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CORPORATE GOVERNANCE AND RISK MANAGEMENT IN THE BANKING SECTOR OF GHANA

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ABSTRACT: *The purpose of this research is to examine the degree to which banks in Ghana use risk management practices and corporate governance in dealing with different types of risk. A modified questionnaire, divided into two parts was developed and administered to the selected banks' board of directors, senior risk management officers and selected staff. The first part of the questionnaire covered five aspects: understanding risk and risk management, risk identification, risk assessment and analysis, risk monitoring, and corporate governance and risk management practices. This part included 32 closed-ended questions based on an interval scale. The second part consisted of two closed-ended questions based on an ordinal scale dealing with two topics: methods of risk identification, and risks facing the sampled banks. The result of the study indicated that, Board of Directors, senior staffs and not all staff are actively involved in risk management and the most important types of risk facing the sampled banks are credit risk, operating risk, solvency risk, interest rate risk, and liquidity risk. The study also found out that the sampled banks are efficient in managing risk.*

KEYWORDS: Risk, Management, Commercial Banks, Corporate Governance, Ghana.

INTRODUCTION

The after effects of the global economic crisis continue to reverberate through corporate boardrooms, bringing risk management into sharper focus. In the 2009, "What Directors Think" survey conducted by PricewaterhouseCoopers and Corporate Board Member magazine, risk management was clearly of primary concern to directors. What keeps directors up at night? In the survey, 60% of 1,021 respondents said unknown risks represent the greatest challenge they face as directors. It comes as no surprise, that risk management merits the most attention from the board: 64 % of directors ranked it the highest priority after the board's core mission of profitability and shareholder value. Two-thirds indicated they would like to spend more time on risk management this year than in past years. Chief Executives of banks and board members alike are asking the same questions. Could any of the problems experienced by some of the world's biggest banks happen to us? How is it possible that the

global banking industry had record write-offs and suffered the results of risk surprises, even though many of these banks have generally been viewed as good risk managers or "best practice" institutions? At the same time, these executives are wondering "do we truly understand and effectively manage our risks and achieve growth?" While there are important lessons to be learned from the recent turmoil, banks also have an opportunity to turn good risk management into a true competitive advantage for growth.

Ghana has seen tremendous foreign direct investments in the banking industry in the last couple of years. This has increased the asset base of the banking industry and positioned Ghana to take advantage of modern banking architecture. With the improvement in the macroeconomic environment such as a drop in interest rates and a generally stable inflation, banking in Ghana has become increasingly competitive. Banks are investing in innovation, product development and information technology infrastructure to stay on top of competition. Banks are also diversifying their investment portfolios from short-term risk free government securities to often long term risky investments such as retail and corporate loans, mortgage financing and asset leasing.

There is a growing concern that banks may not have the financial muscle and risk management systems to manage the adverse effects that may result from any shocks to the economy that may adversely affect the performance of these investment portfolios. The responsibility of managing these risk lies with management of the bank not regulators who merely provide structures and guidelines within which to operate. But just as the complexity of the financial market place has increased, so has the complexity of risk management. Recent developments show clearly that there are many problems with the organisation of many corporate boards. Some of the problems are: lack of independence of directors, vested interest, inadequate time, and sometimes lack of expertise to carry out their obligations to shareholders. As indicated above, the board of directors is expected to perform some critical functions and over time there must be a way to assess to what extent the board has been effective in the discharge of those functions. (sinkey 1992).

The purpose of this research is to examine the degree to which banks in Ghana use risk management practices and corporate governance in dealing with different types of risk. Specifically, the study seeks to determine, how well the selected banks' board of directors, senior management and staffs understand risk and risk management, the major risk that the selected banks face and how the risks are identified, how the selected banks assess and analyse risk in general, if the selected banks have an efficient risk monitoring and controlling systems and how the selected banks manage risk in general. This has become necessary because the biggest threat of any financial institution is how well it manages and control its factors.

LITERATURE REVIEW

A bank is an organization that has been given banking powers by the state (Sinkey 1992). Like any other organization banks have the principal goal of increasing shareholders wealth. The achievement of this goal is limited by the following constraints: the requirement that they repay depositors either on demand or within a specified period, legally established minimum liquidity requirement (reserves), limitations on the type of business activities, legal limitations on the ability of banks to open new offices expand their operations geographically. In addition, banks are subject to examination by a number of regulatory

agencies to ensure compliance with all applicable regulations. Failure to comply may result in penalties ranging from fines to forced closings and liquidation of the bank's asset.

