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DESCRIBING THE CURRENT
SITUATION OF THE FINANCIAL
MARKET IN GHANA

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ABSTRACT

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This thesis describes the current situation of the financial market in Ghana with a more thorough description and analysis in order to make investors, especially foreign investors to know where to invest their capital in order to profit. It also provides instantaneous feedback to policy makers and the Ghanaian government on how the financial market is developing.

The objectives of this thesis is to describe the current situation of the financial market in Ghana; that is to determine whether the financial market is booming or collapsing; to determine how efficiently the financial market in Ghana is performing its role as a financial market; to determine the factors affecting the growth of the financial market in Ghana and finally to determine the factors that make the money market dominate over the capital market in Ghana.

Financial market theories and elements are presented in the beginning of the theoretical study and next is general information about the financial market in Ghana, presented.

The study adopted the descriptive research design: by employing both qualitative and quantitative research methods, by performing interviews and designing questionnaires. The questionnaire is structured in Likert format and then was administered in five main financial market institutions or controllers in Ghana. The participants were fifteen (15) financial analysts, working at different financial institutions.

The results indicate that the current situation of the financial market in Ghana at the moment can be described as being stagnant, compared to the situation three years ago. Again, the financial market in Ghana is not efficient based on the theory of market efficiency even though to some extent they are performing their role well. To continue, it was also found out that the general economic climate, unpredictability of the markets and lack of education are the major factors affecting the growth of the financial markets in Ghana. And finally, it was known that the money market dominate the capital market in Ghana because of the conservative nature of Ghanaians and some other factors.

Keywords Financial Markets, Securities, Market Efficiency, Investor

TIIVISTELMÄ

Tekijä	David Dadzisode Mensah
Opinnäytetyön nimi	Kuvaaminen Rahoitusmarkkinat tilanne Ghanassa
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Tässä työssä kuvataan nykyinen tilanne rahoitusmarkkinoiden Ghanassa tarkempi kuvaus ja analyysi, jotta sijoittajat, varsinkin ulkomaiset sijoittajat tietävät, mihin sijoittaa pääomaa voidakseen voittoa. Se tarjoaa myös välitöntä palautetta päättäjille ja Ghanan hallitukselle, miten rahoitusmarkkinat kehittää.

Tämän väitöskirjan tavoitteena on kuvata nykytilaa rahoitusmarkkinoiden Ghanassa, joka selvittää rahoitusmarkkinat ovat kasvussa tai romahtamassa, kuinka tehokkaasti rahoitusmarkkinoilla Ghana suorittamassa roolia rahoitusmarkkinoilla, jotta määrittää vaikuttavia tekijöitä kasvua rahoitusmarkkinoiden Ghanassa ja lopulta selvittää tekijöitä, jotka tekevät rahamarkkinoiden dominoi pääomamarkkinoiden Ghanassa.

Rahoitusmarkkinoiden teorit ja elementit on esitetty alussa teoreettisten opintojen ja seuraava on yleistä tietoa rahoitusmarkkinat Ghanassa esitteli.

Tutkimus antoi kuvailevan tutkimuksen suunnittelu: käyttämällä sekä laadullisia että määrällisiä tutkimusmenetelmiä, tekemällä haastatteluja ja suunnittelu kyselylomakkeet. Kysely on jaettu Likert muodossa ja sitten annettiin viiteen rahoitusmarkkinoiden laitokset tai säätimä Ghanassa. Osallistujat olivat viisitoista (15) analytikoille työskentelevät eri rahoituslaitoksissa.

Tulokset osoittavat, että nykyinen tilanne rahoitusmarkkinoilla Ghana tällä hetkellä voidaan kuvailla olevan pysähdyksissä, verrattuna tilanteeseen kolme vuotta sitten. Jälleen rahoitusmarkkinoilla Ghana ei ole tehokasta perustuu teoriaan markkinoiden tehokkuutta, vaikka jossain määrin he suorittavat tehtävänsä hyvin. Jos haluat jatkaa, se selvisi myös, että yleinen taloudellinen tilanne, arvaamattomuus markkinoiden ja koulutuksen puute ovat merkittäviä tekijöitä, jotka vaikuttavat kasvuun rahoitusmarkkinoiden Ghanassa. Ja lopuksi, se oli tiedossa, että rahamarkkinat hallitsevat pääomamarkkinoiden Ghana koska konservatiivisen luonteen ghanalaisten ja joitakin muita tekijöitä.

Asiasanat Rahoitusmarkkinat, Arvopaperit, Markkinoiden tehokkuutta, Sijoittaja

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1 INTRODUCTION

According to Cecchetti (2008), financial markets are the places where financial securities such as bonds, shares and treasury bills are bought and sold. They are very essential in every given economy, relaying and reacting to information quickly, allocating resources and determining prices. In performing their role efficiently, financial markets enable firms, individuals and investors to find financing for their businesses and activities. They serve as an integral part of the financial system of any given country and when they cease to function properly, resources are no longer channelled to their best possible use and in the long run, the economy suffers with financial crisis.

This chapter gives a brief background to the study in order to bring out the importance of the study or why the topic needs to be studied. Next, we will talk about the statement of the research problem, aims and objectives of the study; research questions, significance of the study, the scope and limitations of the study and finally the structure of the study.

1.1 Background of the Study

According to Cecchetti (2008), financial markets are made up of the money market and the capital market and out of these markets exist other markets like the derivative markets, the bond markets, the foreign exchange markets and their institutions and operational instruments.

The financial market in Ghana is made up of the bond markets, equity markets, foreign exchange markets and the derivative markets. The money market dominates the financial market in Ghana and the major participants in this market are the central banks, brokers or discount houses, corporate, banks and other financial

institutions. According to Egu (2009), the money market dominates the capital market due to the volatility and unattractive nature of the capital market.

Now, considering the stock market, a review of the performance during the first quarter ending March 31, 2009 shows that there was not much difference from the downward trend on most global capital markets. There were generally, low market activity characterized by low demands and large offers for listed securities resulting in a downward pressure on share prices. The lack lustre performance that comes at the heels of very impressive returns recorded on the market for the year ended December 2008; is largely due to the effects of the global financial crisis that has also affected the major economic indicators. The Government's upward adjustments in petroleum prices and its attendant effects on inflation and interest rates made the money market more attractive.

Again, according to GSE review (2009), increases in foreign exchange to record levels since the last five years made foreign exchange investment a preferred choice for most potential investors. These key factors together with the usual profit taking activities to realize capital gains by both institutional and retail investors who benefited from the gains of the previous year resulted in low secondary market activity.

The decrease in share prices and the thin volumes of shares traded also impacted on turnover for the period. The Volume of shares traded over the 63 trading sessions of the first quarter was 17.32 million shares valued at GH¢13.78 million compared with volume and value of 83.25million share and GH¢51.39m respectively for the same period in 2008. Average volume of trades per trading session was 274,960 shares valued at GH¢218,772. (GSE, review 2009)

Turnover value recorded for corporate bonds was US\$1,000 while that of Government bonds stood at GH¢6.14million. This compares favourably to GH¢2.04 million Government traded and no trades for corporate bonds recorded for the same period in 2008. (GSE, review 2009)

To continue, considering the above situation of the stock market for the year 2009 and 2008, let us consider the situation this current year (2011). According to the Ghana Stock Exchange (GSE) market report for June 2011, the following were the financial markets situation:

At the end of June 2011, the GSE Composite Index (GSE-CI) closed at 1,188.91 points compared to 1,162.78 points for May 2011, to represent a gain of 23.13 points (or 2.25%) during the month. The highest level of 1,188.91 points was recorded on June 30, 2011 and the lowest level of 1,162.91 was recorded on June 01, 2011.

The GSE Financial Stocks Index (GSE-FSI) closed at 1,159.91 points at the end of June compared to 1,148.47 recorded at the end of May to represent a gain of 11.44 points (or 1.00%) during the month. The highest level of 1,160.61 points was recorded on June 22, 2011 and the lowest level of 1,147.60 points was recorded on June 20, 2011.

The total equity market capitalization on June 30, 2011 was GHC 20,450.90 million, an increase of 0.93% compared to GHC 20,261.96 million recorded at the end of May 2011.

The total value of shares traded in June 2011 reached GHC 32.07 million compared to GHC 21.44 million recorded in May 2011, resulting in an increase of 49.57%.

The total volume of shares traded in June 2011 reached 44.59 million compared to 18.57 million shares traded during May 2011, to represent an increase of 140.11%.

The total number of transactions executed during June 2011 was 3,078 compared to 3,171 for May, a decrease of -2.93%.

The number of trading days during June 2011 was 22 compared to 20 for May 2011.

The daily average value of shares traded during June 2011 reached GHC 1.46 million compared to GHC 1.07 million for the previous month, to represent a gain of 35.99%.

The daily average volume of shares traded in June 2011 reached 2.03 million compared to 0.93 million shares traded during the previous month, to represent an increase of 118.30%.

The daily average number of transactions executed during June 2011 was 140 compared to 159 for the previous month to represent a decrease of -11.76%.

Furthermore, considering the foreign exchange market, the Ghanaian Cedi exchange rate depreciated 12.97 per cent against the US Dollar during the last 12 months. Historically, from 2009 until 2011 the USD GHS exchange averaged 1.46 reaching an historical high of 1.62 in October of 2011 and a record low of 1.39 in May of 2010. According to BoG (2011), the Ghanaian Cedi spot exchange rate specifies how much one currency, the US Dollar (USD), is currently worth in terms of the other, the New Ghana Cedi (GHS). While the Ghanaian Cedi spot exchange rate is quoted and exchanged in the same day, the Ghanaian Cedi forward rate is quoted today but for delivery and payment on a specific future date.

Figure 1 below explains the Exchange rate situation from 2009 to October this year (2011).

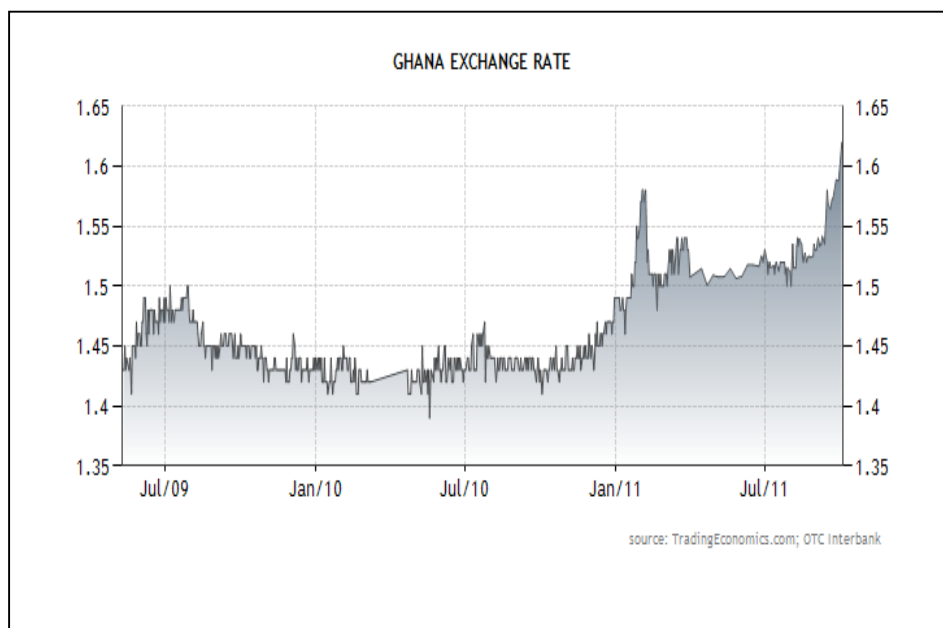


Figure 1. Ghana Exchange Rate (July 2009 to July 2011)

In summary, comparing or analyzing the statistics discussed above, it can be seen there is fluctuation in the financial markets performances. That is the market is not predictable because of its rise and fall. Prices of goods and services, interest rates, inflation and foreign exchange are all not stable. This situation leads us to the statement of the research problem.

1.2 Research Problem

The financial market in Ghana is the country's nervous system and its role to the growth and development of the Ghanaian economy is of paramount importance. Moreover, since it is the country's nervous system, what it does and how it functions is of importance to the government and the entire Ghanaian population. Be-

cause of this, there has been a large number of research on the market, analysing its importance in the Ghanaian economy, describing its roles and factors affecting its growth, the performance of listed companies on the markets and furthermore, how attractive the market is, to foreign investors.

However, when going through earlier research and papers on the topic, some describe and analyse the market as booming and others described it as collapsing or performing very bad. This is making the market unpredictable and particularly making foreign investors not to be interested in the market and moreover, not knowing where to invest their capital according to Egu (2009). Because of the above mentioned problems, this study will describe the current situation of the financial market in Ghana with a more thorough description and analysis in order to determine the current situation of the financial market. This would make investors know how the financial market is performing in order to know where to invest their capital. This will lead us to the aims and objectives of the study.

