust is a three-part relationship where one party relies on another to execute a goal on his behalf. In banking, trust can be said to exist, when a customer relies on the bank to keep his money on his behalf and the bank will not put the money in harms ways.

2.1.2 Finance-Growth Nexus Theory

The theory underpinning this study is the finance-growth nexus theory. Increasing the level of trust in banks will enhance financial development which will ultimately lead to economic growth in Ghana. Several literatures exist that examines the influence of

finance on economic growth (for instance, Levine 2005; Marwa and Zhanje 2015; Stolbov 2013; Topcu, 2016; Valverde and Fernández 2004). The nexus between finance and economic growth can be explained along five strands (Levine 2005).

Financial intermediaries produce information and allocate capital. They help reduce information asymmetry and transaction cost. Individual savers and investors do not have the ability to collect information about possible investment opportunities. Without banks, individuals will incur huge cost to ascertain information pertaining to a borrower. Also due to the vast information financial institutions have on firms and individuals, they are able to allocate capital efficiently. Banks have the ability to select the right firm and lend to. When capital moves to where it is needed, growth is stimulated.

Financial intermediaries reduce risk. Financial intermediaries are able to mitigate risk associated with individual projects. Through instruments such hedging, insurance, swaps and forwards, risky projects are secured against future eventualities. With such interventions in place, governments and individuals are able to embark on risky projects which ultimately spurs economic growth.

Another channel through which finance spurs economic development is the pooling of savings from individuals. This spurs economic growth by increasing savings, exploiting economies of scale and overcoming investment indivisibilities. Many projects not feasible with the access to multiple investors. For instance, the Akosombo Dam would not have been possible if not for the investment of multiple investors. Such a project continues to spur economic development till date.

Again, financial intermediaries perform monitoring function as well exert corporate governance in firms. Lenders continue to monitor the debtors to ensure that the monies are used for the right purpose. This induces managers of to maximize the value of the

firm. Managers also ensure that resources are allocated efficiently. Furthermore, since such firms would want to attract more investment in future, they put in place corporate governance structure to make their firm attractive. Profitable firms contribute to the economic development through payment of taxes, employment and production of goods and services.

Finally, finance contribute to economic growth by easing exchange. The financial system serves as a platform where currency is exchanged. With the emergence of mobile money has led to trade facilitation. Traders across the continent can easily trade and receive payment for their goods and services. This eventually leads to economic development.

2.1.3 Impact of Trust in Financial Development

Studies have shown that high levels of trust lead to financial development in countries. Economists over the years have looked at the relationship between trust and financial development.

Baidoo and Akoto (2019) confirms that there is a positive and significant relationship between trust and saving at financial institutions. After performing a binary probit regression, it was concluded that individuals with high level of trust are more likely to save with a financial institution. Since data suggest that a lot of people in Ghana are financially excluded, if financial institutions are able to gain the trust of people, savings will likely increase. This will eventually lead to the development of our financial sector since financial institutions will get access to more loanable funds do business with.

Guiso, Sapienza, and Zingales, (2004) in their study researched on the role of social capital in financial development. Social capital is considered as a major determinant of trust. This study conducted in Italy confirmed that trust leads to development in the

financial sector. The findings revealed that social capital increased the likelihood of people using cheques. Social capital had a negative effect on the amount of money held in cash by people. High levels of social capital increased the likelihood of investing in stocks. Also, high levels of social capital reduced the use of informal credit systems.

Moreover, Guiso, Sapienza and Zingales (2008) further argues that investors in the stock market do not only consider risk and returns but also trust. The study conducted in Netherland and Italy found that high trusting individuals are more likely to participate in the stock market. High trusting people increase their share of wealth they invest in stocks.

2.2 Empirical Review

This section reviews the empirical findings of various studies carried out pertaining to what determines trust in banks.

2.2.1 Determinants of Trust

The question of what determines trust has also been of importance to researchers. Several factors have been studied to assess its impact on trust in banks in several jurisdictions.

For instance, Debab, N., and Yateem, H. A. (2012) studied factors that drives trust in Bahraini after the global financial crisis. 200 respondents were surveyed. The independent variables studied were global financial conditions, domestic financial conditions, bank reputation and classification, political factors, customer loyalty and customer satisfaction. Using a t-test, evidence supported that all the variables tested influenced trust in banks in Bahrain. Global financial conditions, domestic financial conditions, banks reputation and its classification in the market, political factors,

customer loyalty and customer satisfaction had an effect on consumer trust in retail banking.

Trust levels in Ukrainian banks was also studied by Lebedyey (2011). He further delved and looked at the factors which led to trust in both state and private banks. Using a multinomial logit model, the work surveyed respondents based on some demographic and geographic factors and others such as their source of information, financial outlook, personal regards. He concluded that regional differences have a significant effect on trust in both public and private banks. Socio-demographic variables (gender, employment status and income levels) significantly affected only trust in private banks. Financial awareness of individuals is positively related to trust in both types of banks. Also, trust in deposit insurance fund has an effect on trust in banks.

A study conducted by Ennew, C., and Sekhon, H. (2007) focused on developing a broad-based consumer trust in the financial industry in the United Kingdom. The study did not only build a trust index but also delved into the factors that determined trust in financial services in the United Kingdom. The sample for the study were 1500 people. The study surveyed customers of financial institutions such banks, building societies, general insurance, life insurance, investment companies, broker/advisors and credit card companies. The variables under-review were benevolence, integrity, ability/expertise, shared values and communication. The study found out that financial service institutions were trusted most based on their ability/expertise while the weakest driver was their shared values with customers. Unlike Sandada, and Magobeya (2016), ability/expertise drives trust the most in the United Kingdom.