Corporate Governance

According to Shleifer and Vishny (1997), corporate governance defines the ways in which the supplier of finance to corporations is assured of getting a return on their investment in a firm. By defining the firm's rules, incentives and goals, management, capital suppliers and other stakeholders affect the mechanisms by which capital and resources are allocated, profits are distributed, and performance is monitored. In a corporate governance system that operates for the benefit of all shareholders, management pursues maximisation of firm value.

Baek et al. (2004) confirmed the findings of (Mitton 2002) that corporate governance has a significant influence on firm-level performance in crises and further suggest that the negative impact is greater on firms in which controlling shareholders have stronger incentives and means to expropriate resources. With significant pressure on money managers to focus on governance, several companies that rate firms on their strength of governance mechanisms have emerged. The Corporate Library Board Analyst Ratings is the method examined by (Mine and Hedge 2004) and they concluded that most of the factors considered by Board Analyst Ratings are consistent with the corporate governance theory and evidence. They found that the percentage of independent directors in the committees, director tenure, director age, number of directorships held by each director, number of directors with zero shares and CEO compensation are important determinants of these ratings. Alan Greenspan, Chairman of Board of Governors of Federal Reserve System once said, "banks in the business of managing risk if done correctly, the bank would create economic value by attracting savings to finance investments if done incorrectly, real resources would be misallocated and the banks may fail moreover, even if risk measurement and management are done correctly the banks may still fail, simply because it was unlucky."

The characteristics of the board of directors can be looked at in many respects; size, gender, CEO serving as board chairman, percentage of board working in the same firm, percentage of shares owned by board members, other board affiliations with the firm, etc. The two aspects discussed are the board size and the independence of the board. Firm performance is believed to be improved by limiting the board size because the benefits of increased monitoring that larger boards gain are outweighed by the poorer communication and decision-making of larger groups (Lipton and Lorsch 1992; Jensen 1993). Consistent with this notion, (Yermack 1996) documents an inverse relation between board size and profitability, asset utilisation, and Tobin's Q. (Anderson et al. 2004) also show that the cost of debt is lower for larger boards, presumably because creditors view these firms as having more effective monitors of their financial accounting processes. Hence firms with board sizes of between six and fifteen have higher returns on equity and higher net profit margins than do firms with other boards sizes.

According to John and Senbet (1998), it is often alleged that boards of directors are more independent as the proportion of their outsider directors increases. Fosberg (1989), however, finds no relation between the proportion of outside directors and various performance measures (ie., SG&A expenses, sales, number of employees and return on equity). Brown and Caylor (2004) found that firms with independent boards have higher returns on equity, higher, higher profit margins, larger dividends yields, and larger stock repurchases, suggesting that board independence is associated with other important measures of firm

performance aside from Tobin's Q. According to Nam and Nam (2002), the market seems to discount the quality of corporate governance by about 30% in the case of firms controlled by a single, domestic owner. The evidence also supports the view that corporate governance matters more in countries where the legal and judicial systems for protecting investors are weak. Finally, the components of corporate governance practices that the market pays most attention to appear to differ across countries; however, the most important component for all sample firms seems to be the various forms of support for directors, that is, the area in which the sample firms score most poorly.

As has been the case in many family-based Asian corporations, boards dominated by insiders are not expected to play their role as effective monitors and supervisors of management. This is particularly so when the board chairperson is also the firm's CEO. (www.adbi.org/book/2005) The work of Andrew Bubbs (2003) states that higher proportion of outside directors on board is not associated with superior firm performance; however it has been associated with better decisions regarding acquisitions, executive compensation and CEO turnover "We believe independence means that a director and his or her immediate family have no present or former employment with the company, nor any substantial connection of a personal or financial nature (other than equity in the company or equivalent stake) to the company or its management that could in fact or in appearance compromise the director's objectivity and loyalty to shareholders. To be independent, the director must not provide, or be affiliated with any organisation that provides goods and services for the company if a reasonable, disinterested observer could consider the relationship substantial. True independence depends upon these and other factors that may not be readily discerned by shareholders. In view of the importance of independence, non-management directors should evaluate the independence of each of their fellow directors based on all information available to them and should disclose to shareholders how they determine that directors are capable of acting independently." (www.tiaacref.org/pubs/html/governance). In a recent paper Bagahat and Black (2002) found that companies with more independent boards do not perform better than other companies. This confirmed their findings in an earlier study, that board composition was an unreliable predictor of company performance.

