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Performance of State Owned Banks In Relation To Privately Owned Banks in Ghana

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Abstract

Since the late 1980s, privatisation has become a global issue, compelling some socialist economies also to adopt it. State owned enterprises, however, have been with us for a long time. Owing to this development, the researcher has decided to make empirical analysis of a few state owned banks and privately owned ones in Ghana to test assertions of earlier writers on privatisation; and to ascertain the importance of these two types of businesses in the economy and recommend actions required to be taken by the state for the society to benefit from both types of businesses.

In conclusion, the researcher advises that the state owned banks should be maintained and their corporate governance improved to enable them serve socio-economic purposes, whiles the privately owned ones should be encouraged to continue in their line of activity but urged to fulfil their social corporate responsibilities; all in a bid to ensure sound economic growth and social stability of the state.

Introduction

This article seeks to test the postulates of earlier writers on privatisation by using empirical figures of state owned banks and privately owned banks in Ghana. It then tries to use their results to either prove or disprove those assertions.

The financial market in Ghana prior to 1989 when the Ghana Stock Exchange (GSE) was established comprised mainly the money market. The money market in Ghana has played a significant role in the country's economic development. Even after the advent of the GSE most financial activities in the country are undertaken via the money market since the GSE is not well developed and has a weak form of market efficiency. Ghana currently has 28 commercial banks of which three are state owned banks. The colonial masters established the Barclays Bank of Ghana 99 years ago to facilitate their financial operations especially between Ghana and their home country England. After Ghana attained independence in 1957, it deemed it prudent to establish another bank; this time, an indigenous one, Ghana Commercial Bank.

In determining the performance of state owned banks as against privately owned ones in Ghana, I decided to compare the performance of the oldest privately owned bank and that of the oldest state owned bank; these two banks are all large commercial banks in Ghana. I also compared the performances of a medium scale privately owned bank and a medium scale state owned bank.

In determining the performance of state owned enterprises as against privately owned ones, it is important to note that corporate governance plays important role in these establishments. Corporate governance is the system of rules, practices and processes by which a company is directed and controlled. Corporate governance essentially involves balancing the interests of a company's many stakeholders, such as shareholders, management, customers, suppliers, financiers, government and community. (www.investopedia.com/terms/c/corporategovernance*)*

According to the OECD 2004 report, the corporate governance framework depends on the legal, regulatory, and institutional environment. In addition, factors such as business ethics and corporate awareness of the environmental and societal interests of the communities in which a company operates can also have an impact on its reputation and its long-term success.

Corporate governance in many institutions affects their operations. The privately owned enterprises put on their boards of directors persons who have the perquisite skills and knowledge to turn the fortunes of their enterprises around. In the case of state owned enterprises, especially in Sub Saharan Africa, appointment of board of directors is usually based on political lines and not on the competencies of the persons. This situation usually does not augur well for these companies and makes them lack effective direction.

THEORETICAL BACKGROUND

A state-owned enterprise (SOE), also called state-owned company, state-owned entity, state enterprise, publicly owned corporation, government business enterprise, crown corporation, government-owned corporation, commercial government agency, public sector undertaking, or parastatal, is a legal entity that undertakes commercial activities on behalf of an owner, the government.

The legal status of SOEs varies from being a part of the government to being stock companies with the state as a regular stockholder. The defining characteristics of SOEs are that they have a distinct legal form and are established to operate in commercial affairs. While they may also have public policy objectives, SOEs should be differentiated from other forms of government agencies or state entities established to pursue purely nonfinancial objectives.

Government-owned corporations are common with natural monopolies and infrastructure, such as railways and telecommunications, strategic goods and services (mail, weapons), natural resources and energy, politically sensitive business, broadcasting, demerit goods (alcohol), and merit goods (healthcare) (www: http//Wikipedia 23.08.2016).