In Zimbabwe, Sandada and Magobeya (2016) researched on what determined customer trust in the banking industry. The variable tested were ability (competence), integrity,

benevolence, structural assurance, service recovery. Multiple regression test was conducted to ascertain the independent variables' (ability, integrity, benevolence, structural assurance and services recovery) impact on the dependent variable (trust). The research concluded that structural assurance, benevolence and the bank's services recovery had a positive and statistically significant effect on customers' trust in the banks. While the other factors (ability, and integrity) were not statistically significant.

Skvarciany, V., and Jurevičienė, D. (2017) researched on the factors which affect trust in Baltic states (i.e. Estonia, Latvia, and Lithuania). Using binary logistic (logit) regression, the study concluded that providing information to customers influences trust in all the states under study. In Lithuania, the independent variable bank's characteristics is statistically significant. In Latvia, customer's perception of risk and bank characteristics influences trust. In Estonia however, the experience of customer influences trust.

Van Esterik-Plasmeijer, P. W., and Van Raaij, W. F. (2017) has also done an extensive work on the what determines banking system trust, bank specific trust and bank loyalty. 1079 respondents were surveyed in the Netherlands. Structural equation modeling was performed to determine the relationship between personal trust, system trust, bank trust and loyalty. The study concluded that integrity was most important driver of bank trust. Transparency, customer orientation and competence were also significant when it comes to trust in banks. However, stability and value congruence had no effect on bank trust.

A cross-country analysis was done by Fungáčová, Z., Hasan, I., and Weill, L. (2017). They elevated the discourse on trust determinants by doing a cross-country analysis using data from the World Values Survey (2010-2014). The data from the World Values

Survey consist of data from 52 countries. The independent variables of interest were sociodemographic factors, religious values, political and economic values, and country-level variables. The sociodemographic factors considered were gender, education level, access to information and marital status. Using ordered logit model, the study found that gender, age, and income levels are statically significant to trust in banks. Level of education on the other hand reduces trust in banks while marital status is insignificant to the issue of trust. The findings also reveal that one's source of information also influence trust. Both political and religious values influence trust in banks. The country-level variables considered were level of income per capita, financial crisis, presence of deposit insurance and bank concentration. The occurrence of a financial crisis in the recent years significantly influences trust in banks. The GDP per capita, Deposit insurance, and Bank concentration however was not statistically significant.

Subsequently, Fungáčová, Z., and Weill, L. (2018) focused on what drives trust in China, again using data from the World Values Survey (2010-2014). In the study sociodemographic and provincial level variables are studied. Marital status and education levels was significantly negative to trust. Age was positively significant. Gender and health status however, had no effect on trust. Living in the rural area also tend to be negatively associated with trust in banks. Also being a member of the communist party lowed trust in banks. One's source of information and anti-market attitudes had no significant impact on trust in banks. Economic values tend to influence trust in banks. Perception of the state's role matters. Provincial variables on the other hand, had no effect on trust in banks. Inflation, non-performing loans, marketization, GRP, government expenditures, and legal framework were not statistically significant in relation to trust.

Based on the reviewed literature, it can be deduced that the determinants of trust in banks are geographic, demographic and bank specific factors such as competence/expertise, stability, integrity, Concerns about customers/ customer orientation, transparency, shared values.

The obvious gap in the reviewed literature is that these studies were done in other countries. As such the findings cannot be generalized for a country like Ghana. Countries differ in geography, demography and economics. As such research of such nature might produces different results in different countries.