Risk Management

Risk is that portion of return resulting from surprises of any investment. If we always receive exactly what we expect, then the investment is perfectly predictable and by definition risk-free, (Ross et. al., 2001). According to Fraser et. al. (1995), bank management is risk management. Banks accept risks in order to earn profits. They must balance the various alternative strategies in times of their risk or return characteristics with the goal of maximizing shareholders wealth. In doing so, banks must recognize that there are different types and that the impact of a particular investment strategy on shareholders depends on the impact of the total risk on the organization. Sinkey (1992) also observes risk management as the heart of bank financial management.

Activities of banks have risk inherent in them. As they accept deposits and lend them out or invest these funds in other investment portfolios, they face risk that other organization would not face. To adequately capture a firm's risk exposure, risk management should be comprehensive, should represent aggregate exposure of the firm by both firm type and business lines, and should consider both the impact on both earning and shareholder value. Not all risk are readily quantifiable, where a quantification is not an option, qualitative measures should be developed, a sound methodology should be in place to enable

management identify and understand exiting risk exposures. (Financial Service Roundtable; June 1999).

Types of Risks Faced by Banks

a. Operational risk can be defined as the entire process of policies procedures, expertise and systems that an institution needs in order to manage all the risks resulting from its financial transactions (Hussain, 2000). Marshall (2001) states that operational risk holds the risk resulting from operational failures, within back office or the operational areas of the firm. He also states operational risk from a wider view, is the variance in net earning not explained by financial risks. Marshall, (2001) advocates that operational risk can be defined as residual risk, i.e. everything that is not market or credit risk. Hussain (2000) further specifies that operational risk includes portfolio risk, country risk, shift in credit rating reputation risk taxation risk, business continuity risk and regulatory risk. Saunders (2002) advocates that the internal sources of operational risk are employees, technology, customer relationship and capital assets destruction. External sources are mainly fraud and natural disasters. Another way of dividing operational risk into sub parts is to separate the two areas, operational leverage risk and operational failure risk. Operational leverage risk is the risk when the firm changes in the tax regime, in the political, regulatory or the legal environment, or in the nature or behavior of the competition. Operational failure risk is the risk that losses will be sustained, operations will not generate the expected returns as a result of external factors such as or earnings foregone, as a result of the failures in processes, information systems or people. In contrast to leverage risk, the risk factors in failure risk are primarily internal (FinanceWise 1999).

Bassis (1998) looks at operational risk in another way. According to him operational risk can be divided into two different levels, the first level consist of technical issues such as when information systems or the measures are deficient, the second level has more organizational characteristics involving reporting and monitoring of risk and all related rules and procedures. External and internal security can be compromised via both internal and external networks. Spivey (2001) discusses some cyber-perils to a bank internally, security is risked by an unauthorized use of the computer by a bank employee who can then manipulate data to alter account balances, to misappropriate funds, or to perhaps wipe out a friend's loan account. Bank can also be hacked into externally and account information stolen. Banks also face the threat of viruses that can be placed in the bank network, or a scenario where a hacker obtains confidential information and then cyber-exhorts the bank with an offer to sell the information back to the banks simply outsource their web operations. Outsourcing then adds an additional burden of monitoring by the bank, as internal controls may not extend to vendors who perform critical functions. Thus, the Basel report on banking supervision (1998) defines this operational risk as the potential for loss due to significant deficiencies in systems reliability, and integrity. Along the same lines, the Federal deposit insurance corporation manual on electronic banking (FDIC, 2000b) includes hardware and/or software failures disruptions, protections, system, or database compromise as administrative concerns. Inadequate controls, policies, procedures also create operational risk. In addition, the bank faces the risk of technological obsolescence. Finally, customer misuse either intentional or unintentional, also impacts operational risk as well.