The privatization of large state-owned enterprises is one of the most radical policy developments of the last quarter century. Right-wing governments have privatized in an effort to decrease the size of government, while left-wing governments have privatized either to compensate for the failures of state-owned firms or to generate revenues. In this way, privatization has spread from Europe to Latin America, from Asia to Africa, reaching its zenith with Central and Eastern Europe's transition from socialism to capitalism (Roland G 2008).

According to Obadan M, (2008) the case for privatization, whether defined in a broad or narrow sense, has been forcefully made by its advocates against the backdrop of the much advertised poor performances of state-owned enterprises (SOEs) and theoretical arguments relating to the efficiency of private firms over public enterprises. Consequently, privatization and commercialization have been key components of the structural adjustment programmes foisted by the Bretton Woods institutions on Third World countries. Yet, the empirical findings on privatization, especially outside Africa where they exist, do not portray the strategy to be a panacea that works in all circumstances in all branches of economic activity. In spite of this, since the late 1980s, privatization has been stepped up in almost all African countries. And after about two decades of vigorous implementation of privatization programmes in Africa, there is a compelling need for a comprehensive and systematic analysis of various privatization issues, particularly the economic and social impact.

SOEs are likely to remain an important instrument in any government’s toolbox for societal and public value creation given the right context (Pwc 2015). The motivations for state ownership can change over time, but SOEs appear to be an enduring feature of the economic landscape. There is no doubt that SOEs are an influential force globally, but how are they contributing to governmental strategy and the national, regional or local economy? Accordingly pricewaterhousecoopers, defining State Owned Enterprises (SOEs) - SOEs are known by many names – government corporations, government business enterprises, government-linked companies, parastatals, public enterprises, public sector units or enterprises and so on. As well as the name, the definition of SOEs also often varies across countries. Research suggests that there is a wide range of legal forms for SOEs, depending on factors such as:

- The level of government that owns the enterprise (central/federal, state/regional or local).
- The way in which the enterprise was founded.
- The position in the public administration hierarchy.
- The purpose of the SOE.
- The status of the SOE if it is in the process of being privatised. Other variations include:
- Full, majority or minority ownership by the government.
- Listing (or not) on a stock exchange.
- Government shareholdings through vehicles such as government pension funds, asset management funds, restructuring corporations and development lenders.
- State-enabled (for example enterprises which have been granted exclusive rights by the state) as opposed to state-owned. While the varying forms of SOEs may provide governments with flexibility, these multiple forms may also serve to complicate ownership policy, make them less transparent and

insulate SOEs from the legal framework applicable to other companies, including competition laws, bankruptcy provisions or securities laws.

However, a move towards harmonisation of the legal status of SOEs with companies in the private sector is beginning to take place, which in turn could facilitate a more systematic use of corporate governance instruments. For instance, the International Public Sector Accounting Standards (IPSAS) Board is in the process of clarifying how companies which are owned by the government should be defined. This in turn will impact which financial reporting standards apply (Pwc April 2015).

The Organisation for Economic Co-operation and Development (OECD) definition of SOEs is enterprises where the state has significant control through full, majority, or significant minority ownership. In this definition we include SOEs which are owned by the central or federal government, as well as SOEs owned by regional and local governments. The prevalence of SOEs also differs across sectors, with petroleum refining, utilities and financial services as dominant sectors in the Fortune Global 500 SOEs. While SOE involvement in these sectors is not surprising, it is interesting to observe emerging sectors in the "Others" category, which in 2014 was dominated by: metals; motor vehicles and parts; trading; telecommunications; mail, package and freight delivery; and aerospace and defence. The impact of government intervention during the recent financial crisis also resulted in SOE representation in diversified financials: for instance, Fannie Mae and Freddie Mac in the United States, classified as having more than 50% government ownership between 2010 and 2013, together contributed 5% of total SOE revenues in the Global 500 in 2011. SOEs are also defined by Fortune Global 500 as companies having 50% or more government ownership.