2.3 Conceptual Framework and Hypothesis

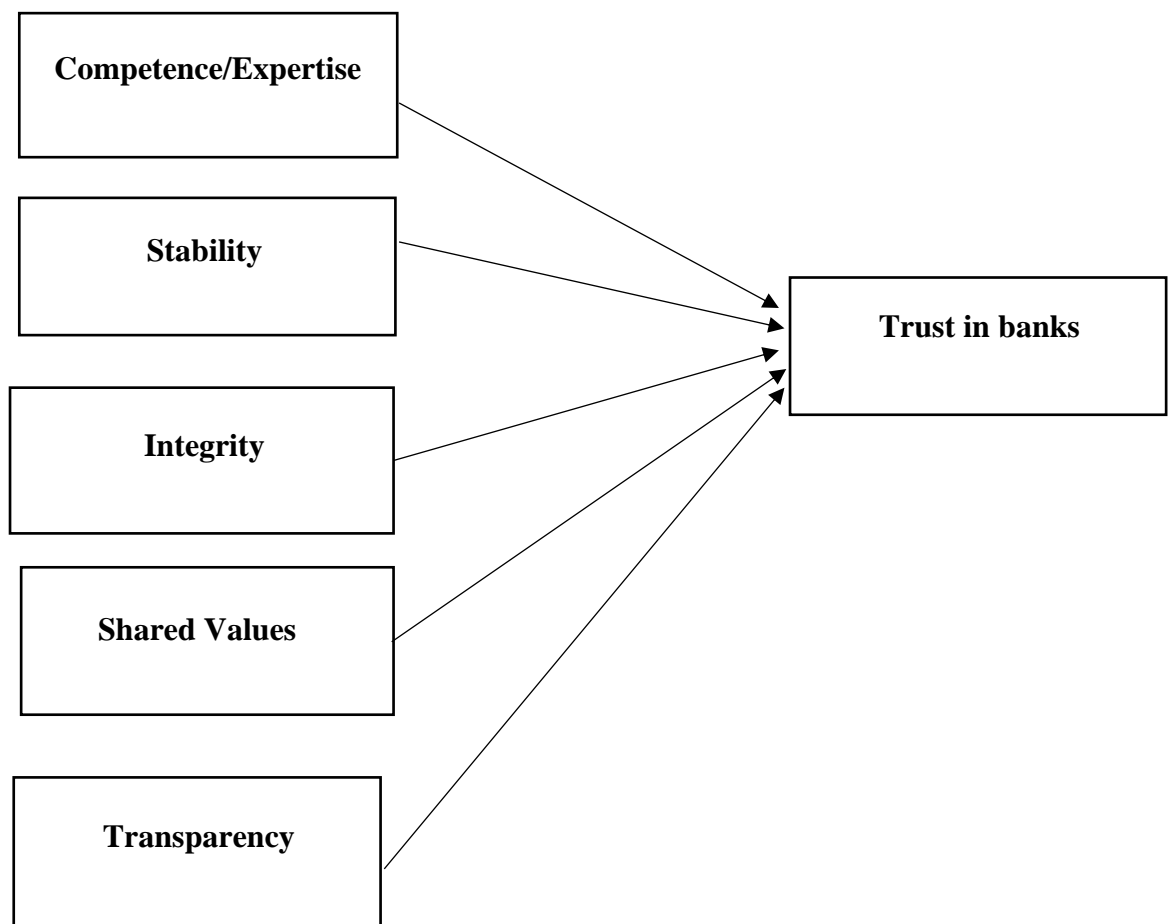


Fig 1: Conceptual Framework

Source: Adapted from Van Esterik-Plasmeijer and Van Raaij, (2017)

From the conceptual framework, it is expected that competence, stability, integrity, shared values and transparency will increase trust in banks.

Competence: this is the extent to which customers perceive their bank/ bankers as having the requisite expertise or ability to advise them. The expertise can be both managerial and technical in nature. The expertise will enhance the banks' ability give appropriate financial services to customers to help in them in taking financial decisions. A customer will trust its bank when it believes the bank has expertise to proffer solutions to his financial problems.

Integrity: This is the extent to which people perceive the bank to be honest and treat them fairly. An honest bank will definitely induce trust from its customers.

Customer orientation: This describes how banks are benevolent and put their client's interest first

Stability: This measures the extent to which people perceive banks to be financially stable.

Transparency: This measure the extent to which the bank is open about its processes and communicates it effectively to the clients. Customers who are well-informed about their bank's activities will trust their bank.

Shared Values: This measures the extent to which customers share similar value system with their bank. A sustainable-conscious bank with inadvertently induce trust in a customer who is also sustainable conscious of the environment.

2.3.1 Proposed Hypothesis

Based on the forgoing discussion, the following hypothesis were postulated.

H1: There is a positive relationship between competence and trust in banks

H2: There is a positive relationship between stability and trust in banks

H3: There is a positive relationship between integrity and trust in banks

H4: There is a positive relationship between transparency and trust in banks

H5: There is a positive relationship between shared values and trust in banks

CHAPTER THREE

METHODOLOGY

3.1 Introduction

To achieve the aim of this study, a research methodology must be implemented. This chapter discusses in details how the overarching aim of the thesis will be achieved. This chapter discusses the research design used, sampling size and technique, data collection and processing and the analytical tools used.

3.2 Research Design

This study seeks to determine what factors drive trust in banks in Ghana. To achieve the objective of the study, quantitative study is employed. Quantitative research involves collecting numeric data and deducing a conclusion from the data. The data collected for this study is numeric so using a quantitative research design is justified. Again, since quantitative research involves hypothesis testing and this research seeks to test some hypothesis, it is justified to apply quantitative research design.

3.3 Population

The population under study is the people of Ghana. People aged of 18 years and above were randomly selected to participate in the survey. The questionnaire was distributed in such as a way that it covered all most of the administrative regions in Ghana.

3.4 Sampling Size and Technique

To perform multiple regression, Tabachnik and Fidell (2007) proposes a sample size of $N > 50 + 8m$ (where m = number of independent variables). That means for this study the sample size should not be less than 90 i.e. $(50+8(5))$. Although 150

questionnaires were sent out, only 121 were filled. This represents an 81% response rate.

Since the study is quantitative in nature, a probability sampling technique must be selected. A random sampling technique helps to select a representative sample from an entire population. It also helps to generalize or predict findings of the sample on the population. The sample was selected using the simple random technique.

3.4 Data Collection Method

The data used were both from primary and secondary sources. The primary data was collected using self-completion questionnaires. Since the questions are clearly defined, questionnaires were the best in getting standardized data. Questionnaires were also cheaper, saved time and was convenient as compared to other methods of data collection. The questionnaires were designed using an online survey tool i.e. Google Forms. The hyperlink of the questionnaire was then sent to respondents via email and circulated on various social media platforms. The secondary data was sourced from the Statistical Bulletins (2015-2018) of the Central Bank of Ghana.

3.5 Design of Measurements and Questionnaire

The questionnaire is divided mainly into three sections. The first section collected general data such as gender, employment status and educational background of respondents.

The second section measured the dependent variable concerned i.e. trust. To measure that, respondents were asked to grade using a Likert scale (1 to 5) how much they trust banks in Ghana.

The third section also measured the independent variable concerned i.e. competence, integrity, customer orientation, stability, transparency and shared values. Again,

Likert scale (1 to 5) were used to measure the elements. Each of the elements were measured by some questions. These questions were adapted from the work of Van Esterik-Plasmeijer and Van Raaij (2017)

3.5.1 Competence

Competence was measured by 4 elements. Questions posed to measure competence are “my bank knows exactly what is happening in the market”, “my bank knows her clients and their financial needs”, “my bank selects the rights products for clients” and “my bank is competent”

3.5.2 Integrity

Integrity was measured by 3 elements. Questions posed to solicit for the measure of integrity are “my bank does not stay away when clients have problems”, “my bank treats clients in a fair manner” and “My bank has integrity”.

3.5.3 Customer Orientation

This was measured by 3 elements. The elements are “my bank responses quickly to questions asked by clients”, “my bank warns clients for wrong decisions” and “my bank puts the interest of the customer first”.

3.5.4 Transparency

This was measured with 4 elements. Questions posed were “my bank is open about costs and risks of products and services”, “my bank is open about procedures”, “my bank communicates clearly” and “my bank is transparent”.