1.3 Aims and Objectives of the Study

Based on the above research problem, the aims and objectives of this study shall be to:

1. Describe the current situation of the financial market in Ghana; that is to determine whether the financial market is booming or collapsing.
2. Determine whether the financial market in Ghana is performing its role efficiently.
3. Determine the factors affecting the growth of the financial market in Ghana.
4. Determine the factors that make the money market dominant over the capital market in Ghana.

These aims and objectives of the study lead us to the research questions

1.4 Research Questions

Considering the above-mentioned objectives, the following research questions were formulated in order to achieve or reach the goals of the study.

1. What is the current situation of the financial market in Ghana?
2. Is the financial market performing its role efficiently in Ghana?
3. What are the factors affecting the growth of the financial market in Ghana?
4. What factors make the money market dominate the capital market in Ghana?

1.5 Significance of the Study

The study is very important for the growth and the development of the economy of Ghana. Firstly, it will provide instantaneous feedback to policy makers and the government on how the financial market is developing. And finally, it would be of relevance to indigenous investors as well as to foreign investors in serving as a guide in analysing the state of the financial market in Ghana in order to know where to invest their capital.

1.6 Scope and Limitations of the Study

The scope of the study is within the boundaries of Ghana and the research is in the field of finance. Data collection on the subject of research is from five main financial market institutions in Ghana, namely the Ghana Stock Exchange, which is the

main institution that administer and controls the financial markets in Ghana, Data Bank Ltd., which is the leading financial institution that provides access to the financial market, both to the public and corporate in Ghana and some other brokers like United Bank for Africa, EcoBank Ghana Ltd and Standard Chattered Bank Ghana Ltd.

The study has some constraints or a limitations, which to some extent affect its validity but, despite these limitations, the objectives of the study can be achieved. The following are the limitations of the study:

- Time: the time used for the research is short. This is because of not having so long a time in school before graduating.
- Lack of funds: since the research is basically for academic purposes and the student has no company interested in the topic to finance it, getting involve funds for the study was a problem.
- Bureaucracy: in the case of collecting the data for the study, bureaucracy is a problem faced. This is because for getting the right information, contact to the managers is needed. This is because of differences in information in different levels of an organization in Ghana. For example information on a subject from the low level of an organization is different from what you have at the top level of the organization on the same subject. Therefore getting access the top level management of the case institutions is a problem.

1.7 Structure of the Study

The study covers five main chapters i.e. it is divided into five main parts: the introduction chapter, the literature review, the research methodology, the empirical part and finally the conclusion.

The introduction part includes the background of the study, statement of the research problem, the aims and objective of the study, the research questions, significance of the study, the scope and limitation of the study and finally the structure of the study.

The literature review chapter or the theoretical part, introduce and explain what financial markets are, their importance to the economy and the role they play in the economy. It also includes some financial markets theories and efficiency theories and moreover some securities in the money market and the capital market are talked about and finally the financial markets in Ghana are talked about and described by reviewing related articles on the research topic.

The methodological part of the study explains and outlines the procedure used in conducting the study. The research design used, is explained and talked about in this part of the study as well as the data collection methods, the participants, the instrument for data collection, the data processing and analysis and finally the reliability and validity of the research.

The empirical part includes the findings or the result of the study. This is where collected data is being analysed and presented in tables and figures.

The conclusion part is the final chapter of the study. In this part, a conclusion is drawn from the analysed data and some suggestions and recommendations are made.

2 LITERATURE REVIEW

This chapter, the theoretical part, will introduce and explain what financial markets are, their important to the economy and the role they play in the economy. It will also discuss some financial market theories and efficiency theories. Moreover some securities in the money market and the capital market will be presented and finally the financial market in Ghana is presented and described by reviewing related articles on the research topic.

2.1 What are Financial Markets

According to Cecchetti (2008), financial markets are the places where financial securities such as bonds, shares and treasury bills are bought and sold. They are very essential in every given economy, relaying and reacting to information quickly, allocating resources and determining prices. In performing their role efficiently, financial markets enable firms, individuals and investors to find financing for their businesses and activities. They serve as an integral part of the financial system of any given country and when they cease to function properly, resources are no longer channelled to their best possible use and in the long run, the economy suffers with financial crisis.

Financial markets are also defined as a forum in which financial securities are traded and it may or may not have a physical location. They are places where surplus economic units trade with deficit economic units. (Gallagher & Andrew, 2003)

In summary, financial markets are mechanisms that allow firms, corporate entities, people and other stakeholders to buy and sell securities.

2.2 Major Players in Financial Markets

According to Cecchetti (2008), financial institutions are the main players in financial markets. They are the firms that provide access to the financial markets, both to savers who wish to purchase securities directly and to borrowers who want to issue them. Financial institutions are also known as *financial intermediaries*. This is because they sit between savers and borrowers and what they do is intermediation.

According to Gallagher (2003), financial intermediaries such as investment bankers, brokers and dealers act as the grease that enables the machinery of the financial system to work smoothly. They engage in financial asset transformation and specialize in certain services such as matching buyers and sellers of securities.

Investment bankers according to Gallagher (2003), refer to institutions called investment-banking firms. They exist to help business, local governments and the state to sell their securities to the public. They assist in the initial sale of newly issued securities and also arrange securities sales on either an underwriting basis or a best effort basis. The term underwriting refers to the process by which an investment banker purchases all the new securities from the issuing company and then resells them to the public.

Brokers on the other hand according to Gallagher, are agents who work on behalf of an investor. They are commissioned agents serving as a representative for an investment-banking firm to handle orders to buy or sell securities and they are compensated for their services. (Gallagher & Andrew, 2003)

Finally, dealers according to Gallagher, facilitates trade by matching buyers with sellers of assets and they do not engage in asset transformation. They make money by buying securities for one price, called the *bid price*, and selling them for a higher price called the, *ask (or offer) price*. (Gallagher & Andrew, 2003)

2.3 The Role of Financial Markets

According to Cecchetti (2008), financial markets are very important to our economic system and their growth is very essential for the growth of an economy. They serve three roles in our economy system; that is they offer savers and borrowers liquidity; they pool and communicate information; and they allow risk sharing.

Firstly, the importance of liquidity for the smooth running or operation of an economy cannot be emphasized. Liquidity is defined as the ease with which an asset can be turned into money without loss of values. Without financial markets and the institutional structure that supports them, selling the assets we own would be extremely difficult. Liquidity is a crucial characteristics of financial markets, hence therefore financial markets need to be designed in a way that keeps transactions – the cost of buying and selling – low. (Cecchetti, 2008)

The next role of financial markets is; pool and communicate information about the issuers of financial instruments, summarizing it in the form of a price. They pool and communicate information such as to questions like; does a company have good prospects for future growth and profit? If so, then its stock price would be high; if not, its stock price will be low. Obtaining the answers to these markets related questions and communicating it the public or the economy ease the public or stakeholders the time and difficulties in getting these information. (Cecchetti, 2008)

Finally, financial markets serve as a place where risk can be shared. It allows us to buy and sell risks, holding the ones we want and getting rid of the ones we don't want. Without the markets, we wouldn't be able to share risk. (Cecchetti, 2008)

2.4 Characteristics of a Well – Run Financial Market

Well-run financial markets exhibit characteristics that are related to the role they play in an economy. First, the markets must be designed to keep transaction costs low. Second, the information the market pools and communicates must be exact or accurate and widely available to stakeholders or the public. If analysts do not communicate accurate assessment of the firms they follow, the markets will not generate the correct prices for the firms stocks. Those prices are the link between the financial markets and the real economy, ensuring that resources are allocated to their most efficient uses. If the information that goes into the market is wrong, then the prices will be wrong and the economy will not operate as effectively as it could. (Cecchetti, 2008)

Finally, investors need protection. For the financial system to function well, borrowers promises to pay lenders must be credible. Investors must be assured that their investments will not be stolen. The lack of proper safeguards dampens people's willingness to invest, hence the importance of a credible financial system in our economies. (Cecchetti, 2008)

2.5 Types of Financial Markets

There are a lot of financial markets and many ways to categorize them. They can be categorized according to the characteristics of the participants and the securities involved. First, we can talk about the primary market where a borrower obtains funds from a lender by selling newly issued securities. Second is the secondary financial market where investors trade securities among themselves. Moreover, the primary and the secondary markets can be further categorized as to the maturity of the securities traded. Securities with maturity of one year or less are traded in the money market; and securities with maturity more than one year are traded in the capital market; (Gallagher & Andrew, 2003). A number of other financial markets exist but this research will concentrate on these four.

In the primary financial market where securities is created and sold for the first time, most of these financial markets actions occur out of public view. Businesses use this market to raise funds need for their growth. Governments also use the primary market to finance on-going operations. Investments banks assist all these transactions in the primary market. (Cecchetti, 2008)

The secondary financial market is where previously issued securities are traded. They are markets where people can buy and sell existing securities. For instance, if you want to buy a share of stock in Nokia, you won't get it from the company itself. Instead, you will buy it in a secondary market from another investor. (Cecchetti, 2008)

The money market is where short – term securities are traded. These are securities whose maturity is one year or less. The specific securities traded in this market include Treasury bills, negotiable certificate of deposits, commercial paper and other short – term debt instruments. (Gallagher & Andrew, 2003)

Finally, the capital market is where long – term securities are traded. These are securities with maturity of more than a year. Federal, state and local governments as well as large corporations raise long – term funds in the capital market. Firms usually invest proceeds from capital market securities sales in long – term assets like buildings, production equipment and so on. The most widely recognized securities in the capital market are bonds and stocks. (Gallagher & Andrew, 2003)

2.6 Efficient Market Theory

According to Gallagher (2003, p. 24): the term market efficiency refers to the ease, speed and cost of trading securities. An efficient market trade securities easily, quickly and at low cost. Markets lacking these qualities are considered inefficient. The more efficient a market, the easier it is for excess funds in the hands of surplus economic units to make their way into the hands of deficit economic units.

In an inefficient market, surplus economic units may end up with excess funds that are idle and when this happens, economic activity and job creation will be lower than it could be and eventually deficit economic units may not be able to achieve their goals because they could not obtain needed funds.

Market efficiency involves three related concepts: allocation efficiency – Does capital flow to the projects with the highest risk-adjusted returns? Operational efficiency – Are transactions completed on a timely basis, accurately and at low cost? And informational efficiency – Does the observed market price of a security reflect all information relevant to pricing the security? (Simons & Laryea, 2006)

However, financial economics tends to focus on informational efficiency when discussing market efficiency. Generally, the efficient market hypothesis states that markets are efficient if the prices of securities fully reflect all available information. That is, the prices of securities observed at any point in time are based on a correct evaluation of all information available in that given time period. (Simons & Laryea, 2006)

Market efficiency can be categorized as weak form, semi-strong form or strong form based on the type of information that goes into pricing the asset or to the agents in the market. Markets are said to be weak form efficient if the information set implied by the asset price reflects only historical prices and information. That is, one cannot beat the market by using historical information on prices and volumes. Semi-strong market efficiency utilizes all historical and current prices as well as any publicly available information in pricing financial assets. Strong form market efficiency incorporates both public and private information into asset prices. (Simons & Laryea, 2006)

2.7 Securities in the Money Market

Governments, corporations and financial institutions that want to raise money for a short time issue money market securities. Buyers of money market securities include governments; corporations and financial institutions that want to park surplus cash for a short time and other investors who want the ability to alter or cash in their investments quickly. (Gallagher & Andrew, 2003)

Money market securities are very liquid; that is, they mature quickly and can be sold for cash quickly and easily. Money market securities also have a low degree of risk because purchasers will only buy them from large, reputable issuers. These two characteristics, liquidity and low risk, make money market securities the ideal parking places for temporary excess cash. (Gallagher & Andrew, 2003)

Treasury Bills are one of the securities traded in the money market. They are short-term securities that mature in one year or less from their issue date. Treasury Bills are issued with three month, six-month and one-year maturities. They are purchased for a price that is less than their pay value; when they mature, the government pays the holder the full par value. Treasury bills are considered the benchmark of safety because they have essentially no risk. (Gallagher & Andrew, 2003)

Negotiable Certificates of Deposit is another security we can talk about being traded in the money market. They are simply the pieces of paper that certify that you have deposited a certain amount of money in the bank, to be paid back on a certain date with interest. Large corporations and other institutions buy negotiable certificate of deposit when they have cash they wish to invest for a short period of time and they sell negotiable certificate of deposit when they want to raise cash quickly. (Gallagher & Andrew, 2003)

Commercial Paper is also a security type traded in the money market. It is a type of short-term promissory note issued by large corporations with strong credit ratings. Commercial paper is unsecured, meaning that the issuing corporation does

not provide any property as collateral that the lender (the one who buys the commercial paper note) can take instead of a payment if the issuing corporation defaults on the note. That is the main reason why commercial paper is only issued by financially strong and reliable firms. (Gallagher & Andrew, 2003)

Finally, *Banker's Acceptances*; which is a short-term debt instrument that is guaranteed for payment by a commercial bank is also traded in the money market. This type of security, thus, allows businesses to avoid problems associated with collecting payment from reluctant debtors. Banker's acceptances are often used when firms are doing business internationally because they eliminate the worry that the lender will have to travel to a foreign country to collect on a debt. (Gallagher & Andrew, 2003)