Similarities between State-Owned Enterprises and Private Sector Counterparts

Even though the motivations of SOEs may be different, they still share a number of similarities with their private sector counterparts – they have shareholders to which they are accountable (even if the shareholder is government), they are continually on the hunt for talent and they operate in a local, national and/or global marketplace for their services. This can be seen from the responses of state backed CEOs in PwC's 18th Annual Global CEO Survey.

State backed CEOs have many similar concerns about their businesses as their private sector counterparts: over regulation, availability of key skills, government responses to fiscal deficit and debt burden and geopolitical uncertainty were among the top five concerns for both state backed and non-state backed CEOs.

PriceWaterhouseCoopers (Pwc) conducted a survey named PwC, 2015, "Government and the 18th Annual Global CEO Survey – Delivering outcomes, creating value". 40 State backed CEOs comprise 13% of the total responses of the 18th Annual Global CEO survey. An internationally competitive and efficient tax system and a skilled and adaptable workforce were also the top two outcomes on the wish list for government by both state backed and non-state backed CEOs. However, there is one significant difference that they observed over time. When considering responses by business leaders in PwC's Annual Global CEO Survey over the last five years, state backed CEOs are generally less confident about long term (three year) prospects for revenue growth. Indeed, the gap in expectations for long-term growth between state backed CEOs and their private sector counterparts has been widening since the depths of recession. A similar proportion of state backed CEOs (approximately 85%) were confident of both short – and long-term growth in 2014, while non-state backed CEOs seem to have much higher levels of Same but different.

The difference in expectations for long term growth may hint at the tension that state backed CEOs face in aiming to be commercially viable and competitive while also trying to fulfil non-commercial objectives, the latter often demanding trade-offs in terms of financial performance between the short and longer term. Political cycles, limited leadership mandates and tenure among top SOE executives as well as budgetary constraints may also contribute to this phenomenon.

The Advantages of State Owned Enterprises

They provide very essential services to the people at cheaper and affordable rates. For example electricity and water are some of the essential services that state owned enterprises produce for the people. If such services are left solely in the hands of private enterprises, then consumers would end up paying a great deal of money for it since the private enterprises have a sole aim of making profit.

- Since state owned enterprises do not have a sole aim of making profit, the services that they provide end up being cheaper than services provided by private enterprises.

- They protect the consumers from being exploited by private enterprises by offering them a cheaper and better alternative.

- Another advantage that a nation derives from state owned enterprises is the fact that they create jobs for the people.

- State owned enterprises help the government to control certain strategic sectors of the economy. There are certain industries which if not monitored and controlled properly could pose serious risks to the public. A good example is the atomic energy industry. It is imperative that the state owns and controls such industries in order to make sure operations do not pose any risk to the public.

The Disadvantages of State Owned Enterprises

- There can be high levels of corruption in state owned enterprises. This is especially common in many third world countries where management is very poor.

- State owned enterprises are sometimes plagued by too much political interference and control.

- Negative work attitude by workers is another problem associated with state owned enterprises. Many workers regard state owned enterprises as something which does not belong to them so they handle it with negative work attitudes such as laziness and dishonesty. Since it is not their business they do not care what happens to it. This negative work attitude that is heavily seen in state owned enterprises is one of the major reasons many of these enterprises don't do well.

Bribery and corruption is more rampant in state owned enterprises than the private enterprises. Studies have shown that majority of workers in state owned enterprises are corrupt. The level of corruption in state owned enterprises is even worse in underdeveloped regions across the globe. Workers in state owned enterprises tend to take bribes before they do jobs that they are being paid to do. Most managers of these enterprises embezzle monies and others misappropriate them, leading to the slow growth of most state owned enterprises (Pwc April 2015).