3.5.5 Shared Values

Shared Values was also measured with 4 elements. The elements of measure were “my bank is involved with society”, “my bank is involved in local activities”, “my bank is active in the field of sponsorship such as sports or culture” and “my bank contributes to a sustainable society”.

3.5.6 Stability

Stability was measured with 3 elements. The questions used to measure were “my bank will not go bankrupt”, “my bank is financially solid”, and “my bank is large and strong”.

3.6 Data Process and Analysis

SPSS and Gretl was used to process and analyzed the collected data. Gretel was used to generate the regression output since the software provides significant variables at several confidence levels at once. SPSS was also used to generate the correlation output since its output is easy to read. Descriptive Statistics, Ordinary Least Squares regression and Cronbach’s Alpha test, were the statistical techniques used to analyze the data to achieve the research objectives.

3.6.1 Descriptive Statistics

To present an overview of the data collected, descriptive statistics (mean, variance, standard deviation) were used. These central measures of tendencies enable us to get an overview of the entire data collected.

3.6.2 Ordinary Least Squares Regression

Ordinal least squares (OLS) regression is used explore the effect of the independent variable on the dependent variable. It is used to predict values of a continuous

response variable using one or more explanatory variables and can also identify the strength of the relationships between these variables.

3.6.3 Cronbach's Alpha Test

Cronbach Alpha test checks the internal consistency of a group of question. According to Helms, Henze, Sass and Mifsud (2006) “includes a statistical summary that describes the consistency of a specific sample of respondents across a set of questions or variables. In other words, it can help to estimate the reliability of participants' responses to the measurements”. This test of reliability is used because this study measured both the dependent and independent variables with Likert scale. To ensure reliability, Cronbach alpha result must not be less than 0.7 (Nunnally 1978, p.245). The Cronbach's alpha test was done using SPSS.

CHAPTER FOUR

ANALYSIS AND DISCUSSION

4.0 Introduction

This chapter is analyses the data collected from the field and also discuss the findings. Firstly, a general overview of the biodata of respondents to the questionnaire is discussed. Then, results of the Cronbach's Alpha test and regressions are analyzed as well. This chapter seeks to test the hypothesis discussed in Chapter 3.

4.1 Demographic Characteristics

The study's sample assessment involves: gender, employment status and education level. A total of one hundred and twenty-one (121) participants were selected for this paper. Information pertaining to the data collected is presented below.

4.1.1 Gender

The gender distribution of participants disclosed that out of the 121 respondents, males represented 52.1%. whiles 47.9% were females. This means that most of the participants were males. as indicated in Fig. 2

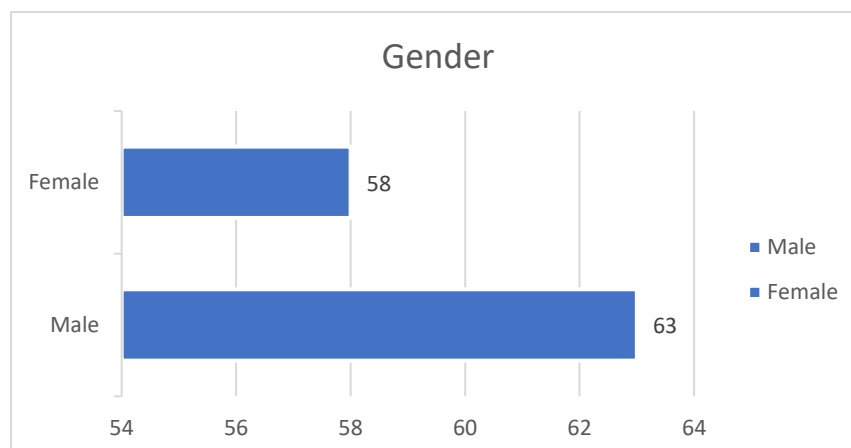


Fig 2: Gender

Source: Field Data, 2019

4.1.2 Employment Status

The employment distribution of respondents revealed that 66.1% were employed and 33.9% were unemployed. This means that most of the participants were employed as indicated in Fig. 3

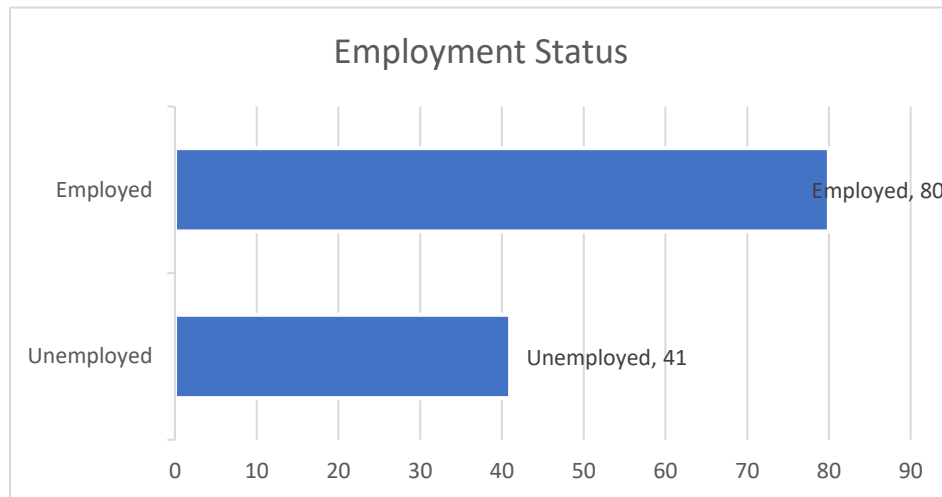


Fig 3: Employment Status

Source: Field Data, 2019

4.1.3 Education Level

The distribution of respondents' educational levels revealed all the respondents were either Senior High or Tertiary graduates. Out of the 121 respondents, 105 (86.8%) had tertiary education, 16 (13.2%) had been educated up to the Senior High level. This means most of the participants were tertiary graduates as indicated in Fig. 4