2.8 Securities in the Capital Market

When governments, corporations and financial institutions want to raise money for a long period of time, they issue capital market securities. In contrast to money market securities, capital market securities may not be very liquid or safe. They are not suitable for short-term investments. There are two most prominent capital market securities; they are bonds and stocks. (Gallagher & Andrew, 2003)

Bonds are simply a security type where by an investor agrees to loan money to a company or government in exchange for a predetermined interest rate. If businesses want to expand, one of its options is to borrow money from individual investors, pension funds or mutual funds. The company issues bonds at various interest rates and sells them to the public. In essence, a firm that issues a bond is borrowing the amount that the bond sells for on the open market. The major types of bonds include Treasury bonds and notes, issued by the federal government; municipal bonds, issued by state and local governments; and corporate bonds, issued by corporations. (Gallagher & Andrew, 2003)

Rather than borrowing money by issuing bonds, a corporation may choose to raise money by selling shares of ownership interest in the company. Those shares of ownership are *stocks*. Investors who buy stock are called stockholders or shareholders. As a stock of funds, stock has an advantage over bonds: the money raised from the sale of stock doesn't ever have to be paid back and the company doesn't have to make interest payments to the stockholders. There are basically two types of stock: common stock and preferred stock. The holders of company common stockholders are the owners of the company and they receive a return on their investment in the form of a dividend whilst preferred stockholders of a company are so called because if the board of directors of a business declares dividends, they are the ones that are paid first, but do normally don't get to vote on how to the firm is run. (Gallagher & Andrew, 2003)

3 RESEARCH METHODOLOGY

3.1 Overview

This research was conducted in order to determine the current situation of the financial markets in Ghana, whether the markets are booming or collapsing. The markets efficiency, the factors affecting the growth of the markets as well as the factors that make the money market dominance over the capital market were also part of the objectives. In order to answer these research goals, the researcher opted to analyse the Financial markets by designing a survey questionnaire structured in Likert format and then were administered in five main financial markets institutions or controllers in Ghana. These institutions were the Ghana Stock Exchange, Data Bank Ltd., United Bank For Africa, Eco Bank Ghana Ltd and Standard Chartered Bank Ghana Ltd. Data gathered from this research instrument were then computed for analysis and interpretation. Along with primary data, the researcher also made use of secondary resources in the form of published articles, literatures and books to support the survey results.

3.2 Research Design

A research design is a framework for conducting a research. It details the procedures necessary for obtaining the information needed to structure or solve research problems. (Malhotra & Birks, 2003)

The descriptive research design was used for this study. To define the descriptive type of research, Creswell (1994) stated that the descriptive method of research is to gather information about the present existing condition. The emphasis is on describing rather than on judging or interpreting. Descriptive research simply reports the percentage summary on a single variable. The aim of descriptive research is to verify formulated hypotheses or research questions that refer to the present situation in order to elucidate it. The descriptive approach is quick and practical in

terms of the financial aspect. Moreover, this method allows a flexible approach, thus, when important new issues and questions arise during the duration of the study, further investigation may be conducted.

On the other hand, descriptive research is a type of research that is mainly concerned with describing the condition or nature and the degree in detail of the present situation. This method is employed to describe the nature of a situation, as it exists at the time of the study and to explore the cause/s of particular a phenomenon. The aim of this research design is to obtain an accurate profile of events or situations. With this research type, it is essential that the researcher already have a clear view or picture of the phenomena being investigated before the data collection procedure is carried out. The researcher used this kind of research to obtain first hand data from the respondents so as to formulate rational and sound conclusions and recommendations for the study.

In this study, the descriptive research design was employed so as to describe the financial markets situation in Ghana, factors affecting the growth of the markets, the markets efficiency and the factors that makes the money market dominance over the capital markets in Ghana. The researcher opted to use this research method considering the objective to obtain a primary data from the participants or respondents. The descriptive method is advantageous for the researcher due to its flexibility; this method can use either qualitative or quantitative data or both, giving the researcher greater options in selecting the instrument for data collection or gathering. The aim of the study is to describe the current situation of the financial market in Ghana, the factors affecting the growth of the financial market, whether the financial market is performing its role efficiently and the factors that makes the money market dominance over the capital market in Ghana; the descriptive method is then appropriate for this research since this method is used for gathering or collecting prevailing conditions or situations.

The research is using five main financial markets controllers or institutions in Ghana as respondents in order to gather relevant data; the descriptive method is

then appropriate as this can allow the identification of the similarities and differences of the respondents' answers.

3.3 Data Collection Methods

For this research, two types of data were gathered by adopting both quantitative and qualitative data collection methods. These include the primary and secondary data types. Primary data is information gathered by a researcher directly from source by using questionnaires, interviews and observations. The primary data was derived from the answers the participants or respondents gave during the survey process.

The secondary data on the other hand, was obtained from published documents, articles and literature that were relevant to the survey questionnaire. Secondary data is define as information which has been gathered by somebody else other than the researcher for some other purpose other than the research aims at hand. They are much cheaper and easier to be collected and thus less time-consuming. (Burns & Bush, 2003)

With the use of the survey questionnaire and published literatures and articles, this study took on the combined approach, the researcher was able to obtain the advantages of both quantitative and qualitative data collection methods and overcome their limitations.

3.3.1 Quantitative and Qualitative Research

Quantitative methods of research establish very specific research problem and terms. The controlled observations, mass surveys, laboratory experiments and other means of research manipulation in qualitative method makes gathered data more reliable (Kent, 2007). In other words, subjectivity of judgement, which is

not needed in a thesis discussion, can be avoided through quantitative methods. Thus, conclusions, discussion and experimentation involved in the process are more objective. Variables, both dependent and independent, that are need in the study are clearly and precisely specified in a quantitative study. In addition, quantitative method enables longitudinal measures of subsequent performance of the respondents. Fryer (1991) noted that qualitative researchers aim to decode, describe, analyse and interpret accurately the meaning of a certain phenomena happening in their customary social contexts. The focus of the researchers utilizing the framework of the interpretative paradigm is on the investigation of authenticity, complexity, and contextualization, mutual subjectivity of the researcher and the respondent as well as the reduction of illusion.

On the other hand, qualitative approach generates verbal information rather than numerical values (Polgar & Thomas, 1995). It includes a variety of methods, which can be applied in a flexible manner, to enable respondents to reflect upon and express their views or to observe their behaviour. Qualitative research seeks to find out the behaviour, experiences and feelings of respondents in their own terms and context (Malhotra & Birks, 2003). Instead of using statistical analysis, the qualitative approach utilizes content or holistic analysis; to explain and comprehend the research findings, inductive and not deductive reasoning is used. The main point of the quantitative research method is that measurement is valid, reliable and can be generalized with its clear anticipation of cause and effect (Cassell & Symon, 1994). Being particularistic and deductive in nature, quantitative method is dependent on the formulation of a research hypothesis and confirming them empirically using a specific data set (Frankfort-Nachmias & Nachmias, 1992). The scientific hypothesis of a quantitative method holds no value. This means that the researcher's personal thoughts, subjective preferences and biases are not applicable to this type of research method.

The researcher employed the qualitative approach in this study due to its significant advantages. The use of qualitative data gathering method is advantageous as

they are more open to changes and refinement of research ideas as the study progresses; this implies that qualitative data gathering tools are highly flexible. Moreover, no manipulation of the research setting is necessary with this method; rather than employ various research controls such as in experimental approaches, the qualitative data gathering methods are only centred on understanding the occurring phenomena in their naturally occurring states. Aside from these advantages, researchers use qualitative data gathering or collection tools, as some previous researchers believe that qualitative data are particularly attractive as they provide rich and well-grounded descriptions and explanations as well as unforeseen findings for new theory construction. One of the notable strengths of the qualitative instruments is that they evoke a more realistic feeling of the research setting which cannot be obtained from statistical analysis and numerical data utilized through quantitative means. These data collection methods allow flexibility in conducting data gathering, research analysis and interpretation of gathered information. In addition, qualitative method allows the presentation of the phenomenon being investigated in a more holistic view.

3.4 Respondents/Participants

In order to describe the current situation of the financial market in Ghana; thus whether the market is booming or collapsing, the market efficiency and also to determine the factors affecting its growth, a total of 15 financial analysts working in different financial markets operators or institutions participated in the study. These 15 participants were highly educated, have got much working experience as financial analyst and there were also gender balance (See Appendix III. figure 28, 29 and 30). To achieve pertinent information, certain inclusion criteria were imposed. The participants qualified for sample selection must be staff or employee of their respective companies' financial market department. This qualification ensured that the participants understand and have in-depth knowledge about the financial markets in Ghana, making them to understand the questionnaire and mak-

ing the survey items easy for them to accomplish. The respondents were selected from five main financial markets operators or institutions in Ghana, thus a total of three employees were selected from the five-sampled financial institution.

Simple random sampling was done for the sample selection. This sampling method is conducted where each member of a population has an equal opportunity to become part of the sample. As all members of the population have an equal chance of becoming a research participant, this is said to be the most effective and efficient sampling procedure. In order to conduct this sampling strategy, the researcher defined the population first, listed down all the members of the population and then selected members to make the sample. For this procedure, the lottery sampling or the fish bowl technique was employed. This method involves the selection of the sample at random from the sampling frame through the use of random number tables (Saunders, Lewis & Thornhill, 2003). Numbers were assigned for each employee in the master list. These numbers were written on pieces of paper and drawn from a box; the process was repeated until the sample size was reached.

3.5 Instruments for Data Collection

A survey questionnaire was used as the main data-gathering instrument for this study (See Appendix I). The questionnaire was divided into two main sections: a profile and the survey proper. The profile contains socio-demographic characteristics of the case companies (the respondents) such as, gender, employment status, name of employer and the number of years they had served the company as well as their assigned job position. The survey proper explored the financial markets situation in Ghana, particularly whether the market is booming or collapsing. The questionnaire proper section also contains questions that identify factors affecting the growth of the markets, the market efficiency and the factors that makes the money market dominance over the capital market. The questions were structured

using the Likert Scale. In this survey type, five choices are provided for every question or statement. The choices represent the degree of agreement each respondent has on the given question. The scale below was used to interpret the total responses of all the respondents for every survey question:

<u>Unit</u>	<u>Interpretation</u>
5	Strongly Agree
4	Agree
3	Undecided (Not Sure)
2	Disagree
1	Strongly Disagree

The Likert Scale was used because it enabled the respondents to answer the questionnaire or the survey easily. In addition, this research instrument allowed the researcher to carry out the quantitative approach effectively with the use of statistics for data interpretation. In order to test the validity of the questionnaire used for the study, the researcher tested the questionnaire on five respondents. These respondents as well as their answers were not part of the actual study process and were only used for testing purposes. After the questions have been answered, the researcher asked the respondents for any suggestions or any necessary corrections to ensure further improvement and validity of the instrument. The researcher revised the survey questionnaire based on the suggestion of the respondents. The researcher then excluded irrelevant questions and changed vague or difficult terminologies into simpler ones in order to ensure comprehension.

3.6 Data Processing and Analysis

After gathering all the completed questionnaires from the respondents, total responses for each item were obtained and coded into SPSS for analysis. The data were analysed using statistical graphs (Bar charts and Pie charts).

3.7 Ethical Considerations

As this study required the participation of human respondents, specifically financial analysts and top management representatives, certain ethical issues were addressed. The consideration of these ethical issues was necessary for the purpose of ensuring the privacy as well as the safety of the participants; this is because in Ghana information that comes to the public is different from what is actually happening on the ground. Among the significant ethical issues that were considered in the research process include consent and confidentiality. In order to secure the consent of the selected participants, the researcher relayed all-important details of the study, including its aim and purpose. By explaining these important details, the respondents were able to understand the importance of their role in the completion of the research. The confidentiality of the participants was also ensured by not disclosing their names or personal information in the research. Only relevant details that helped in answering the research questions were included.

3.8 Objectivity Versus Subjectivity

Objectivity versus subjectivity is at the heart of the debate of proper methods of research within social science and other discipline fields. On the one hand there are quantitative researchers. Quantitative research is based on the positivist approach. That is that researchers should be "hands-off" (objective). On the other

hand there are (and this is simplifying and generalizing the issue) qualitative researchers. Qualitative research is inherently more subjective.

Objectivity is the regulative ideal that guides all inquiry; which is largely a measure directed at how researchers undertake and carry out their research in that it requires them to be precise, unbiased, open, honest, receptive to criticism, and so on" (Smith 1990, p 171, also Phillips 1990, Schwandt 1990). In a similar vein, Lather (1990, p 319) states "objectivity means being aware and honest about how one's own beliefs, values, and biases affect the research process."

Each broad approach offers pros and cons. Quantitative research can be generalized to a large population because it is based on (generally) somewhat large surveys that are representative (you really need a methods course to get a full understanding what representativeness and generalizability. Generalizability is not a 'bad' thing. In fact, it is essential to quantitative research). Qualitative research is valuable in a number of ways, but one of the most important advantages it offers is that it allows for a deeper understanding of a research problem whereas quantitative research offers more breadth.