A look at the Arguments For and Against Privatisation
Advantages
Privatisation involves selling state owned assets to the private sector. This is often achieved through listing the new private company on the stock market. In the 1980s and 1990s, the UK privatised many previously state-owned industries such as:

- BP

- BT

- British Airways

- Electricity companies

- Gas companies

Potential Benefits of Privatisation
1. Improved Efficiency
The main argument for privatisation is that private companies have a profit incentive to cut costs and be more efficient. If you work for a government run industry, managers do not usually share in any profits. However, a private firm is interested in making profit and so it is more likely to cut costs and be efficient. Since privatisation, companies such as BT and British Airways have shown degrees of improved efficiency and higher profitability.
2. Lack of Political Interference
It is argued governments make poor economic managers. They are motivated by political pressures rather than sound economic and business sense. For example, a state enterprise may employ surplus workers which are inefficient. The government may be reluctant to get rid of the workers because of the negative publicity involved in job losses. Therefore, state owned enterprises often employ too many workers increasing inefficiency.

3. Short Term View
A government many think only in terms of the next election. Therefore, they may be unwilling to invest in infrastructure improvements which will benefit the firm in the long term because they are more concerned about projects that give a benefit before the election.

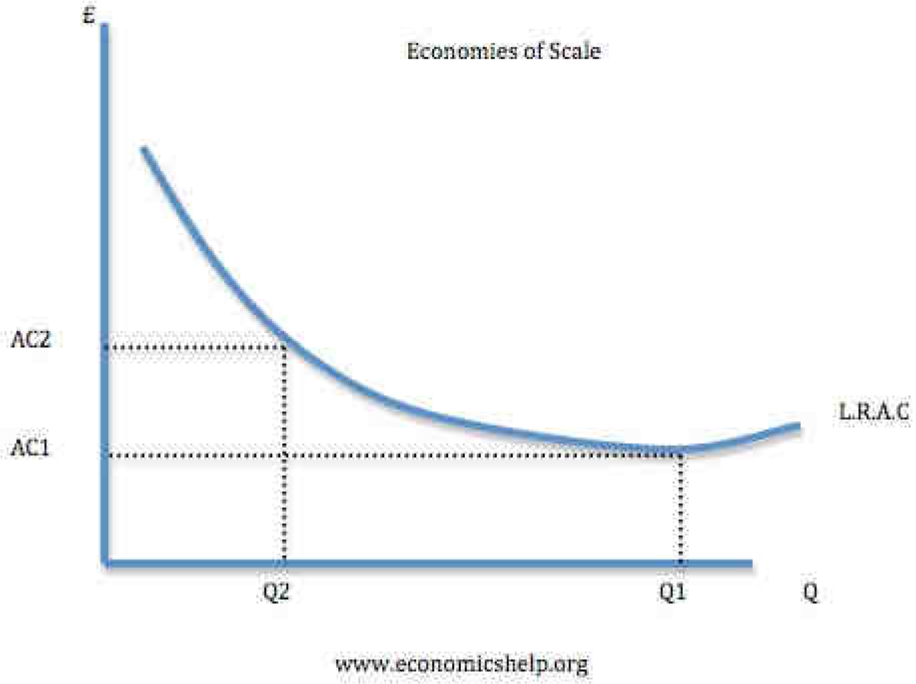
4. Shareholders
It is argued that a private firm has pressure from shareholders to perform efficiently. If the firm is inefficient then the firm could be subject to a takeover. A state owned firm doesn't have this pressure and so it is easier for them to be inefficient.

5. Increased Competition
Often privatisation of state owned monopolies occurs alongside deregulation – i.e. policies to allow more firms to enter the industry and increase the competitiveness of the market. It is this increase in competition that can be the greatest spur to improvements in efficiency. For example, there is now more competition in telecoms and distribution of gas and electricity.
However, privatisation doesn't necessarily increase competition; it depends on the nature of the market. E.g. there is no competition in tap water because it is a natural monopoly. There is also very little competition within the rail industry.

6. Government will raise Revenue from the Sale
Selling state owned assets to the private sector raised significant sums for the UK government in the 1980s. However, this is a one off benefit. It also means we lose out on future dividends from the profits of public companies.