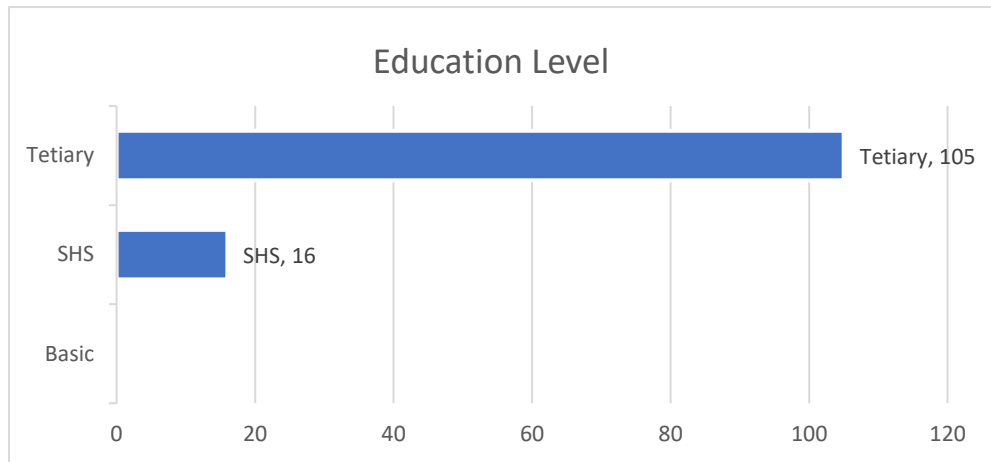


Fig 4: Education Level

Source: Field Data, 2019

4.2 Descriptive Analysis

The primary goal of the research is to ascertain customer’s perception towards various factors that might influence their trust in the banking system. This section uses descriptive models such as mean and standard deviation to describe the variables that affect trust. The table below gives an overview of the variables tested.

Table 1: Descriptive Analysis

Source: Field Data, 2019

	N	Minimum	Maximum	Mean	Standard Deviation
Trust	121	1	5	3.46	0.992
Competence	121	1	5	3.5950	0.83308
Stability	121	1	5	3.8433	0.98415
Integrity	121	1	5	3.7383	0.81813
Client Orientation	121	1	5	3.5508	0.89640
Transparency	121	1	5	3.7004	0.82829
Shared Values	121	1	5	3.4318	0.96771

From the table above, trust which is the dependent variable has a mean of 3.46. From the Likert scale measure 3.46 falls in the “indifferent” range. This thus means the

respondents neither mistrust or trusts their banks. With a standard deviation of 0.992, this means responses from people were not polarized. Individual responses on the average were a little over 0.9 points away from the mean.

With regards to competence, respondents were indifferent about the competence of their bank. With a mean of 3.5950 and standard deviation of 0.83308, respondents' views were not polarized.

Stability from the table has a mean of 3.8433 and standard deviation of 0.98415. 3.84 indicates that averagely, the respondents again were indifferent about the stability of their banks. Also, respondents were not polarized in their responses.

From the table, integrity has a mean value of 3.7383 and standard deviation of 0.81813. From the Likert scale 3.73 represents "indifferent". In effect, respondents were indifferent with regard to the integrity of their banks.

With regards to client orientation, respondents were indifferent about the how customer-centric their banks were. The mean measure was 3.5508 with standard deviation of 0.89640. Respondents were not polarized with their view on this as well.

Transparency also reported a mean of 3.7004 and a standard deviation of 0.82829. This implies that respondents are indifferent with regards to the transparency of their banks. Also, the standard deviation shows that respondents on the average 0.8 points away from the mean.

Finally, respondents were also indifferent with regards to the values they find similar with their banks. A mean value of 3.4318 represents indifferent. Also, with a standard deviation of 0.96771, this implies that respondents were not polarized in their responses.

4.3 Reliability Test

4.3.1 Cronbach's Alpha Test

For each of the five constructs, the questionnaire engaged multi-item measurement. As such reliability tests were conducted to determine whether the issues under each structure were closely linked and were good indicators for the construct. Cronbach 's alpha method was used.

Table 2: Cronbach's Alpha Test

Variable	Cronbach's Alpha	Number of items	Acceptance level of Internal Reliability
Competence	0.841	4	Yes
Stability	0.898	3	Yes
Integrity	0.828	3	Yes
Customer Orientation	0.845	3	Yes
Transparency	0.892	4	Yes
Shared Value	0.897	4	Yes

The results above implies the elements of the 5 variables are reliable and acceptable. Nunnaly (1978) argues that Cronbach's alpha level of 0.7 and above is an acceptable reliability index. The coefficients of competence (0.841), stability (0.898), integrity (0.828), customer orientation (0.845), transparency (0.892) and shared value (0.897) are above 0.7. As such, the various constructs are reliable.

4.3.2 Correlations Matrix

Table 3 (in appendix) shows the relationship between the various independent variables under study. Correlation coefficients greater than 0.8 indicate the presence of multicollinearity. This may lead to spurious regression. From the table above, none of the pairs showed a correlation above 0.8. This means there is multicollinearity does not exist.

From the table, competence has a positive relationship with stability (0.494), integrity (0.608), client orientation (0.643), transparency (0.577) and shared values (0.414).

Stability has a positive relationship with competence (0.494), integrity (0.617), client orientation (0.492), transparency (0.549) and shared values (0.423).

Integrity has a positive relationship with competence (0.608), stability (0.617), client orientation (0.644), transparency (0.714) and shared values (0.509).

Client orientation has a positive relationship with competence (0.643), stability (0.492), integrity (0.644), transparency (0.682) and shared values (0.413).

Transparency has a positive relationship with competence (0.577), stability (0.549), integrity (0.714), client orientation (0.682) and shared values (0.392).