Then again there are researchers who use mixed methods (a combination of qualitative/quantitative as the name implies). This is more common in today's academic climate, but is still much less common than a singular approach. It is also looked down upon by many quatooids (a somewhat derogatory name for researchers who use quantitative researcher methods exclusively).

So in summary, objectivists tend to use quantitative methods (and believe that researchers must always maintain a distance from those being researched); subjectivists believe that it is acceptable to have some interaction with those being studied in order to fully understand the particular phenomena they are interested in studying.

Therefore having these ethical issues in mind, the research adopted the use of the Likert Scale in order to avoid and to reduce any biasness, own beliefs and thoughts or expectations concerning the study.

3.9 Reliability and Validity

Measurement experts and many educators believe that every measurement device should possess certain qualities, therefore the two most common measurement used to test the accuracy, trustworthiness and adequacy of a research work are reliability and validity. These two measurements are used to estimate the errors that usually occur in research. (Bordens & Abbott, 2011)

Reliability in research measures how stable, dependable, trustworthy and consistent a test is in measuring the same thing each time, the collected data and also methods that were used for the collection. In this way, the collection of the data can be repeated and should have the same result (McNeill, 1985, p. 70). Having this in mind as a researcher, attention to the designing of the questionnaires and also instruction on how to answer the questionnaires were clear and devoid of any ambiguity.

According to Bordens (2011), a valid research must be reliable but a reliable research may not be valid. For a test or research to be valid, or truthful, it must first be reliable. Validity measures the extent to which certain inferences can be made from test scores or other measurement. It looks at the extent or the degree to which the test or measurement used accomplishes the purpose for which they are being used.

This research is valid owing to the fact that the aim and the purpose of the research were achieved. The questionnaires that were design were reliable and up to answering the research questions and moreover the respondents to the question-

naires were experienced professionals in the field of finance (See Appendix III. figure 29 and 30).

4 DATA ANALYSIS AND FINDINGS

This chapter of the study presents the results of the study by analysing the responses of respondents of the thesis questionnaires. The results are presented according to each research question and the graphical method of presenting research findings was used.

4.1 The Situation of the Financial Market in Ghana

The first research question of the study is to find out the current situation of the financial market in Ghana. This research question was asked in order to know the current situation of the financial market in Ghana. And in order to know the current situation, one must know the situation of the past or what has been the situation of the past before concluding on what is happening now or currently. With this thought in mind, the researcher asked questions concerning the situation of the financial market three years ago and also questions on what is currently happening in the financial market in Ghana at the moment in order for comparison to be made.

Talking about the situation of the financial market in Ghana: there are a lot of things to consider but the researcher was only interested in knowing the following about the market:

- Are the markets booming?
- Are the markets experiencing growth?
- Are they a great place to invest?
- Do investment in the markets yield great returns?
- And or are the markets collapsing?

The above questions were asked because the researcher is only interested in describing the current situation of the financial market in Ghana.

These questions were asked in the questionnaire using the likert scale to know the extent to which the respondents agree or disagree to statements describing the financial market in Ghana.

4.1.1 The Situation of the Financial Market in Ghana, Three Years Ago

The graphs (figure 2, 3, 4, 5 & 6) below describes the situation of the financial market in Ghana three years ago with respect to the following statements concerning the markets: whether the market were booming three years ago; whether the market were experiencing growth; whether it was a great place to invest and whether investments in the market yielded great returns and or whether the market were collapsing three years ago.

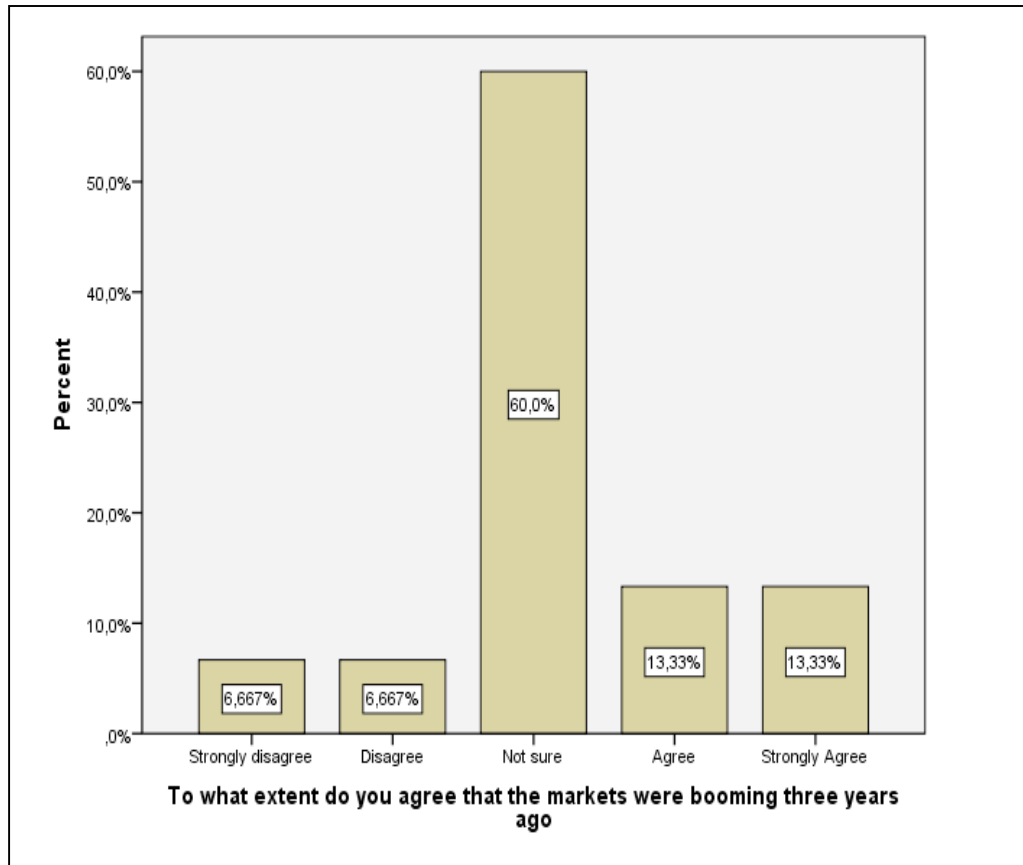


Figure 2. The extent to which respondents agrees with the statement that the financial market was booming three years ago in Ghana.

Figure 2 above describes the extent to which respondents agree with the statement that the financial market in Ghana was booming three years ago. According to the graph, 13% of the respondents strongly agreed with the statement that the financial market was booming three years ago; 13% just agreed; 60% of them were not sure of the situation; 7% were in disagreement while 7% of them were strongly in disagreement with the statement that the financial market was booming three years ago in Ghana.

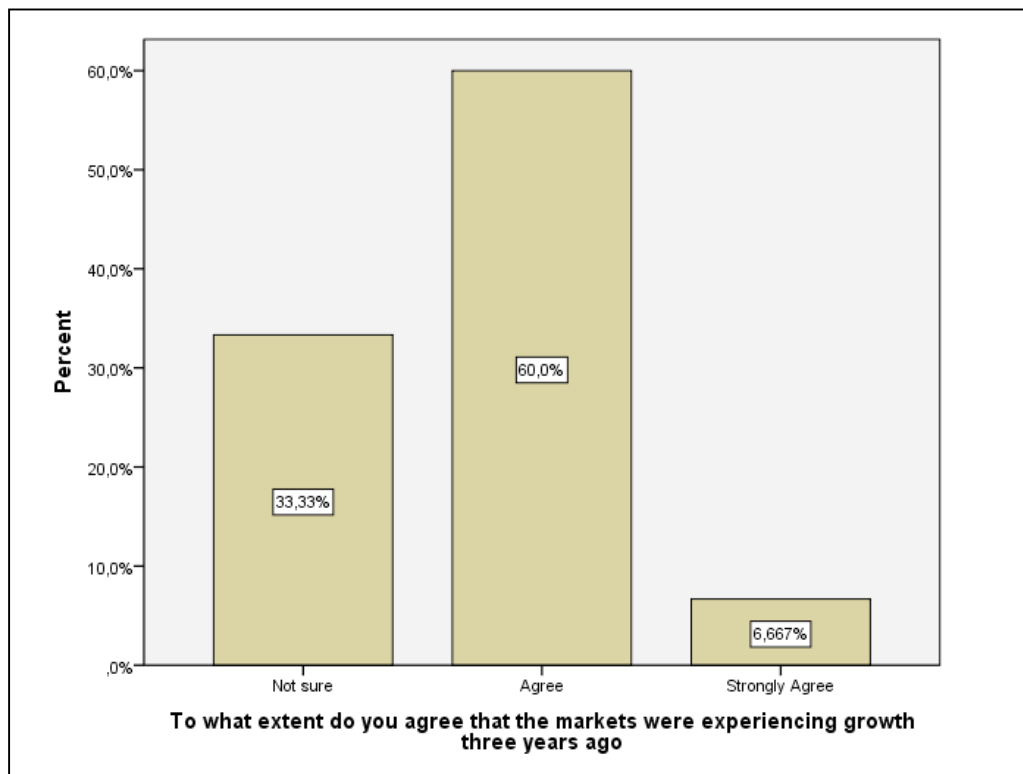


Figure 3. The extent to which respondents agree with the statement that the financial market in Ghana was experiencing growth three years ago.

Figure 3 above describes the extent to which respondents agreed with the statement that the financial market in Ghana was experiencing growth three years ago. According to the graph, 60% of the respondents agree with the statement that the financial market was experiencing growth three years ago; 7% strongly agreed; 33% were not sure of the situation while none were in disagreement nor strongly disagreement with the statement.

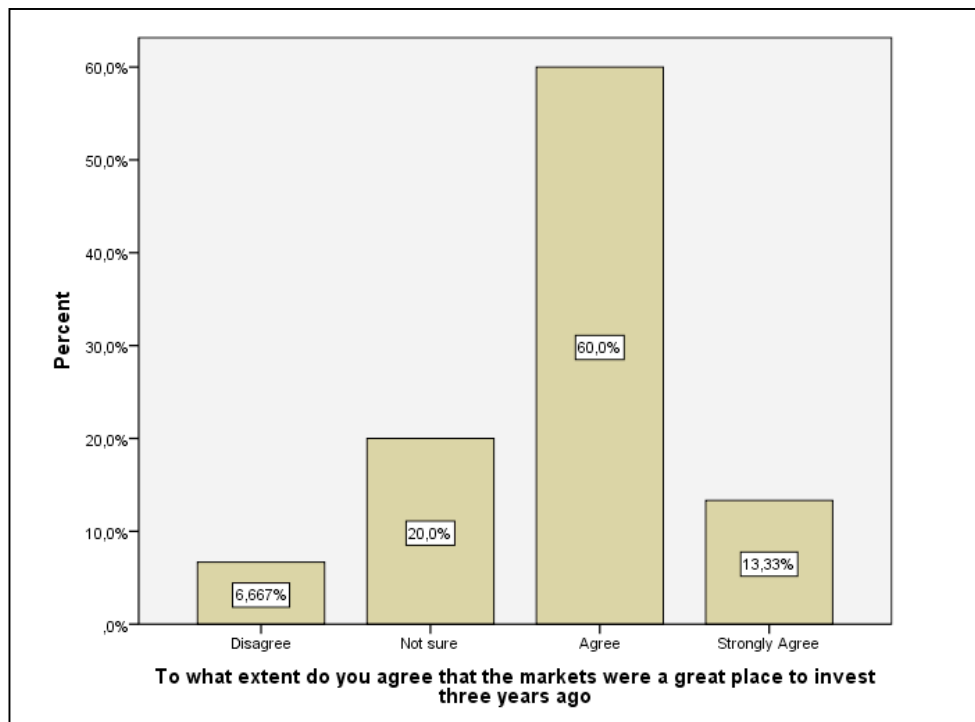


Figure 4. The extent to which respondents agrees with the statement that the financial market was a great place to invest three years ago in Ghana.

Figure 4 above describes the extent to which respondents agree with the statement that the financial market in Ghana was a great place to invest three years ago. According to the graph, 60% of the respondents agreed with the statement that the financial market was a great place to invest three years ago; 13% were strongly in agreement; 20% were not sure of the situation; 7% disagreed while none were strongly in disagreement with the statement.