Disadvantages of Privatization

1. Natural Monopoly



A natural monopoly occurs when the most efficient number of firms in an industry is one. For example tap water has very significant fixed costs; therefore there is no scope for having competition amongst several firms.
Therefore, in this case, privatisation would just create a private monopoly which might seek to set higher prices which exploit consumers. Therefore it is better to have a public monopoly rather than a private monopoly which can exploit the consumer.

2. Public Interest
There are many industries which perform an important public service, e.g health care, education and public transport. In these industries, the profit motive shouldn't be the primary objective of firms and the industry. For example, in the case of health care, it is feared privatising health care would mean a greater priority is given to profit rather than patient care. Also, in an industry like health care, arguably we don't need a profit motive to improve standards. When doctors treat patients they are unlikely to try harder if they get a bonus.

3. Government loses out on potential Dividends.
Many of the privatised companies in the UK are quite profitable. This means the government misses out on their dividends, instead going to wealthy shareholders.
4. Problem of Regulating Private Monopolies.
Privatisation creates private monopolies, such as the water companies and rail companies. These need regulating to prevent abuse of monopoly power. Therefore, there is still need for government regulation, similar to under state ownership.
5. Fragmentation of Industries
In the UK, rail privatisation led to breaking up the rail network into infrastructure and train operating companies. This led to areas where it was unclear who had responsibility. For example, the Hatfield rail crash was blamed on no one taking responsibility for safety. Different rail companies have increased the complexity of rail tickets.
6. Short-Termism of Firms.
As well as the government being motivated by short term pressures, this is something private firms may do as well. To please shareholders they may seek to increase short term profits and avoid investing in long term projects. For example, the UK is suffering from a lack of investment in new energy sources; the privatised companies are trying to make use of existing plants rather than invest in new ones.
Evaluation of Privatisation

- It depends on the industry in question. An industry like telecoms is a typical industry where the incentive of profit can help increase efficiency. However, if you apply it to industries like health care or public transport the profit motive is less important.

- It depends on the quality of regulation. Do regulators make the privatised firms meet certain standards of service and keep prices low?

Is the market contestable and competitive? Creating a private monopoly may harm consumer interests, but if the market is highly competitive, there is greater scope for efficiency savings **(Tejvan Pettinger** May 12, 2011).

Advantages and Disadvantages of Privatisation have also been described as follows:
Privatization is most of the time associated with improved efficiency due to the profit incentive. Private companies will ensure they improve their operational efficiency in order to reduce their costs and improve on profits.
Privatization reduces the government's political interference. The government sometimes seems incapable of making hard decisions especially when they impact their political footing such as layoffs and pay cuts which are bound to attract negative publicity.
Privatization urges improvements in the company through competition. When a state owned entity is privatized it loses its government protection and is forced to adapt to the market by providing better services or products in order to survive and thrive.

Disadvantages
Privatization of certain state entities such as water and electricity authorities may just create single monopolies. These may eventually seek to increase prices at the detriment of the consumer with no controls.
The government loses dividends after privatization as seen with most successful companies that are developed through privatization. These dividends are instead channelled to wealthy individuals. http://csspoint.yolasite.com/resources/Advantages%20and%2...
http://www.economicshelp.org/blog/501/economics/advantage...

METHODOLOGY AND ORGANIZATIONAL PROFILE

For the sake of this project, the researcher resolves to compare two large commercial banks of which one is a state owned enterprise and the other a privately owned one; also two medium scale banks, one a state owned enterprise and the other privately owned.

Ghana Commercial Bank (GCB) is the largest and oldest state owned bank with assets worth GHc 4,000,452,000; Barclays Bank of Ghana is also the oldest and one of the largest privately owned banks with net assets worth GHc 2,856,704, 000. Ghana Commercial bank has been in operation for 63 years with 158 branches whiles Barclays Bank of Ghana has been in operation for 99 years with 61 branches. Stanbic Bank is a medium scale privately owned bank with assets worth GHc 3,269,506,000 and Agricultural Development Bank (ADB) is a medium scale state owned bank with net assets worth GHc 2,041,925,000. ADB has been in operation for 51 years and has 82 branches whiles Stanbic Bank has been in operation for 17 years with 26 branches.