b. Legal risk can arise due to violations of laws, rules and regulations. In the world of electronic commerce, where technology and business are in a state of constant flux, there is

considerable ambiguity and uncertainty regarding legal rights. From the basic issue of customer privacy, disclosure, and money laundering and liability concerns because of links to other websites. The process of electronic banking is a virtual minefield of potential legal issues. Regulators have to address concerns that range from the traditional act such as the community reinvestment Act to the regulation on digital signatures. Banks involved in electronic payments, such as the internet blurs national boundaries for commerce and payment. Infact, the accelerating pace of internet banking operations by late 2000 has convinced international bank supervisors to agree that a cooperate approach to the supervision of electronic banking is essential in order to avoid conflicting regulation among different countries and supervisors, (Basel Committee on banking supervision, 2000).

c. Reputational risk can range from problems of customer dissatisfaction with online services to security breaches and fraud. Any problem with either security or legal issues can significantly impact the reputation of the bank. For instance, identify misrepresentation, or "spoofing" where bank customers are directed toward a false site, can lead to an irreparable loss of trust between the customers and the bank. For a bank that provides aggregation services, any breach of security can cause considerable reputation risk. The 1998 Basel report on electronic banking suggests that reputation risk is serious enough that if a globally active bank experiences a blow to its reputation, it might impact the reputation of other banks offering similar services leading to systemic disruptions in the banking system as a whole.

d. The traditional banking risks such as interest rate risk, credit risk, or liquidity risk can be exacerbated for a bank that has a significant online lending and/or transaction presence. In May 2001, the Basel Committee has identified 14 risk management principles for electronic banking to help banking institution expand their existing risk oversight policies and processes to cover their e-banking activities De Young (2001a) documents that these banks have difficulty in obtaining core deposits, and therefore, they often offer short-run, teaser rates to attract new customers. He suggests that these rates mostly attract the "hit and run" customers who maintain an account with the internet –only bank until the special offer expires. Thus, pure-play banks can encounter and create risks due to the ebb and flow associated with such deposits. Addressing financial risks proactively may provide an organisation with a competitive advantage. It also ensures that management, operational staff, stakeholders, and the board of directors are in agreement on key issues of risk. Managing financial risk necessitates making organisational decisions about risks that are acceptable versus those that are not. The passive strategy of taking no action is the acceptance of all risks by default.

Banks manage financial risk using a variety of strategies and products. It is important to understand how these products and strategies work to reduce risk within the context of the banks risk tolerance and objectives. Strategies for risk management often involve derivatives. Derivatives are traded widely among financial institutions and on organised exchanges. The value of derivatives contracts, such as futures, forwards, options, and swaps, is derived from the price of the underlying asset. Derivatives trade on interest rates, exchange rates, commodities, equity and fixed income securities, credit, and even weather.

Challenges in Risk Management

Risk management systems are more sophisticated and the internal control regimes around those systems are more robust. The earnings of many financial institutions are stronger and more diversified. Payments systems are stronger. Innovations continue at a remarkable pace,

providing new ways to allocate and manage risk. Confidence in the overall resilience of the financial system needs to be tempered by the realization that there is much we still do not know about the likely sources and consequences of future stress to the system. Uncertainty is inherent in any process of change, but uncertainty is greater because much of the recent innovation has occurred against the backdrop of general economic stability and a sustained period of low credit losses, low risk premier and low implied volatility across many asset classes. This means that some aspects of the financial system today have not yet been subjected to the more exacting tests of macroeconomic or financial stress. This makes it harder for the conventional array of risk management tools to capture the actual risk faced by financial institutions today.

The challenge we face is not simply in determining whether we are better off today than we were at past periods of considerable stress in the financial system, but also in assessing how well positioned the current system is to deal with prospective sources of stress. That assessment is harder to make today because of the changes now underway in the nature of financial intermediation and the overall conditions in which these changes have occurred.

DATA AND METHODOLOGY

Instrument

The data collection instrument used in gathering the data was a comprehensive modified questionnaire from (Hussien and Faris 2007), which were divided into two parts, was administered. The first part covered six aspects: understanding risk, risk identification, risk assessment and analysis, risk monitoring and control, and corporate governance and risk management practices. It included 32 closed-ended questions based on an interval scale, where eight questions correspond to understanding risk aspect, five questions to risk identification, seven questions to risk assessment and analysis, six questions to risk monitoring and control and six questions to corporate governance and risk management practices. Respondents were asked to indicate their degree of agreement with each of the questions on a five-point Likert scale. The second part consisted of two closed-ended questions based on an ordinal scale dealing with two topics: methods of risk identification, and risks facing the sample banks. It is worth mentioning here that the banks used in this study are highly sophisticated, and so it is assumed that these banks use sophisticated risk management techniques.