Shared values also have a positive relationship with competence (0.414), stability (0.423), integrity (0.509), client orientation (0.413) and transparency (0.392)

4.4 Interpretation of results

4.4.1 Statistical Model

Statistical model was used to ascertain the impact of the regressors on the regressed.

One regressed variable (trust) and six regressors (competence, stability, integrity, shared values, transparency and client orientation) were used for the equation.

This equation is expressed as

$$Y = \beta_0 + \beta_1CP + \beta_2SB + \beta_3IY + \beta_4CO + \beta_5TY + \beta_6SV + \epsilon$$

where;

- CP = Competence
- SB= Stability
- IY= Integrity
- CO= Client Orientation
- TY= Transparency
- SV= Shared Values

4.4.2 Regression Results and Discussion

Table 4

Variable	Coefficient	Std. error	T-ratio	P-value
Const	0.0183876	0.283035	0.06497	0.9483
Competence	0.938577	0.0888821	10.56	1.36e-018 ***
Stability	0.0167028	0.0706879	-0.2363	0.8136
Integrity	0.0265871	0.107706	0.2468	0.8055
Orientation	0.161881	0.0902935	1.793	0.0757 *
Transparency	0.170520	0.101126	-1.686	0.0945 *
Shared Values	0.0265702	0.0646365	0.4111	0.6818
R-squared	0.679756			
Adjusted R-squared	0.662901			
F-statistic	40.32984			

*** p<0.01, ** p<0.05, * p<0.1

The table above shows the regression results with the coefficients of different variables.

Competence had a positive effect on the trust levels. A unitary change in competence or ability increases trust in bank 0.9385. The effect was found to be statistically significant (p<0.01). It means when customers perceive their banks as competent, trust increase. As such hypothesis H1 is accepted. This is in consonance with the empirical works of Van Esterik-Plasmeijer et al (2017), Ennew, et al (2007) and Colquitt, Scott and Le Pine (2007). This also contradicts Sandada and Magobeya's (2016) work that competence had no impact on the trust in Zimbabwean banks.

Stability had no impact on the level of trust in a bank. A unitary change in stability increases the level of trust people have in banks by 0.0167. This finding supports the work of Van Esterik-Plasmeijer et al (2017) who also concluded that stability was statistically insignificant to the levels of trust.

Integrity had no impact on the level of trust in banks. Therefore, we fail to accept the third hypothesis. Integrity however had a positive relationship with trust. A unitary change in integrity increases the level of trust in banks by 0.0266. The finding concurs with the view of Sandada, and Magobeya (2016) who also reported that integrity had no impact on the level of trust in Zimbabwe. However, this evidence contradicts Edelman (2015) and Van Esterik-Plasmeijer et al (2017) assertion that integrity is important with regards to trust.

Customer orientation had a positive impact on trust in banks. A unitary change in the customer orientation increases the level of trust by 0.1619. The effect was found to be statistically significant ($p < 0.1$). As such the fourth hypothesis is accepted. This finding is in consonance to the empirical work of Sandada, and Magobeya (2016), Roy, Eshghi and Shekha (2011) and Van Esterik-Plasmeijer et al (2017).

Transparency had a positive impacts trust in Ghanaian banks. A unitary change in the transparency will however increase trust by 0.1705. The effect was found to be statistically significant ($p < 0.1$). As such the fifth hypothesis is accepted. This evidence confirms the work of Van Esterik-Plasmeijer et al (2017).

Shared Values had no impact on trust in banks. Therefore, we fail to accept the six hypotheses. However, shared values had a positive relationship with trust. A unitary change in shared values will increase trust by 0.0266. the finding agreed with the empirical work done by Van Esterik-Plasmeijer et al (2017) which concluded that shared values had no impact on trust levels. Ennew, et al (2007) also concluded that financial institutions in the United Kingdom received their weakest ratings with respect to shared values.

The overall value of coefficient (R-squared) is 0.6798. This means that 67.98% of the variation in trust in banks is explained by the explanatory factors in the model. F statistics for the model is 40.3298, with p-value of 5.2167e-026. This implies that variables in the model is jointly significant in explaining trust levels in banks.

4.5 Trend of Deposit Liabilities

To achieve the second objective, data was sourced from the annual reports of the Central Bank of Ghana. Since the deposit in the banking system can be considered as an indicator of the trust people have in the system, the objective here is to ascertain whether the deposit liabilities in banks appreciated or declined during the period of financial turmoil in Ghana. The study focused on only the deposits of individuals and the private sector. The deposits from the government and public sector was excluded. This is because government and public sector deposits are usually placed in state banks. Also, public sector deposits do not necessarily imply confidence of the customers in banks. Total private sector deposits grew from 372,570.12 (million) in 2015 to 443,401.39 (million) in 2016. It further grew to 564,974.12 (million) in 2017. By 2018, private sector deposits grew to 667,062.10 (million). This is exhibited in table 4 in the appendix page. Below is a graphical representation of the growth.