Data for the Research: Data for the research was obtained mainly from secondary sources such as banks published accounts, Pwc reports on banks and other journals. The population of the research was all the commercial banks in Ghana including the state owned ones. The sample size was 4 banks; two privately owned banks and two state owned banks. One large state owned bank was compared with one large privately owned bank. These two banks were the oldest banks in each category. These are representative of both the privately owned banks and the state owned ones. For comparison of medium scale banks, one medium scale privately owned bank was compared with one medium scale state owned bank. These two banks are also representative of privately owned banks and state owned banks since their assets bases are similar.

Performance Indicators: These were used to evaluate the four banks and the industry averages of each indicator were used as yardstick to measure excellence. Frankfort-Nachmias and Nachmias (1996) describe research design as 'a logical model of proof that allows the researcher to draw inferences concerning causal relations among the variables under investigation' The research design for the project was quantitative and comprised tables and graph depicting the performance of the banks used for the survey. In doing the analysis, the researcher used the industry averages of the various performance indicators as the mean of the distribution. The researcher then found the average variances from the mean (the industry averages). A positive variance from the industry average indicated good performance whiles a negative variance from the industry average indicated a poor or bad performance by the bank.

The researcher used variances from the mean instead of standard deviations for the comparisons because standard deviations do not take into account positivity or negativity of the variations from the mean; meanwhile, the positivity and negativity of the variations from the mean are very essential for these analyses. In other words, the positivity of the variance denotes good performance whiles negativity of the variance denotes poor performance but in the case of standard deviations whether the variation is positive or negative it is all considered the same (negative squared and positive squared give the same result).

DATA ANALYSIS AND RESULTS

Performance Indicators	**Barclays Bank**	**GCB**	**Stanbic Bank**	**ADB**	**Industry Average**	**Average variance from industry average-POBanks**	**Average variance from industry average-SOBanks**
Average profit margin before tax	51.68%	37.93 %	43.63%	18.20 %	39.08%	8.61 F	11.02 A
Return on equity	30.88%	36.27 %	25.93%	18.80 %	24.6%	3.81 F	2.94 F
Return on assets	5.48%	4.45%	3.40%	2.95%	3.6%	0.84 F	0.1 F
Impairment allowance/gross loans and advances	9.38%	14.08 %	3.65%	5.2%	6.8%	0.2.9 F	2.84 A
Dividend payout ratio	42.5%	37%	17.5%	1.13%	25.93%	4.07 F	6.865 A
Liquidity ratio	0.76	0.85	0.60	0.57	0.68	0	0.03 F
Cost/income ratio	0.44	0.59	0.49	0.73	0.53	0.07 F	0.13 A
Share of industry deposits	7.88%	11.53 %	7.05%	4.7%			

Four-year Average Performances as at December 2014

Abbreviations

SOBanks – State Owned Banks; POBanks- Privately Owned Banks

F- Favourable; A -Adverse

Average Profit Margin before Tax

The four-year average performances as at December 2014 above indicate that the average profit margin before tax of Barclays Bank of Ghana (a privately owned bank) was 51.68% whiles that of GCB (a state owned bank) was 37.93%. This indicates that Barclays Bank of Ghana was more profitable than GCB. At that same period Stanbic Bank recorded 43.63% whiles ADB recorded 18.20%. This also indicates that Stanbic Bank (privately owned bank) was more profitable than ADB, a state owned bank. The industry average was 39.08%; this further shows that the average profit margin before tax of all the privately owned banks indicated above were above the industry average whereas those of the state owned banks were below the industry average. The average variance of privately owned banks from industry average was 8.61(favourable) whiles the average variance of state owned banks from the industry average was 11.02 (adverse). This confirms the information on advantages of privatisation as indicated in http://www.economicshelp.org/blog/501/economics/advantage.25/8/2016.. which states that 'privatization is most of the time associated with improved efficiency due to the profit incentive. Private companies will ensure they improve their operational efficiency in order to reduce their costs and improve on profits'.