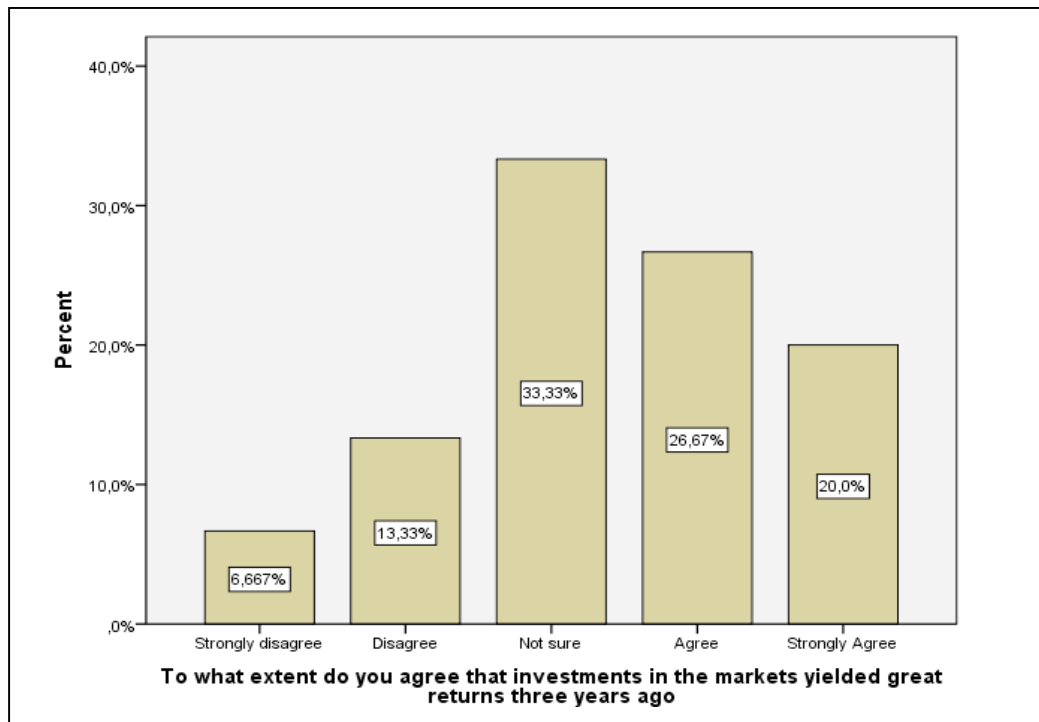


Figure 5. The extent to which respondents agree with the statement that investments in the financial market yielded great returns three years ago in Ghana.

Figure 5 above describes the extent to which respondents agree with the statement that investments in the financial market in Ghana yielded great returns three years ago. According to the graph, 27% of the respondents agreed with the statement that investments in the financial market yielded great returns three years ago; 20% were strongly in agreement; 33% were not sure of the situation; 13% disagreed while 7% were strongly in disagreement with the statement.

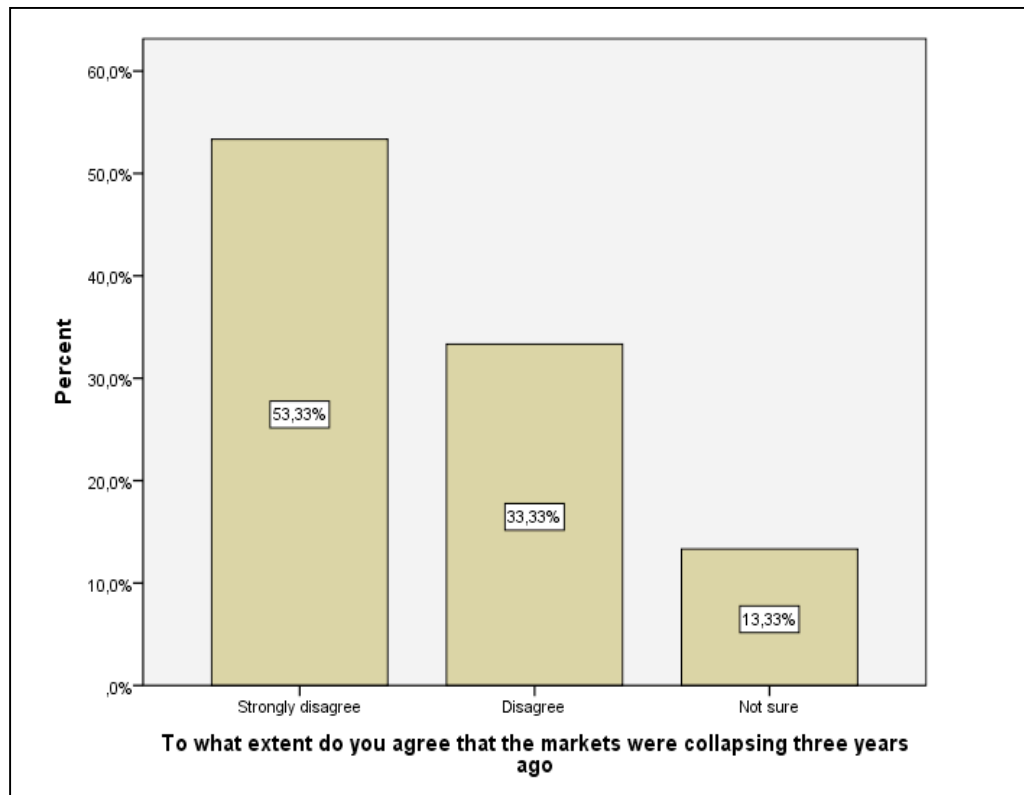


Figure 6. The extent to which respondents agrees with the statement that the financial market in Ghana was collapsing three years ago.

Figure 6 above describes the extent to which respondents agree with the statement that the financial market in Ghana was in the stage of collapsing three years ago. According to the graph, 13% of the respondent were not sure of the situation; 33% disagreed with the statement that the financial market was collapsing three years ago while 53% were strongly in disagreement with the statement. None of the respondents were in agreement with the statement that the financial market was collapsing three years ago.

4.1.2 The Current Situation of the Financial Market in Ghana at the Moment

The graphs (figure 7, 8, 9, 10 & 11) below describe the financial markets situation in Ghana currently or at the moment with respect to the following statements concerning the market: whether the markets are booming currently; whether the markets are experiencing growth; whether they are a great place to invest at the moment and whether investments in the markets yielded great returns and or whether the markets are collapsing.

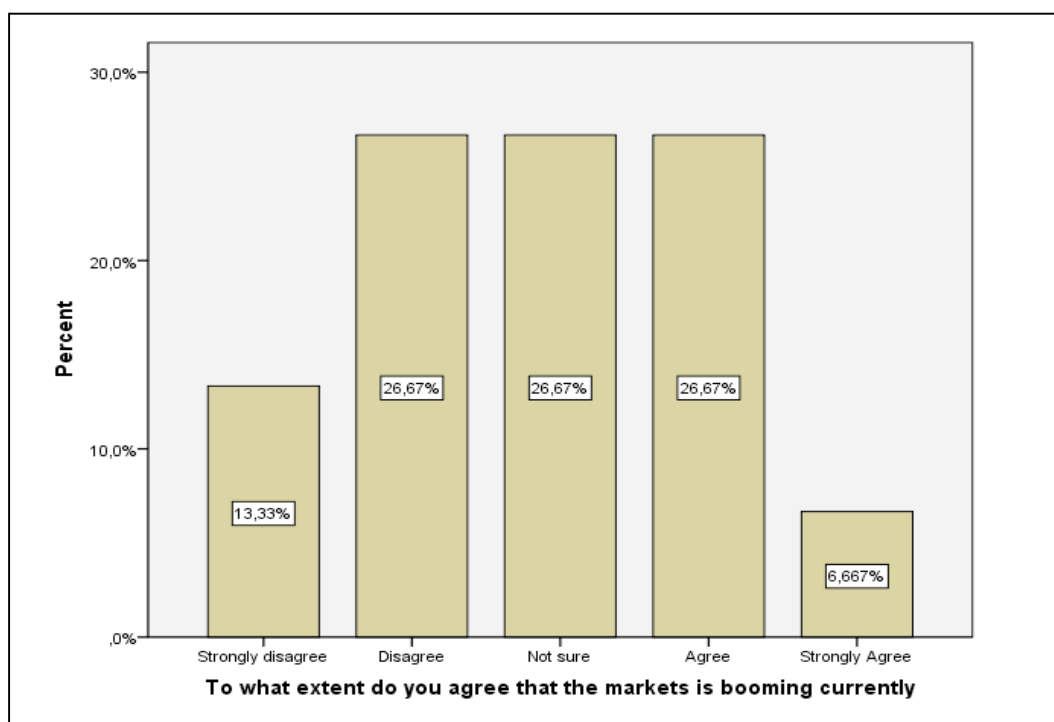


Figure 7. The extent to which respondents agrees with the statement that the financial market in Ghana is booming currently.

Figure 7 above describes the extent to which respondents agree with the statement that the financial market in Ghana is booming currently. According to the graph, 27% of the respondents agreed with the statement that the financial market is booming at the moment; 7% strongly agreed; 27% of them were not sure of the

situation; 27% were in disagreement while 13% were strongly in disagreement with the statement that the financial market is booming currently.

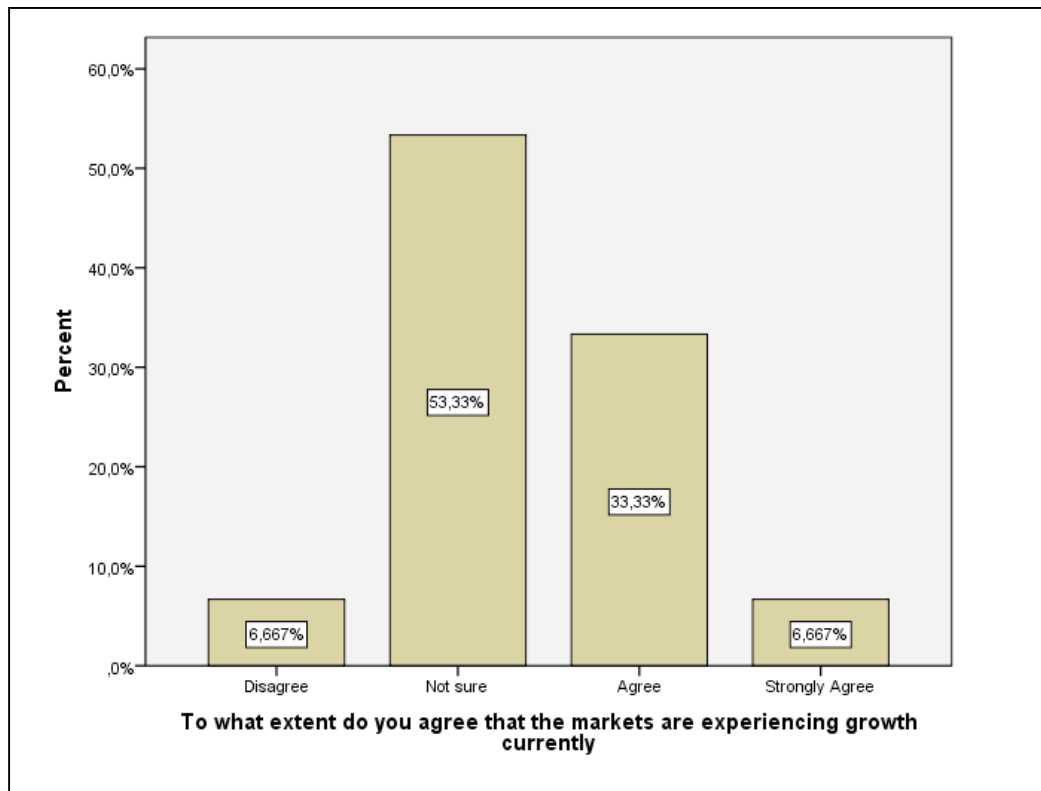


Figure 8. The extent to which respondents agrees with the statement that the financial market in Ghana is experiencing growth currently.

Figure 8 above describes the extent to which respondents agree with the statement that the financial market in Ghana is experiencing growth currently. According to the graph, 33% of the respondents agreed with the statement that the markets are experiencing growth currently; 7% were strongly in agreement; 53% were not sure of the situation; 7% disagreed while none were strongly in disagreement with the statement.

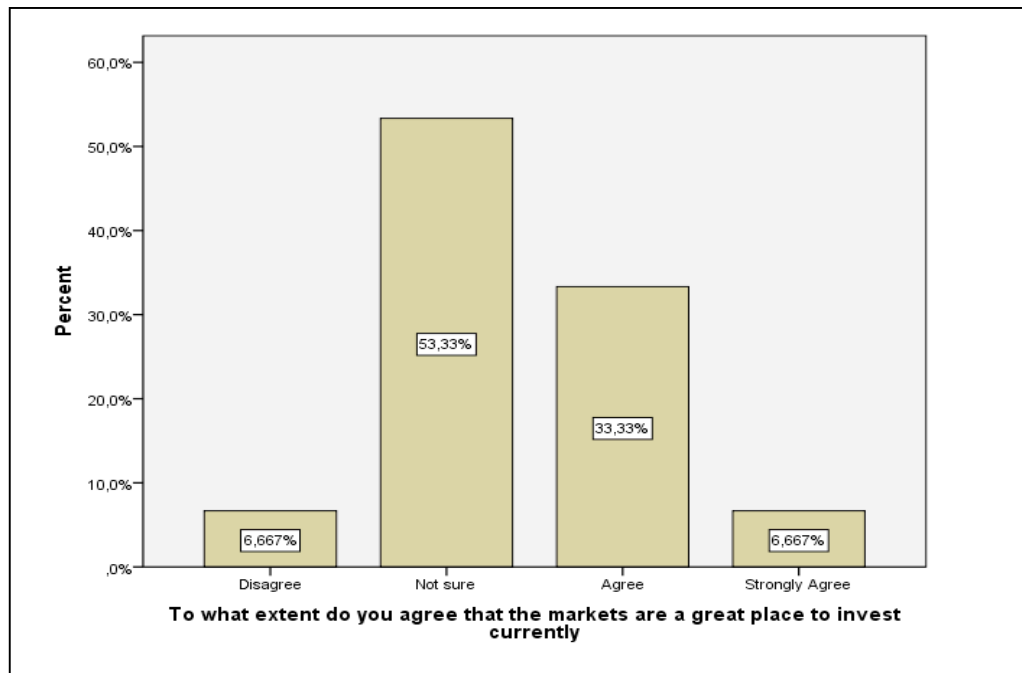


Figure 9. The extent to which respondents agrees with the statement that the financial market in Ghana is a great place to invest at the moment.

