

# **Financial innovation and banks performance in developing countries: Evidence from Ghana**

## **Abstract**

Increase in the diffusion of information communication technology in Africa has resulted in the increase of technology-based financial products and processes. The rollout of financially innovative products and processes is being undertaken on both the macro level (by regulators and government agencies) and the micro level (banking institutions). To determine whether or not this capital-intensive investment is worthwhile or otherwise, the study collected firm-level data on banks operating in Ghana, West Africa, to examine the relationship between financial innovation indicators and bank performance. Using a quantitative design, the study employs panel regression to analyse a panel data of 21 banks (both local and foreign-owned). operating in Ghana between 2007 and 2015 The results show that financial innovation, proxied by two industrywide interventions, has a positive and significant impact on bank performance. It is recommended that deposit-taking institutions in developing countries invest in financial innovative services to increase their performance. On the macro level, governments and banking industry regulators in Africa are encouraged to invest in creating and supporting the proliferation of technology-based systems that will improve banking processes.