Sampling and Data Collection

Empirical analysis is based on a sample of six banks, drawn from a list of 27 banks in Ghana. The targeted sampled banks are the six biggest banks in Ghana and these banks are heavily involved in risk management (PriceWaterhouseCoopers, 2009). The sample includes four foreign banks: Barclays Bank, SG-SSB Bank, Standard Chartered Bank and Ecobank and two local banks: Agricultural Development Bank (ADB) and Ghana Commercial Bank (GCB). Questionnaires were administered at the head quarter offices and branch head offices of the selected banks in Accra and Kumasi to board of directors, bank managers, risk analyst, senior risk management officers and some selected senior and junior staffs. The sampling technique used is the purposive sampling since it allowed qualified respondents to be specifically contacted or approached to participate in the survey.

Data Analysis

Descriptive statistics such as mean, standard deviation and reliability statistics such as the coefficient of variation which expresses the standard deviation as a percentage of the mean which is useful because the standard deviation of data must always be understood in the context of the mean of the data was used to give an overview of the responses from the questionnaires. The coefficient of variation is a dimensionless number. With coefficient of variation, the higher the coefficient means more variability and the lower the coefficient means less variability and therefore makes the result reliable. Pearson correlation was used to find the degree of correlation between the dependent and independent variables.

RESULTS AND DISCUSSIONS

In order to answer the research questions the following risk management aspects were dealt with by asking risk management expects, board of directors, senior management and selected senior and junior staff to indicate the extent at which their banks respond to these aspects mentioned. The results in table 1 generally indicated that there is less variability in the selected banks responses on risk assessment and analysis, understanding risk and risk management and corporate governance and risk management practice with coefficient of variation of (0.043), (0.087) and (0.093) respectively, therefore, they are more reliable as compared to that of risk identification and risk monitoring and control with coefficient of variation of (0.105) and (0.107) respectively.

Table 1: Risk Management Processes

Risk Management Processes	Mean	Std. Deviation	Coefficient of Variation
Understanding Risk and Risk Management	4.53	0.39	0.087
Risk Identification	4.45	0.47	0.105
Risk Assessment and Analysis	4.68	0.20	0.043
Risk Monitoring and Control	4.36	0.47	0.107
Corporate Governance and Risk Management Practice	4.36	0.41	0.093

5-strongly agree, 4-agree, 3-neutral, 2- disagree, 1-strongly disagree

Understanding risk and risk management

Table 2 shows that, the overall coefficient of variation of responses on the eight questions about understanding risk and risk management is (0.087). The respondents' answers on these eight questions indicate that these banks selected "it is crucial to apply the most sophisticated techniques in risk management" and "managing risk is important to the performance and success of the bank" with coefficient of variation of (0.08) and (0.10) respectively to be more reliable. This is to be expected since the respondent involved as experts of risk management, board of directors and senior managements, understands the importance of risk management to the performance of the bank and therefore will apply the most sophisticated techniques in risk management. Surprisingly, common understanding of risk management across the bank was perceived to be less embarked on in the banks since respondents' selected "there is common understanding of risk management across the banks" and "responsibility for risk management is clearly set out and understood throughout the bank" with coefficient of variation of (0.19) and (0.21) respectively to be less reliable as table 2 shows. This is

probably as a result of the specialized roles of employees and the perception that risk management is a technical area. An increasingly common view in corporations should be 'we are all risk mangers now'. To be effective, employees must look beyond the day-to-day operational aspects of what they do. Employees need to recognize the key risks to their business, understand their role in managing those risks, and respond in an integrated way. This behavior is crucial both in maintaining compliance and tackling competitive threats. Embedding such behavior requires risk awareness education, such as a program to embed risk awareness and responsiveness into management at all levels.