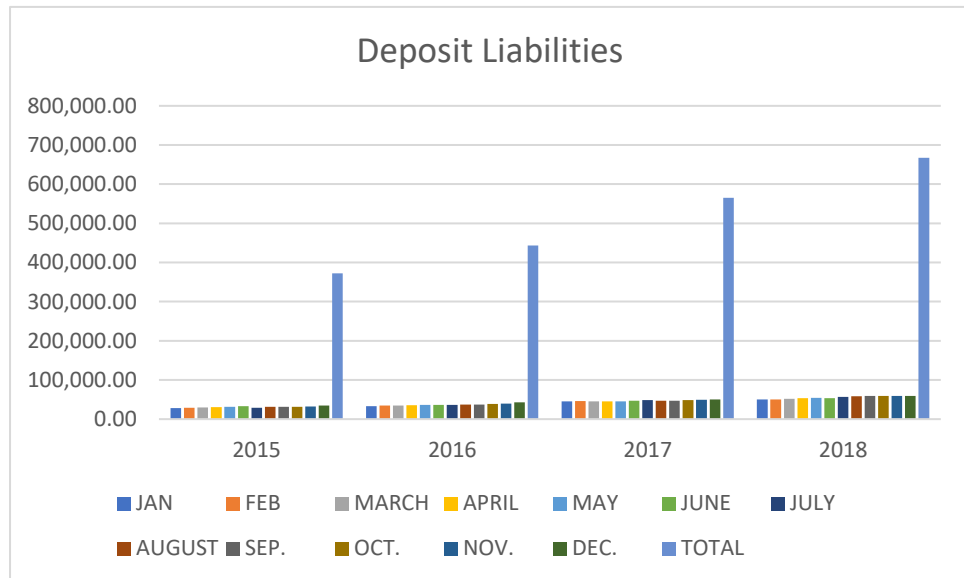


Fig 5: A graphical representation of growth in deposits.

To ascertain a better picture of the trend, the rate of changes was computed. Table 5 presents the rate of change from 2015 to 2018.

From the Table 5, deposit levels grew steadily until July 2015 when the rate of growth dipped by -11.26%. It further dipped in September 2015 (-0.99). This can be attributed to the first phase of bank closure in 2015. A lot of UT and Capital Bank customers rushed to Ghana Commercial Bank to withdraw their deposits to avoid the total loss of their monies. Averagely the rate of growth in 2015 was 1.87%. In 2016, there was a dip in the level of deposits in January (-3.09%) and June (-1.33%). On the average the growth rate decline to 1.84%. In 2017, growth in deposits went lowest in August. In that month, the Central Bank consolidated 5 banks into one. Again, customers rushed to the bank to withdraw deposits for safeguarding. In 2017 and 2018, average growth further declined to 1.36% and 1.44% respectively. Although the nominal figure of deposits has increased from GHS 372,570.12 (million) to GHS 667,062.10 (million), the rate of growth is appalling.

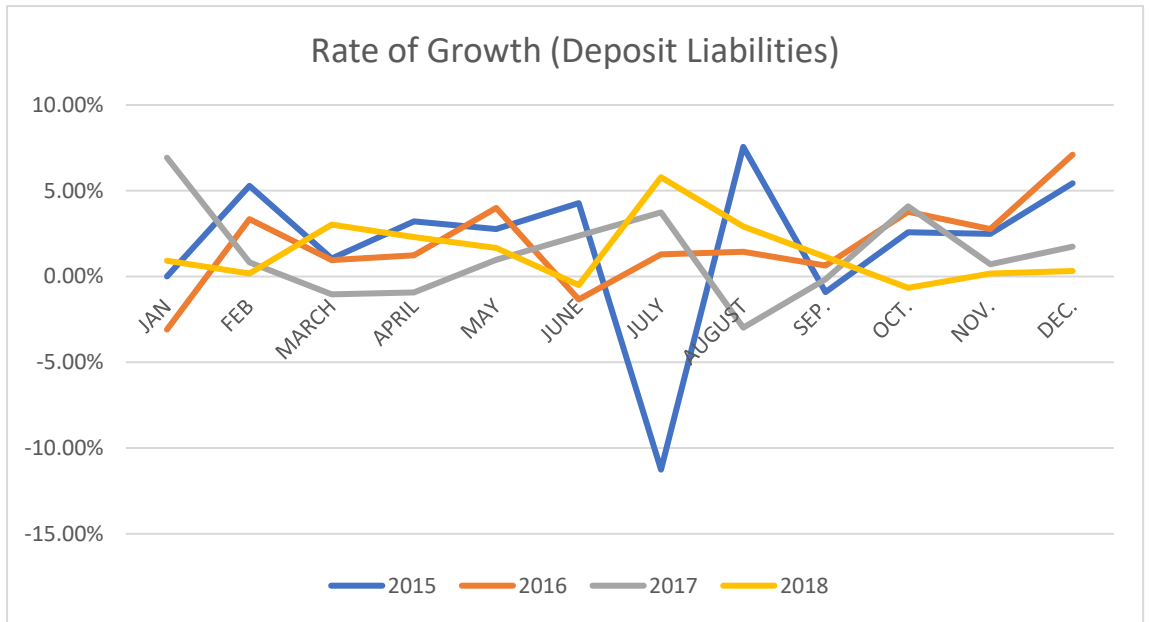


Fig 6: Rate of Growth (Deposit Liabilities)

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter summarizes all the findings in the study and give recommendations for policy purposes.

5.1 Summary

The research sought to determine what bank-specific factors influences on trust in Ghanaian banks. Using a self-administered questionnaire, data was sourced from 121 people who were randomly taken. To ascertain the relationship between trust and the independent variables (competence, stability, integrity, transparency, client orientation and shared values), OLS was used. The findings concluded that competence, client orientation and transparency were statistically significant. Competence and client orientation had a positive relationship with trust whiles transparency had a negative relationship with trust.

5.2 Conclusion

Although trust is said to have declined after the 2015 banking turmoil in Ghana, there exist few empirical literatures which focuses on what drives trusts in banks in Ghana. Low levels of trust will ultimately hamper financial inclusion and financial development. Stakeholders must explore ways and means to regain the broken trust in the financial system. Although the Central Bank has initiated several measures more needs to be done.

The study is critical for research, practice and policy. The study has contributed to the literature on what determines trust in Ghana. Moreover, the study provided evidence

that competence, client orientation and transparency influence the level of customer trust. With regards to practice, players in the financial sector could employ the findings to enhance trust in their institutions. Enhancing expertise, concern for customers and transparency will impact trust. With an increase in trust the bottom line of banks i.e. profit will be maximized. Policy-wise, the study will provide the regulator with insights on what to do to increase public trust in the banking industry.