Return on Assets

The Return on assets of Barclays Bank of Ghana for that period was 5.48% whiles that of GCB was 4.45%. This shows that Barclays Bank had a better return on assets that GCB. The return on assets of Stanbic Bank was 3.4% whiles that of ADB was 2.95%. This also shows that Stanbic Bank's return on assets was higher than that of ADB. The industry average was 3.6%. This shows that the two large banks' (Barclays and GCB) return on assets were above the industry average whereas the two medium size banks figures were below the average industry figure; however, Stanbic bank's figure is nearer the industry average than the ADB figure. The average variance of privately owned banks from the industry average was 0.84(favourable) whiles that of the state owned banks was 0.1 (favourable) .These show that the privately owned banks outperformed the state owned bank in this category too.

Return on Equity

The Return on equity of Barclays Bank was 30.88% whiles that of GCB was 36.27%. This indicates that GCB performed better in that regard than Barclays Bank of Ghana. The return on equity of Stanbic Bank was 28.93% whiles that of ADB was18.80 %.This shows that Stanbic bank had a better return on equity than ADB. The industry average was 24.6%. This shows that ADB's figure was below the industry average whiles the other banks under consideration figures were above the industry average. The average variance of privately owned from industry average was 3.81 (favourable) whiles that of the state owned banks was 2.94% (favourable) This is an indication that all the privately owned banks' performances in this category were higher than the industry average but not all the state owned banks.

Dividend Pay-Out Ratio

The dividend pay-out ratio for Barclays Bank of Ghana was 42.5% while that of GCB was 37%. This indicates that Barclays Bank of Ghana paid out a higher ratio of profits as dividend than GCB whereas GCB recorded a higher return on equity than Barclays Bank of Ghana in that same period. This will inspire investors to invest more of their funds in Barclays Bank. The dividend pay-out ratio for Stanbic Bank was 17.5% whiles that of ADB was 1.13%. This shows that Stanbic also made higher dividend pay-out than ADB. This is a demotivation for investors in ADB. The industry average was 25.93%. This shows all the two medium scale banks performed below the industry average, however, ADB, the state owned bank performed worse. The average variance of the privately owned banks from industry average was 4.07 (favourable) whiles that of the state owned banks was 6.865 (adverse). This also shows that the privately owned banks outperformed the state owned ones.

Liquidity Ratio

The liquidity ratio of Barclays Bank of Ghana was 0.76 whiles that of GCB was 0.85. This indicates that GCB was more liquid that Barclays Bank of Ghana. It also shows that Barclays Bank of Ghana was more exposed to risk than GCB, a typical characteristic of privately owned businesses that makes them more profitable since they take more risk. The liquidity ratio of Stanbic Bank was 0.60 whiles that of ADB was 0.57. This indicates that Stanbic was more liquid than ADB. The industry average was 0.68. This indicates that all the medium size banks' performances were below the industry average; however, ADB's performance was worse. In this category, the average variance of the privately owned banks from the industry average was zero whereas that of the state owned banks was 0.03 (favourable|). There was no significant difference between them.

Cost / Income Ratio

The cost / income ratio for Barclays Bank of Ghana was 0.44 whiles that of GCB was 0.59. This shows that Barclays Bank of Ghana was more cost efficient than GCB. The cost / income ratio of Stanbic bank was 0.49 whiles that of ADB was 0.73. This shows that Stanbic Bank also was more cost efficient than ADB; all the privately owned banks' cost/ income ratios were better than those of the state owned banks, and also better than the industry average of 0.53; a characteristic than makes privately owned businesses more profitable than that of state owned ones. All the privately owned banks were more cost efficient than the state owned banks. This confirms the improved efficiency theory indicated by **(Tejvan Pettinger** May 12, 2011).