Table 2: Understanding Risk and Risk Management

Understanding Risk and Risk Management	**Mean**	**Standard Deviation**	**Coefficient of Variation**
There is a common understanding of risk management across the banks	4.17	0.80	0.19
Responsibility for risk management is clearly set out and understood throughout the bank	4.27	0.91	0.21
Accountability for risk management is clearly set out and understood throughout the bank	4.58	0.59	0.12
Managing risk is important to the performance and success of the bank	4.70	0.50	0.10
It is crucial to apply the most sophisticated techniques in risk management	4.78	0.41	0.08
Your bank's objective is to expand the applications of advanced risk management techniques	4.57	0.74	0.16
It is important for your bank to emphasize on the continuous review and evaluation of the techniques used in risk management	4.68	0.60	0.12
Applications of risk management techniques reduce costs or expected losses	4.52	0.77	0.16
Overall total	**4.53**	**0.39**	**0.087**

5-strongly agree, 4-agree, 3-neutral, 2- disagree, 1-strongly disagree

Risk Identification

The study further investigates into the level to which selected banks clearly identify the potential risks relating to each of their declared aims and objectives and by what method. Generally, the banks rated their ability to identify risk with overall coefficient of variation of (0.105) to be reliable as table 3 shows. However, this positively answers our second research question although the response averagely was not strong. A comparison across the scores for each item measuring risk identification on table 4.4 below shows that the item with the least variability with coefficient of variation of (0.112) was the fact that the banks has developed and applied procedures for the systematic identification of investment opportunities. However, the banks find it difficult to carry out a comprehensive and systematic identification of its risks relating to each of its declared aims and objectives since the coefficient is more variable (0.21), therefore, it is less reliable on table 3

Table 3: Risk Identification

Risk Identification	Mean	Std. Deviation	Coefficient of Variation
The bank carries out a comprehensive and systematic identification of its risks relating to each of its declared aims and objectives	4.47	.96	0.21
The bank finds it easy to prioritize its main risks	4.28	.49	0.11
Changes in risk are recognized and identified with the bank's roles and responsibilities	4.67	.63	0.13
The bank is aware of the strengths and weaknesses of the risk management systems of other banks	4.38	.78	0.18
This bank has developed and applied procedures for the systematic identification of investment opportunities	4.43	.49	0.11
Overall Total	**4.45**	**0.47**	**0.105**

5-strongly agree, 4-agree, 3-neutral, 2- disagree, 1-strongly disagree

Risk Identification Method across Banks

Regarding risk identification methods, the questionnaire includes a closed-ended question about risk identification methods based on an ordinal scale, as previously described. From the analysis of this study, the results indicated that the six most important risk identification method are risk survey, process analysis, scenario analysis, financial statement analysis, SWOT (strengths, weakness, opportunities, threats) analysis and internal communication, such as internal conversation with employees as employed by Barclays Bank, Standard Chartered Bank, SG-SSB Bank, Ecobank, Agricultural Development Bank and Ghana Commercial Bank respectively. These are the risk identification strategies adopted by the various banks. The first five positions of the identification method are shown on table 4 for the various selected banks considered in this study.

Table 4: Risk Identification Method across Selected Banks

Type of Risk	Barclays Bank	Standard Chartered Bank	SG-SSB Bank	Ecobank	Agricultural Development Bank	Ghana Commercial Bank
Inspection by the bank risk manager	3		4	2		
Audits or physical inspection	1	3	3	1	1	2
Financial statement analysis	2	4	2	3	2	3
Risk survey			5	4	3	1
Process analysis						
SWOT (strengths, weaknesses, opportunities, threats)		1			4	
Inspection by outside expert	5		1			
Scenario analysis		5		5	5	5
Internal communication	4	2				4

1-most effective, 2-very effective, 3-fairly effective, 4-less effective, 5-least effective

Assessment of Risk and Analysis

Table 5 gives the results of the analysis on the statements that measured risk assessment and analysis in the selected banks. On a whole, the coefficient of variation for risk assessment and analysis in the banks is more reliable (0.043). This generally implies that these banks under consideration have good monitoring procedures and systems which are laudable for risk management processes. A typical analysis of the various items that assessed risk indicated that banks respond to analysed risks includes prioritising risk and selecting those that need active management to be less variable (0). Banks again assess risk by using qualitative analysis methods and banks assess the likelihood of occurring risks to more reliable as compared to the others (0.04) and (0.07) respectively. The highest coefficient of variation (0.20) was the last item on table 5 which was investigating whether bank's response to analysed risks includes prioritising risk treatments where there are resource constraints on risk treatment implementation was less reliable.