Figure 9 above describes the extent to which respondents agree with the statement that the financial market in Ghana is a great place to invest at the moment. According to the graph, 33% of the respondents agreed with the statement that the financial market is a great place to invest at the moment; 7% were strongly in agreement; 53% were not sure of the situation; 7% disagreed while none were strongly in disagreement with the statement.

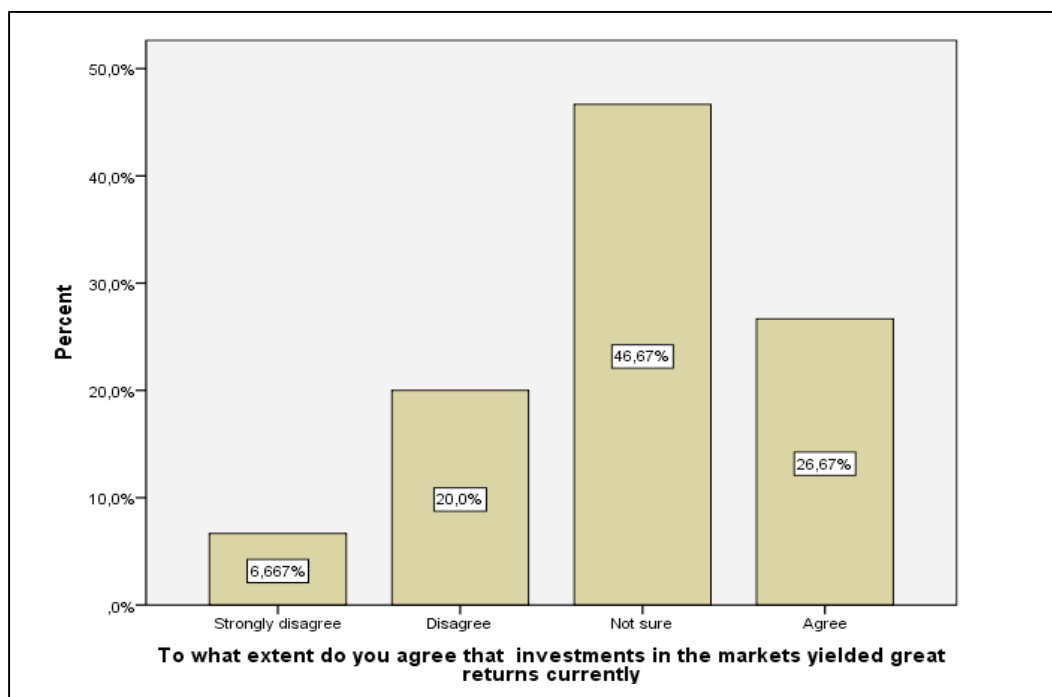


Figure 10. The extent to which respondents agrees with the statements that investments in the financial market in Ghana yielded great returns at the moment.

Figure 10 above describes the extent to which respondents agree with the statement that investments in the financial market in Ghana yielded great returns at the moment. According to the graph, 27% of the respondents agreed with the statement that investments in the financial market yielded great returns at the moment; none were strongly in agreement; 46% were not sure of the situation; 20% disagreed while 7% were strongly in disagreement with the statement.

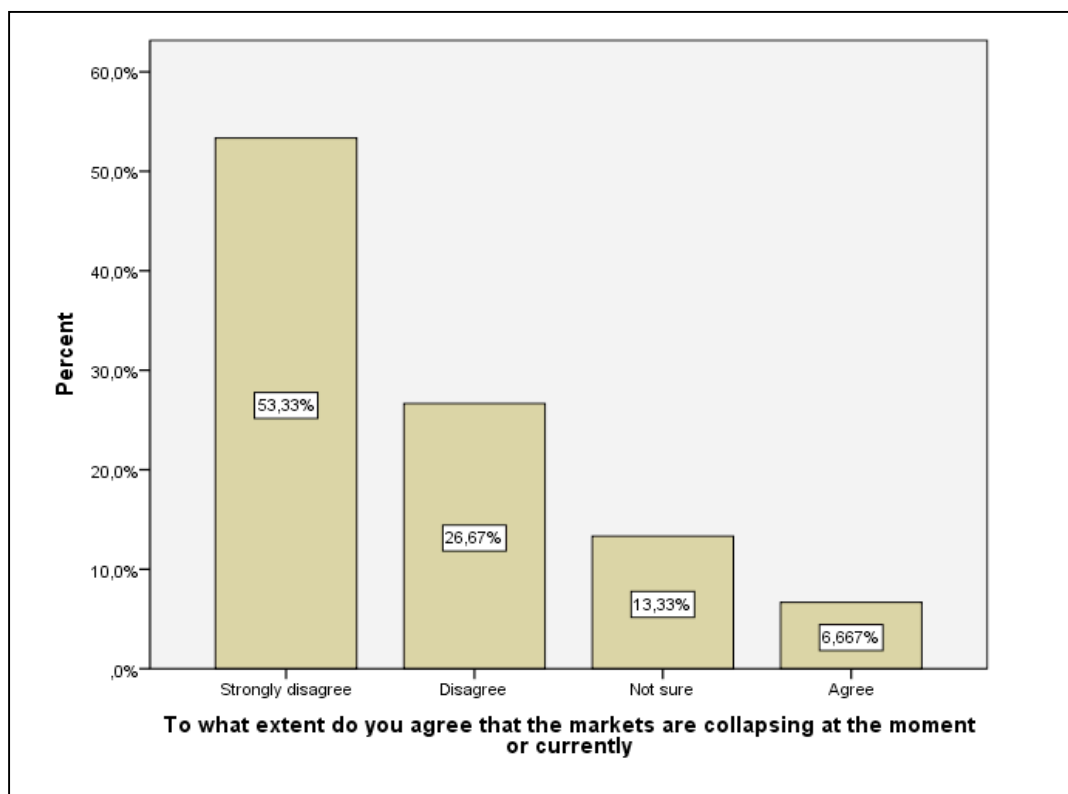


Figure 11. The extent to which respondents agrees with the statement that the financial market in Ghana is collapsing at the moment or currently.

Figure 11 above describes the extent to which respondents agree with the statement that the financial market in Ghana is collapsing at the moment. According to the graph, 7% of the respondents agreed with the statement that the financial market is collapsing at the moment; none were strongly in agreement; 13% were not sure of the situation; 27% disagreed while 53% were strongly in disagreement with the statement that the financial market is collapsing at the moment.

4.2 The Efficiency of the Financial Market in Ghana

According to Gallagher (2003, p. 24): a financial market is said to be efficient if securities traded easily, speedily or quickly and at low cost. Hence any market lacking these qualities is considered inefficient.

Base on the above theory, the researcher studied to which respondents agree with a number of statements that leads to determining of the efficiency of the financial markets in Ghana. To do this, the researcher first asked questions about the efficiency of the general financial market and secondly questions where asked about how the financial market in Ghana are performing its roles.

4.2.1 General Efficiency of the Financial Market in Ghana

The researcher asked respondents the extent to which they agree with the following statements in describing the efficiency of the financial market in Ghana: whether securities are traded easily; whether they are traded quickly; whether they are traded at low cost; whether market transactions are completed on time and whether prices of securities reflects their value. The following figures (12, 13, 14, 15 and 16) below explain and give the efficiency description of the financial market in Ghana.

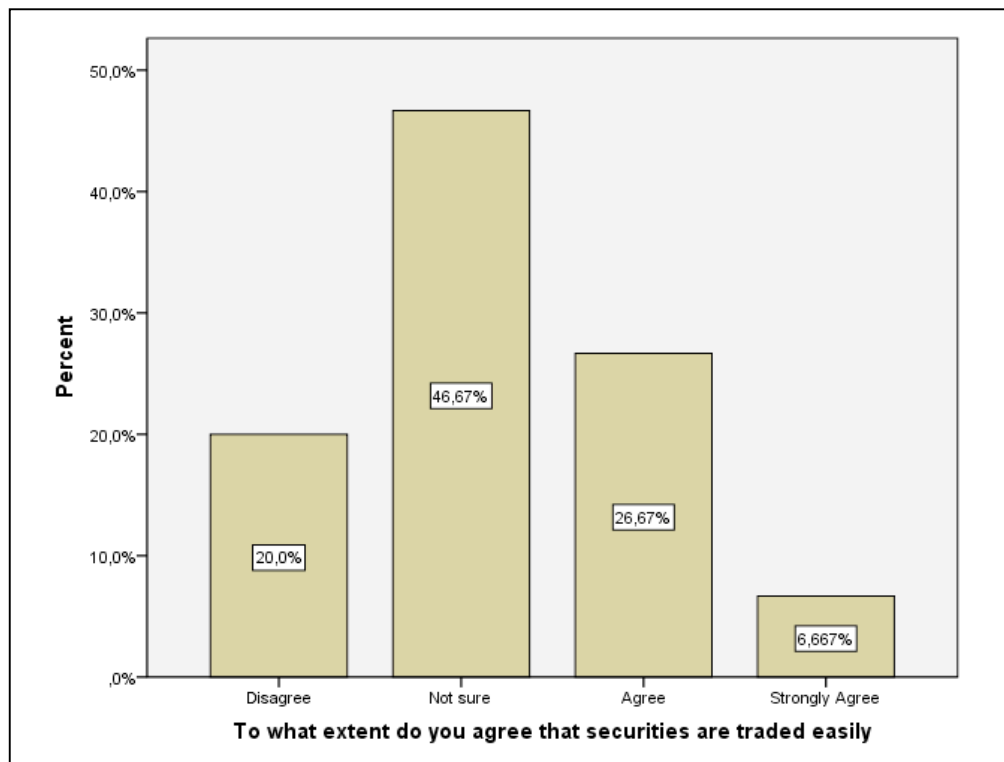


Figure 12. The extent to which respondents agree with the statement that securities are traded easily in the financial market in Ghana.

Figure 12 above describes the extent to which respondents agree with the statement that securities are traded easily in the financial market in Ghana. According to the graph, 27% of the respondents agreed to the statement that securities are traded easily in the financial market in Ghana; 7% were strongly in agreement; 46% were not sure of the situation; 20% disagreed while none were strongly in disagreement with the statement.

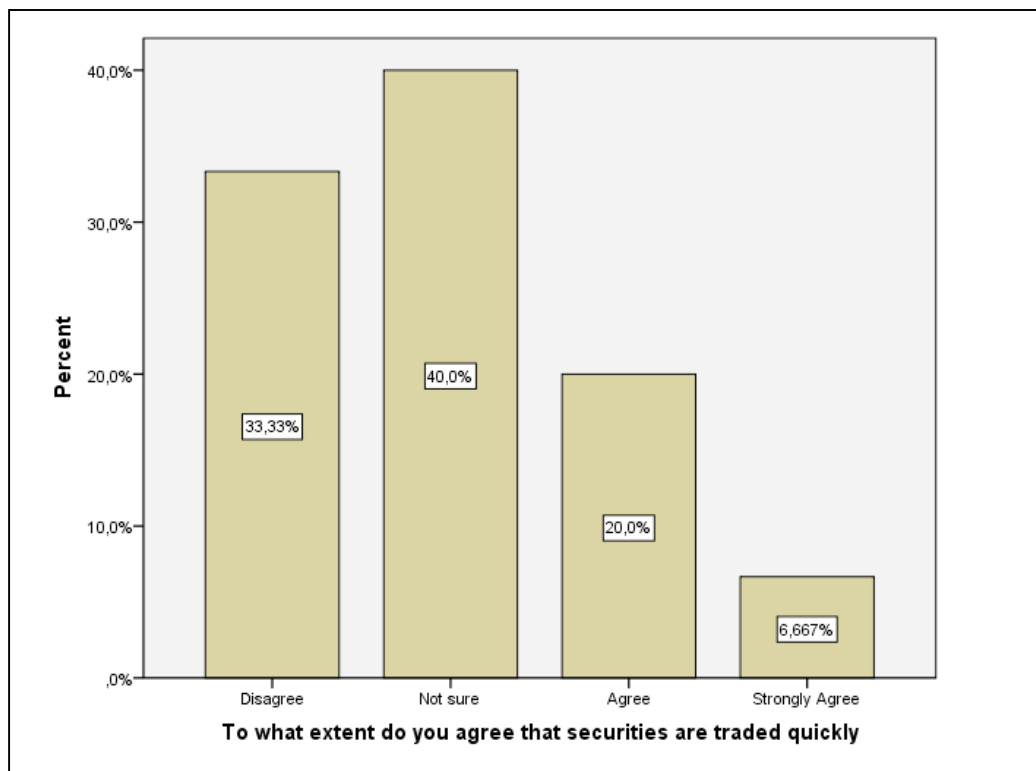


Figure 13. The extent to which respondents agrees with the statement that securities are traded quickly at the financial market in Ghana.