5.3 Recommendations

Research has shown that the financial sector is instrumental in a country's economic growth. As such, policies must be put in place so that financial sector can play its role and enhance development. Financial development also hinges on the trust and confidence the public have in the financial system. From the findings,

1. Banks must continuously train its staff to enhance their expertise/competence. Expertise will enhance the banks/banker's knowledge and skills. They will be able to provide appropriate financial services to customers to help in them in taking financial decisions. Customers levels of trust will increase when they perceive their bankers to be competent. With high levels of trust, customers will invest more with banks hence the banks' loanable funds will increase.
2. Furthermore, banks must be show concern about customers. Banks must be seen to put the interest of their customers first. Banks must be seen being customer-centric.
3. Transparency being a major impact of trust, banks must be transparent as much as possible. The central Bank must compel institutions to disclose information to clients. There dispensation where banks did not publish their financial statements for a number of years and were not punished must not be encouraged.

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APPENDIX A
QUESTIONNAIRE

Dear respondent,

This survey is about "determinants of trust in banks in Ghana". It is designed by a Master of Development Finance student at the University of Ghana for his master's thesis. Your answers will be kept anonymous and will only be used for statistical purposes. I am interested in your personal opinion so there are no right or wrong answers. Filling in this survey will only take 10 minutes of your time. Please take your time to fill in the questionnaire as complete and honest as possible. Thank you in advance

BIODATA

Gender

Male

Female

Employment Status

Employed

Unemployed

Educational Level

Basic

SHS

Tertiary

(Select 1= Strongly Distrust 2= Distrust 3=Indifferent 4=Trust 5= Strongly Trust)						
	Question	Answer Categories				
		1	2	3	4	5
1	If you had to express your Trust in your bank at this moment, what grade would you give?					
Trust Measure: Competence						
2	My bank knows exactly what is happening in the market.					
3	My bank knows her clients and their financial needs					
4	My bank selects the rights products for clients.					
5	My bank is competent					

	Trust Measure: Stability				
6	My bank will not go bankrupt.				
7	My bank is financially solid.				
8	My bank is large and strong.				
	Trust Measure: Integrity				
9	My bank does not stay away when clients have problems.				
10	My bank treats clients in a fair manner.				
11	My bank has integrity				
	Trust Measure: Client Orientation				
12	My bank responses quickly to questions asked by clients.				
13	My bank warns clients for wrong decisions				
14	My bank puts the interest of the customer first.				
	Trust Measure: Transparency				
15	My bank is open about costs and risks of products and services.				
16	My bank is open about procedures				
17	My bank communicates clearly				
18	My bank is transparent				
	Trust Measure: Shared Values				
19	My bank is involved with society.				
20	My bank is involved in local activities.				
21	My bank is active in the field of sponsorship such as sports or culture.				
22	My bank contributes to a sustainable society.				

APPENDIX B

Table 3: Correlation Matrix

		Competence	Stability	Integrity	Orientation	Transparency	Shared Values
Competence	Pearson Correlation	1	.494**	.608**	.643**	.577**	.414**
	Sig. (2-tailed)		.000	.000	.000	.000	.000
	N	121	121	121	121	121	121
Stability	Pearson Correlation	.494**	1	.617**	.492**	.549**	.423**
	Sig. (2-tailed)	.000		.000	.000	.000	.000
	N	121	121	121	121	121	121
Integrity	Pearson Correlation	.608**	.617**	1	.644**	.714**	.509**
	Sig. (2-tailed)	.000	.000		.000	.000	.000
	N	121	121	121	121	121	121
Orientation	Pearson Correlation	.643**	.492**	.644**	1	.682**	.413**
	Sig. (2-tailed)	.000	.000	.000		.000	.000
	N	121	121	121	121	121	121
Transparency	Pearson Correlation	.577**	.549**	.714**	.682**	1	.392**
	Sig. (2-tailed)	.000	.000	.000	.000		.000
	N	121	121	121	121	121	121
Shared Values	Pearson Correlation	.414**	.423**	.509**	.413**	.392**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	121	121	121	121	121	121

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

Table 4: Deposit Liabilities of Private Sector (2015-2018)

	JAN	FEB	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEP.	OCT.	NOV.	DEC.	TOTAL
2015	27,917.28	29,392.16	29,703.26	30,655.54	31,501.47	32,846.51	29,149.28	31,352.84	31,070.11	31,873.69	32,665.68	34,442.30	372,570.12
2016	33,377.72	34,491.16	34,822.40	35,255.87	36,663.37	36,174.36	36,640.34	37,166.30	37,401.89	38,810.92	39,881.66	42,715.40	443,401.39
2017	45,673.77	46,049.74	45,570.69	45,151.72	45,589.02	46,669.05	48,414.91	46,971.39	46,893.70	48,811.86	49,161.75	50,016.52	564,974.12
2018	50,476.09	50,565.04	52,100.36	53,302.97	54,193.09	53,923.53	57,044.52	58,709.66	59,380.69	58,988.26	59,095.44	59,282.45	667,062.10

Source: Central Bank of Ghana Statistical Bulletins Report (2015; 2018)

*Figures above are in millions

Table 5: Rate of Growth of Deposit Liabilities

	JAN	FEB	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEP.	OCT.	NOV.	DEC.
2015		5.28%	1.06%	3.21%	2.76%	4.27%	-11.26%	7.56%	-0.90%	2.59%	2.48%	5.44%
2016	-3.09%	3.34%	0.96%	1.24%	3.99%	-1.33%	1.29%	1.44%	0.63%	3.77%	2.76%	7.11%
2017	6.93%	0.82%	-1.04%	-0.92%	0.97%	2.37%	3.74%	-2.98%	-0.17%	4.09%	0.72%	1.74%
2018	0.92%	0.18%	3.04%	2.31%	1.67%	-0.50%	5.79%	2.92%	1.14%	-0.66%	0.18%	0.32%

Source: Author's own computation