Table 5: Assessment of Risk and Analysis

Risk Assessment and Analysis	Mean	Std. Deviation	Coefficient of Variation
This bank assesses the likelihood of occurring risks	4.38	0.49	0.07
This bank 's risks are assessed by using quantitative analysis methods	4.93	0.36	0.11
This bank's risks are assessed by using qualitative analysis methods (eg. High, moderate, low)	4.95	0.22	0.04
Your bank analyses and evaluates opportunities it has to achieve objectives	4.63	0.48	0.10
Your bank's response to analysed risks includes an assessment of the costs and benefits of addressing risks	4.57	0.50	0.10
Your bank's response to analysed risks includes prioritizing of risks and selecting those that need active management	5.00	0.00	0
Your bank's response to analyzed risks includes prioritizing risk treatments where there are resource constraints on risk treatment implementation	4.28	0.86	0.20
Overall total	**4.68**	**0.20**	**0.043**

5-strongly agree, 4-agree, 3-netural, 2- disagree, 1-strongly disagree,

Risk Monitoring and Controlling

Furthermore, the fourth research question was to find out if the selected banks have an efficient risk monitoring and controlling system. From the results of the study, risk monitoring and controlling system with overall coefficient of variation of (0.107) was rated as reliable as shown on table 6. Which indicate that the selected banks have good risk monitoring and controlling systems. A detailed analysis of each of the statements revealed that the banks rated "the level of control by the bank is appropriate for the risks that it face" with coefficient of (0.09) to be more reliable as compared to the others and "the bank's response to risk includes an assessment of the costs and benefits of addressing risks" with coefficient of (0.13) was also reliable. Also, the banks did not think that monitoring the effectiveness of risk management is an integral part of routing management reporting since the item was rated less reliable since they scored the highest coefficient (0.32) on this item as shown in table 6

Table 6: Risk Monitoring and Control

Risk Monitoring and Control	Mean	Std. Deviation	Coefficient of Variation
Monitoring the effectiveness of risk management is an integral part of routine management reporting	4.52	0.828	0.32
The level of control by the bank is appropriate for the risks that it faces	4.18	0.34	0.09
Reporting and communication processes within your bank support the effectiveness of the existing controls and risk management responses	4.03	1.31	0.18
The bank's response to risk includes action plans for implementing decisions about identified risks	4.49	0.89	0.19
The bank's response to risk includes an assessment of the costs and benefits of addressing risks	4.32	0.560	0.13
The bank's response to risk includes an evaluation of the effectiveness of the existing controls and risk management responses	4.62	0.80	0.17
Overall total	**4.36**	**0.47**	**0.107**

5-strongly agree, 4-agree, 3-neutral, 2- disagree, 1-strongly disagree

Corporate Governance and Risk Management Practice

The study finally seeks to find out if corporate boards and senior management are actively involved in risk management and also what risk management practices the selected banks have adapted to and practicing. Generally, from the analysis of this study, most of the banks neutrally agree that their boards and senior management are actively involved in risk management and also they are practicing the very good risk management since from table 1, their overall mean score on corporate governance and risk management practices is (4.36) with coefficient of variation of (0.09) which is reliable. However, a critical analysis on the individual items measuring corporate governance and risk management practices indicate that averagely the banks scored very low coefficient of variation on the item that states that " efficient risk management is one of the bank's objectives" with coefficient of (0.08) on table 7, which is very reliable. The highest coefficient of variation of (0.28) was on the item, "senior management and the board of this bank receive and require risk-based management information on regular basis" which showed that, respondents rated the item more variable. The fundamental truth is that almost all the selected banks do consider strongly the overall level of risk management practices to be excellent and the fact that these banks do emphasises the recruitment of highly qualified people in risk management (0.13). The more critical things that financial institutions need to do, is to educate and create the awareness on the fact that risk management is not solely the responsibility of managers, it is to be an integral part of organizational culture and also it must be implemented by every person in the organization.