Figure 13 above describes the extent to which respondents agree with the statement that securities are traded quickly at the financial market in Ghana. As shown in the graph, 20% of the respondents agreed with the statement that securities are traded quickly at the financial market in Ghana; 7% were strongly in agreement with the statement; 40% were not sure of the situation; 33% disagreed while none were strongly in disagreement with the statement.

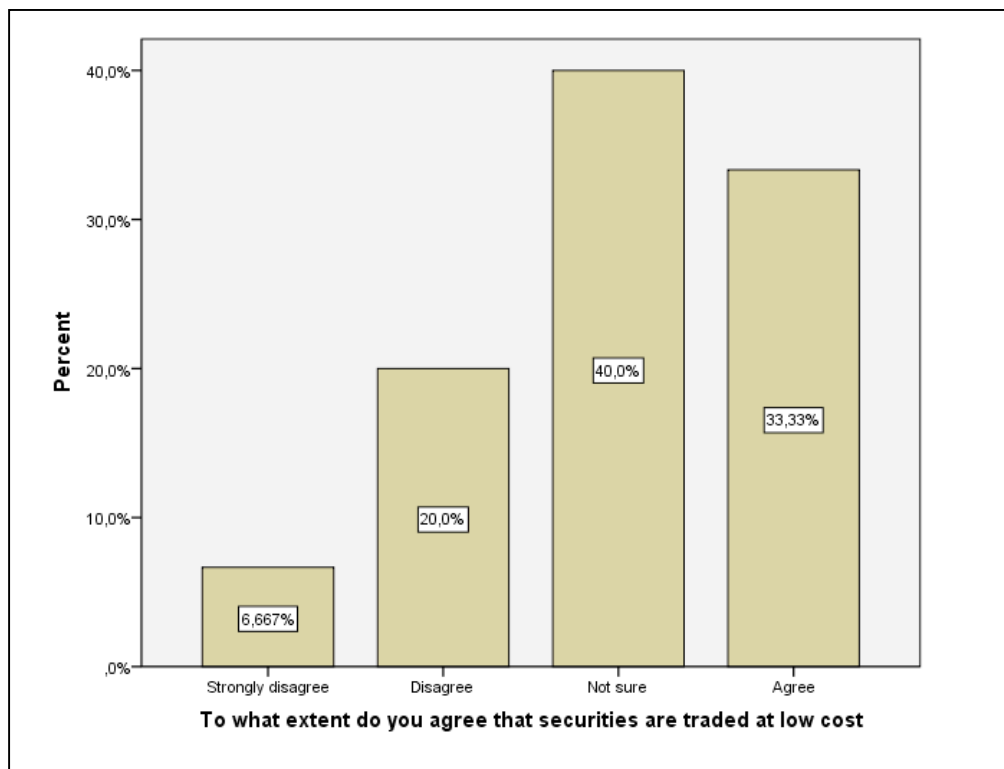


Figure 14. The extent to which respondents agree with the statement that securities are traded at low cost at the financial market in Ghana.

Figure 14 above describes the extent to which respondents agree with the statement that securities are traded at low cost at the financial market in Ghana. As shown in the graph, 33% of the respondents agreed with the statement that securities are traded at low cost at the financial market in Ghana; 40% were not sure of the situation; 20% disagreed and 7% were strongly in disagreement with the statement while none were strongly in agreement with the statement.

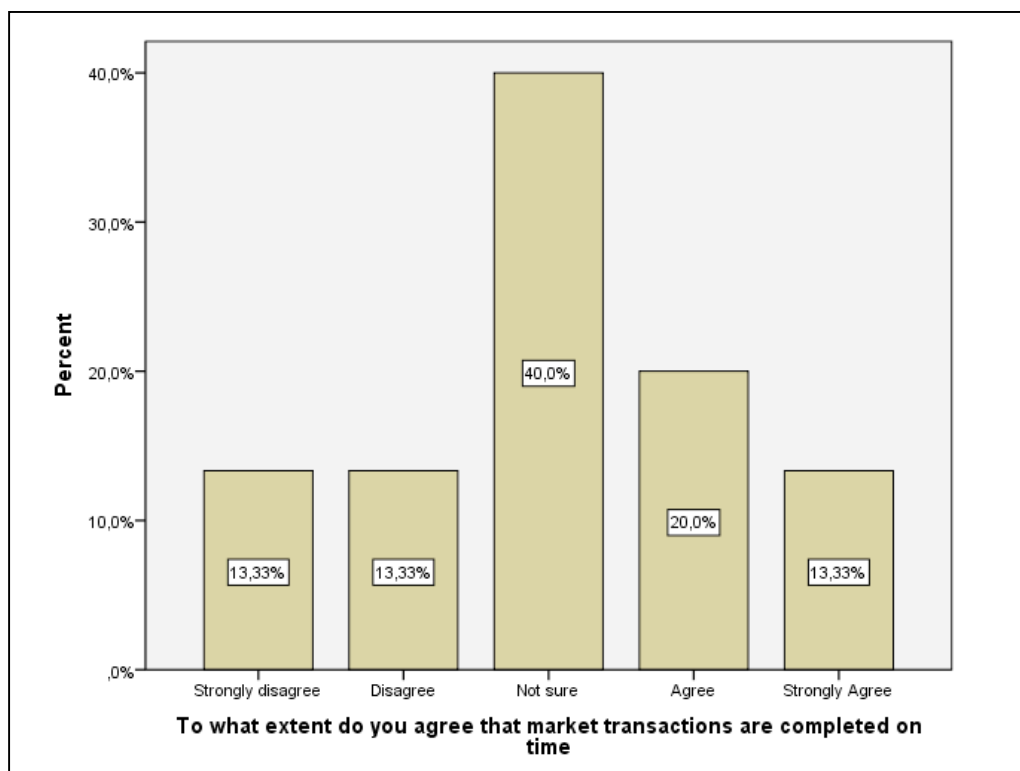


Figure 15. The extent to which respondents agree with the statement that market transactions are completed on time in Ghana.

Figure 15 above describes the extent to which respondents agree with the statement that market transactions are completed on time in Ghana. As shown in the graph, 20% of the respondents agreed with the statement that market transactions are completed on time; 13% were strongly in agreement with the statement; 40% were not sure of the situation; 13% disagreed and again 14% were strongly in disagreement with the statement that market transactions are completed on time in Ghana.

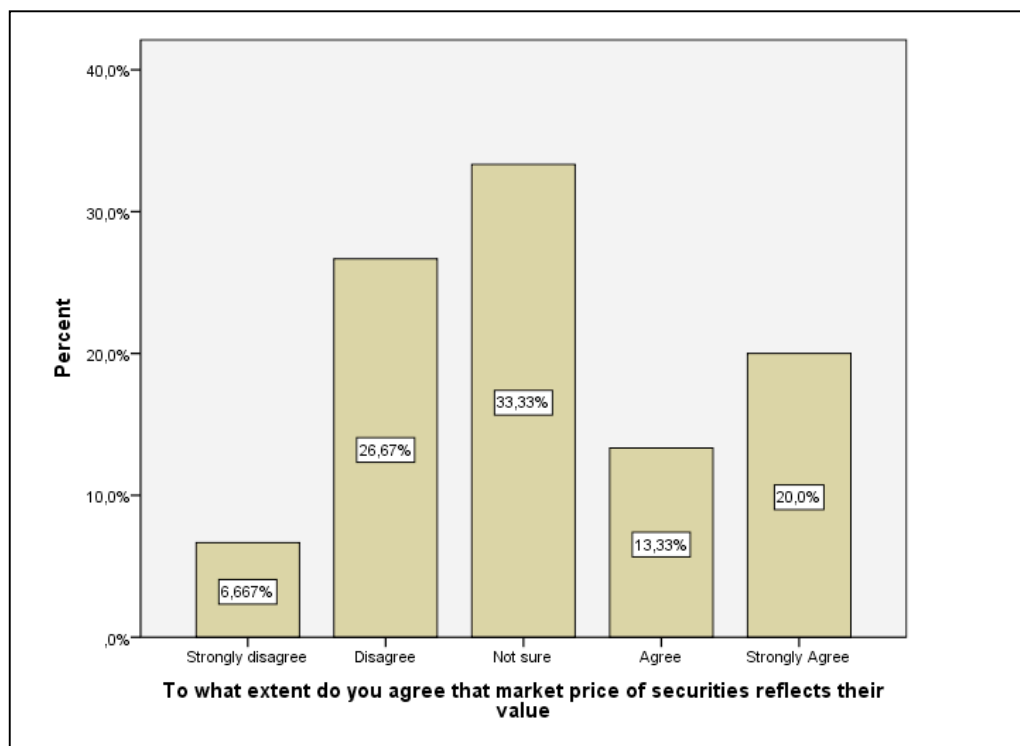


Figure 16. The extent to which respondents agrees with the statement that the market price of securities in Ghana reflect their value.

Figure 16 above describes the extent to which respondents agree with the statement that market prices of securities in Ghana reflects their value. As shown in the graph, 13% of the respondents agreed with the statement that market prices of securities in Ghana reflects their value; 20% were strongly in agreement with the statement; 33% were not sure of the situation; 27% disagreed and 7% of the respondents were strongly in disagreement with the statement.

4.2.2 How the Financial Market in Ghana are Performing its Role

According to Cecchetti (2008), financial markets serve three roles in our economic system; that is firstly, they offer savers and borrowers liquidity; secondly they pool and communicate information and thirdly they allow risk sharing.

Based on the above theory, the researcher asked respondents the extent to which they agree that the financial market in Ghana are performing its role as a financial market by responding to the following statements: whether the financial market in Ghana offer savers and borrowers liquidity; whether they channel resources to their best possible use; whether they serve as a place for transferring risk; whether they pool and communicate information about traded securities and whether they accurately estimate prices of traded securities. The figures (17, 18, 19, 20 and 21) explain and describe respondents' responses to the above statements.

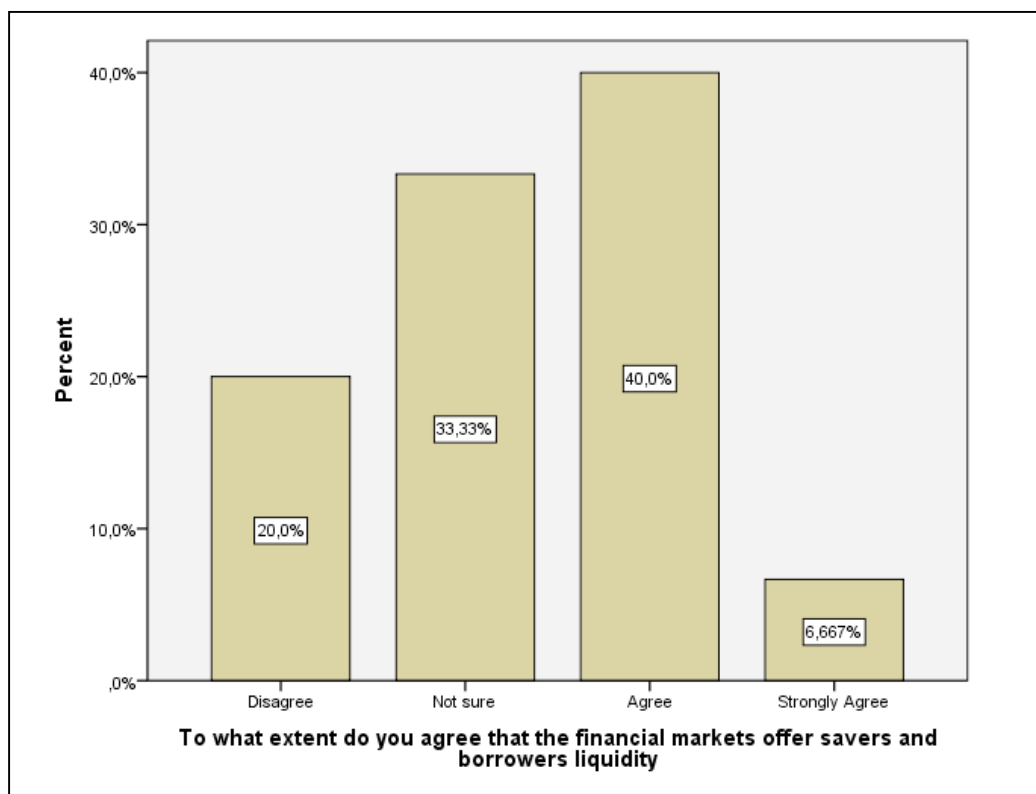


Figure 17. The extent to which respondents agrees with the statement that the financial market in Ghana offer savers and borrowers liquidity.