Share of Industry Deposit

The share of industry deposit for Barclays Bank of Ghana was 7.88% whiles that of GCB was 11.53%. The share of industry deposit for GCB was higher than that of Barclays Bank because the state routes much of its funds via the GCB; GCB therefore, had more deposits to operate with nonetheless, it was less profitable than Barclays Bank. Stanbic Bank's share of deposits was 7.05% whiles that of ADB was 4.7%. This shows that Stanbic Bank as a privately owned bank was more aggressive at mobilizing deposits than ADB, a state owned one.

Impairment Allowance as a Percentage of Gross Loans and Advances

The impairment allowance as a percentage of gross loans and advances for Barclays Bank was 9.38% and that of GCB was 14.08%. This indicates that Barclays Bank's quality of loans was better than that of GCB; hence Barclays Bank stands the chance of being more profitable and sustainable in operation than GCB. The impairment allowance as a percentage of gross loans and allowances for Stanbic Bank was 3.65% as against 5.2% of ADB. This also shows that Stanbic Bank's quality of loans was better than that of ADB; hence Stanbic Bank stands the chance of being more profitable and sustainable in operation than ADB. The industry average was 6.8%. This indicates that all the medium scale banks in the survey were within the industry average whereas the large scale banks' figures were obviously higher than the industry average; however, the GCB's performance was worse. The average variance of privately owned banks from the industry average 0.29 (favourable) whiles that of the state owned banks was (2.84 adverse). Again, the privately owned banks outperformed the state owned banks in this category.

From the table above, the average variances of the privately owned banks from the industry average figures were all favourable, an indication that the privately owned banks performances were above the industry average figures whereas most of the average variances of the state owned banks from the industry average figures were adverse (unfavourable). This is an indication that most of the state owned banks performances were below the industry average figures and this does not augur well for the state.

Recommendations for Further Research

- Further research can be conducted on the contributions of privately owned banks in relation to state owned banks to the economic development of the state.
- In addition, research can be done to ascertain which of these categories of banks provide better customer service.

CONCLUSION

The following conclusions can be drawn from the above analyses:

- It is evident that privately owned banks in Ghana were more cost efficient than state owned ones. This can be attributed to the fact that the privately owned banks were prudent in spending; at the same time the state owned banks were more interested in reaching out to the unbanked public more than the privately owned ones thereby venturing into areas that are not necessarily profitable. This is evident from the fact that Barclays bank, which is 99 years old in Ghana, has only 61 branches whereas GCB, which is 63 years old, has 158 branches. The state owned banks, therefore, do not only consider profitability but socio-economic factors of the state as well.

- Privately owned banks in Ghana were more profitable and made higher dividend pay-outs than that of state owned banks.
- Privately owned banks made lower impairment allowance/ gross loans and advances than the state owned banks; this made state owned banks more liable to liquidation.
- On the whole privately owned banks performed better than the state owned ones in the categories considered in the research.

RECOMMENDATIONS

- The state should indicate to the state owned banks their specific objectives in order to obtain maximum returns from them. For example ADB should be made to focus on agriculture for the nation to achieve food sufficiency and be able to export surplus foods. This will make the bank a catalyst such that the state will not primarily expect huge profits from the bank but will benefit from high export proceeds from agriculture and will spend less on food imports thereby improving on its balance of payments position.
- The state should set targets for profitability for the state owned banks to make them cost effective.
- The state owned banks should be encouraged to continue serving social-economic purposes of the state such as reaching out to the unbanked public through opening of more branches; thereby employing more people and creating jobs through extending credits to more people (as a result of the banks' expansions) so long as they are able to meet the state's profit targets.
- Successful entrepreneurs should be put on the Boards of state owned banks to enhance effective governance of the banks and make them profitable and competitive in the financial market.
- Private Banks should be advised to set corporate social responsibility targets and achieve those targets in order to augment the government's efforts of achieving social stability and alleviation of poverty in the country.

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