Table 7: Corporate governance and Risk management practice

Corporate governance and Risk management practice	Mean	Std. Deviation	Coefficient of Variation
The bank's executive management regularly reviews the organization's performance in managing its business risks	4.52	0.87	0.19
The board of directors are not directly responsible for risk management	4.20	0.40	0.09
The bank's risk management procedures and processes are documented and provide guidance to staff about managing risks	4.70	0.78	0.16
Your bank's policy encourages training programs in the area of risk management	4.57	0.67	0.14
This bank emphasizes the recruitment of highly qualified people in risk management	4.33	0.47	0.10
Efficient risk management is one of the bank's objectives	4.78	0.41	0.08
Senior management and board of directors receive and require risk-based management information on a regular basis	3.72	1.24	0.28
Only senior management and risk owners should be directly responsible for risk management	4.17	0.66	0.15
Risk based management information is used to ensure that procedures are in place to safeguard assets and depositors as well as ensure the integrity of data	3.90	1.11	0.33
Overall, I consider the level of risk management practices of this bank to be excellent	4.70	0.64	0.13
Overall total	**4.36**	**0.41**	**0.093**

5-strongly agree, 4-agree, 3-neutral, 2- disagree, 1-strongly disagree

Types of Risk across the Selected Banks

The researcher was also interested in knowing the main types of risk the selected banks face. The most important types of risk in the various selected banks include:

- Credit risk
- Operating risk
- Interest rate risk
- Liquidity risk.

Table 8: Types of Risk across the Selected Banks

Type of Risk	Barclays Bank	Standard Chartered Bank	SG-SSB Bank	Ecobank	Agricultural Development Bank	Ghana Commercial Bank
Foreign exchange risk	3		4	2		
Credit risk	1	3	3	1	1	2
Operating risk	2	4	2	3	2	3
Liquidity risk			5	4	3	1
Legal risk						
Solvency risk		1			4	
Interest rate risk	5		1			
Price risk		5		5	5	5
Reputation risk	4	2				4

1-highly exposed, 2- exposed, 3-averagely exposed, 4-least exposed, 5-not exposed

Table 9 provides the correlation matrix for risk management processes

Correlations talks about the degree of relationship between two variables whether they are moving in the same way or in a different way. Further it indicates if two variables are positively related, negatively related or uncorrelated. Two variables are said to be positively correlated if they tend to change together in the same direction, that is, if they tend to increase or decrease together. Negative correlation is when two variables tend to change in the opposite direction. No correlation or zero correlation is when two variables tend to change with no connection to each other. (Koutsoyiannis 1977). From table 9, the following predictors (risk monitoring and control, understanding risk and risk identification) with coeeficients of (.019, .093 and .219) respectively are positively correlated with the response variable risk management practice except risk assessment and analysis with value of (-.023) is negatively correlated with risk management practice.

Table 4.9: Correlation Matrix

Variables	Risk Management Practices	Risk Assessment and Analysis	Risk Monitoring and Control	Understanding Risk and Risk Management	Risk Identification
Risk Management Practices	1.000				
Risk Assessment and Analysis	-.023	1.000			
Risk Monitoring and Control	.019	.149*	1.000		
Understanding Risk and Risk Management	.093	-.060	.023	1.000	
Risk Identification	.219**	.296**	.156*	.119	1.000

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

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

CONCLUSIONS

The study found that the major risk management processes identified by the selected six banks is efficient. Corporate governance and risk management includes understanding of risk and risk management, risk identification, risk assessment and analysis, risk monitoring and controlling system. There is a positive relationship between risk management practices and understanding risk, risk identification and risk monitoring and control, whiles risk assessment and analysis is positively related to risk management practices by the selected banks considered in this study, as indicated in table 9. The crucial finding of this study is that almost all the selected banks do believe that, board of directors are not directly responsible for risk management. Only senior management and risk owners are directly responsible for risk management. Risk management strategies adapted specifically in risk identification as researched into among the six banks include: risk survey, process analysis, scenario analysis, financial statement analysis, SWOT analysis and internal communication, such as internal conversation with employees. The important types of risk as ranked first by the various selected banks were credit risk, operating risk, solvency risk, interest rate risk, and liquidity risk.

According to the findings of this study, board of directors do not assume direct responsibility for risk management, but its governance activities can contribute significantly to effective risk management. Banking authorities should put in place measures or policies to ensure that all staffs are involved in risk management practices. Oversight by board of directors and senior management team, combined with the approval of the public, may result in greater efficiency and better universal management of risk.

Suggestion for Studies

Considering the interesting findings of this study, any future research may focus examining extensively risk management methodologies, tools use for risk analysis for all aspects of risk management processes and the challenges in risk management financial institutions encounter in Ghana especially covering the period of the world financial meltdown.

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