Figure 17 above describes the extent to which respondents agree with the statement that the financial market in Ghana offer savers and borrowers liquidity. As shown in the graph, 40% of the respondents agreed with the statement that the financial market offer savers and borrowers liquidity; 7% were strongly in agreement with the statement; 33% were not sure of the situation; 20% disagreed while none were strongly in disagreement with the statement.

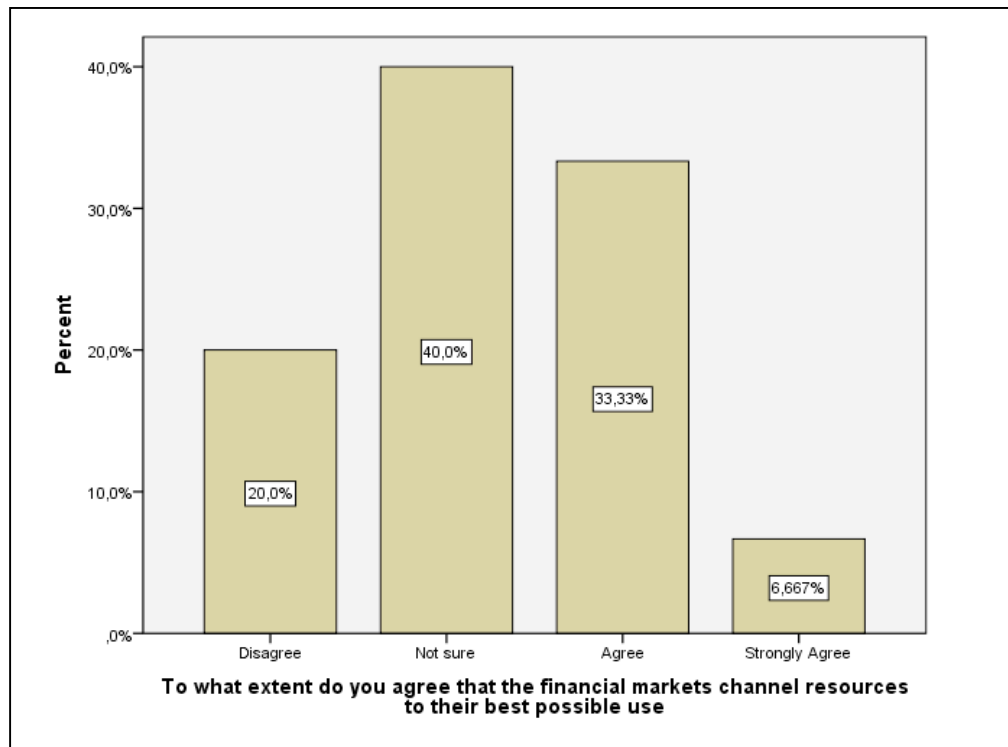


Figure 18. The extent to which respondents agrees with the statement that the financial market in Ghana channel resources to their best possible use.

Figure 18 above describes the extent to which respondents agree with the statement that the financial market in Ghana channel resources to their best possible use. As shown in the graph, 33% of the respondents agreed to the statement that the financial markets channel resources to their best possible use; 7% were strongly in agreement with the statement; 40% were not sure of the situation; 20% disagreed while none were strongly in disagreement with the statement.

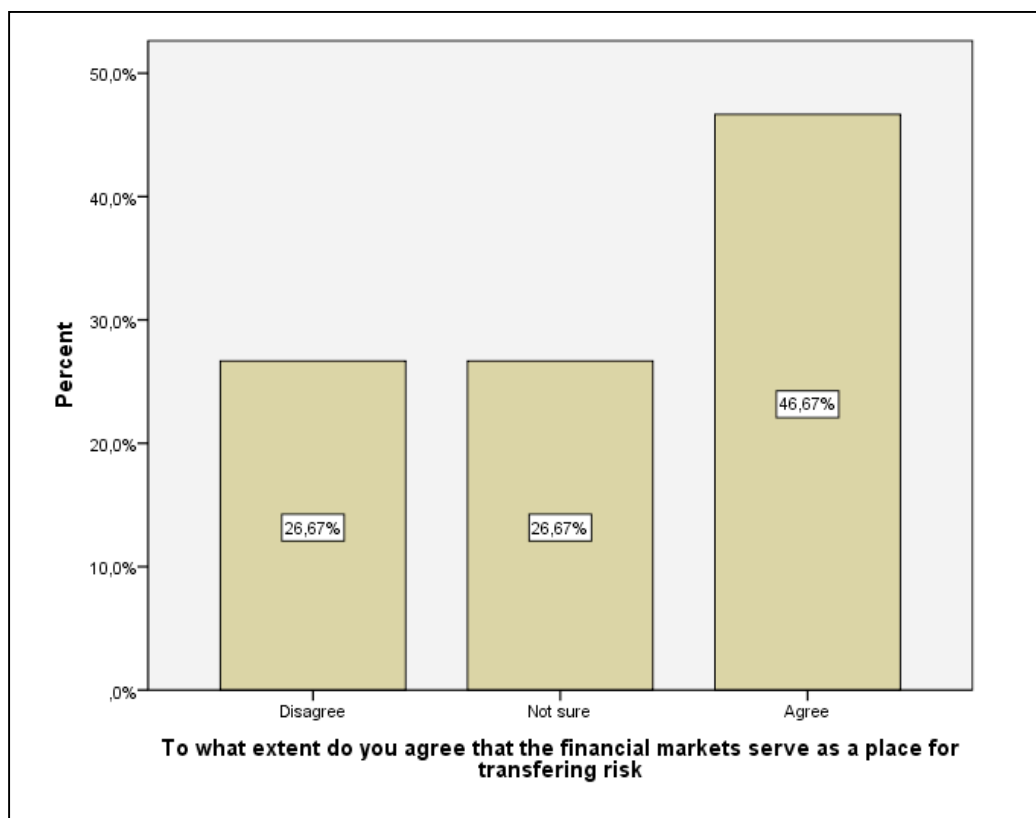


Figure 19. The extent to which respondents agrees with the statement that the financial market in Ghana serve as a place for transferring risk.

Figure 19 above describes the extent to which respondents agree with the statement that the financial market in Ghana serves as a place for transferring risk. As shown in the graph, 47% of the respondents agreed with the statement that the financial market in Ghana serves as a place for transferring risk; 20% were strongly in agreement with the statement; 33% were not sure of the situation; 27% disagreed and 7% of the respondents were strongly in disagreement with the statement.

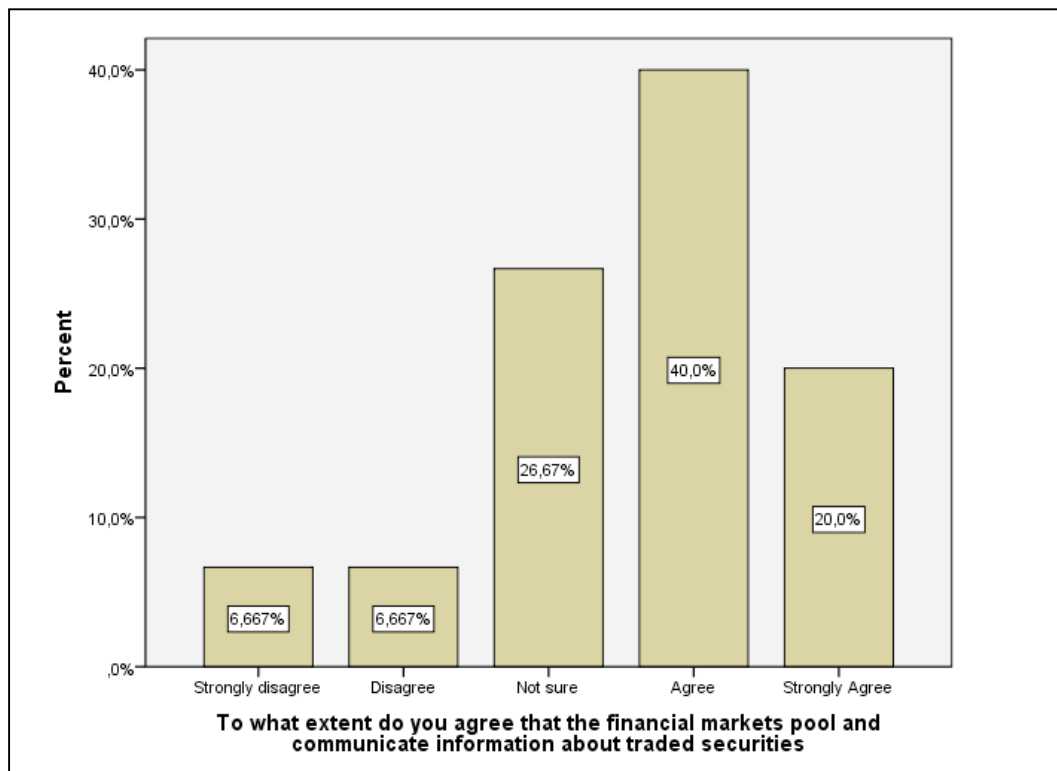


Figure 20. The extent to which respondents agrees with the statement that the financial market in Ghana pool and communicate information about traded securities.

Figure 20 above describes the extent to which respondents agree with the statement whether the financial market in Ghana pool and communicate information about traded securities. As shown in the graph, 40% of the respondents agreed with the statement that the financial market in Ghana pool and communicate information about traded securities; 20% were strongly in agreement with the statement; 27% were not sure of the situation; 7% disagreed and 6% of the respondents were strongly in disagreement with the statement.

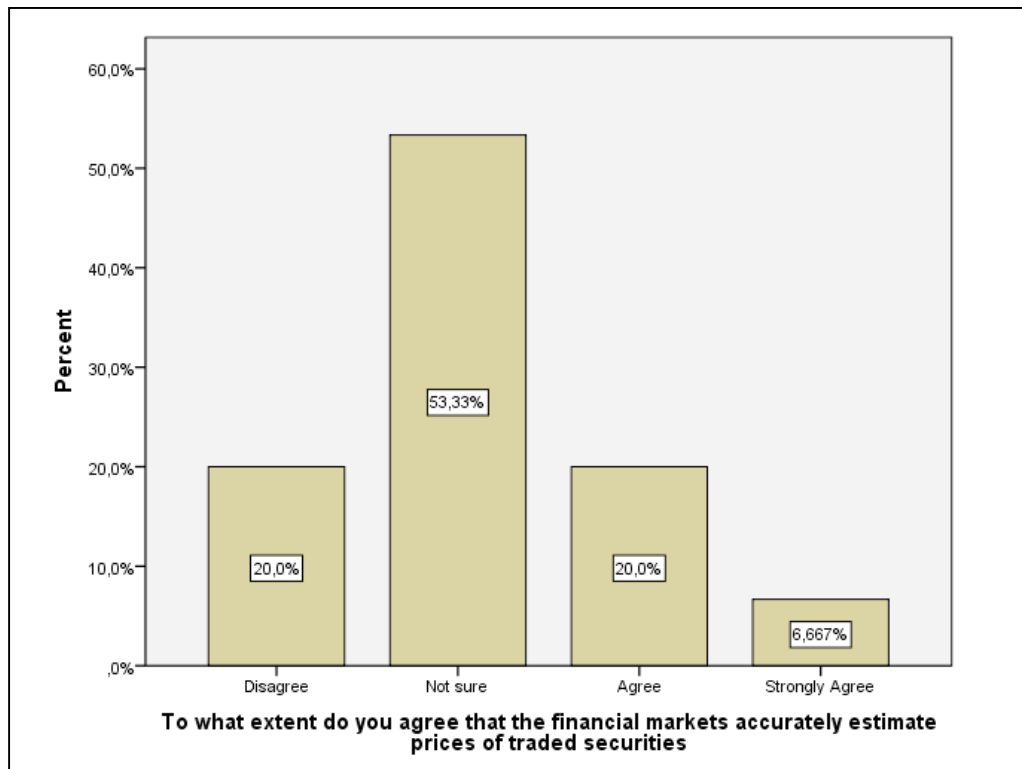


Figure 21. The extent to which respondents agree with the statement that the financial market in Ghana accurately estimate prices of traded securities.

Figure 21 above describes the extent to which respondents agree with the statement that the financial market in Ghana accurately estimate prices of traded securities. As shown in the graph, 20% of the respondents agreed with the statement that the financial market in Ghana accurately estimate prices of traded securities; 7% were strongly in agreement with the statement; 53% were not sure of the situation; 20% disagreed while none were strongly in disagreement with the statement.

4.3 Factors Affecting the Growth of the Financial Market in Ghana

The third research question of the study was to find out the factors affecting the growth of the financial market in Ghana. The financial market in Ghana is faced by a number of factors that is affecting its growth. Reviewing literature on the challenges of the market, the researcher fished out some factors to ask the respondents the extent to which they agree that those factors are the factors affecting the growth of the financial market in Ghana. The figures (22, 23, 24, 25 and 26) below explain and describe the extent to which they agree with those factors as being the factors affecting the growth of the financial market in Ghana.

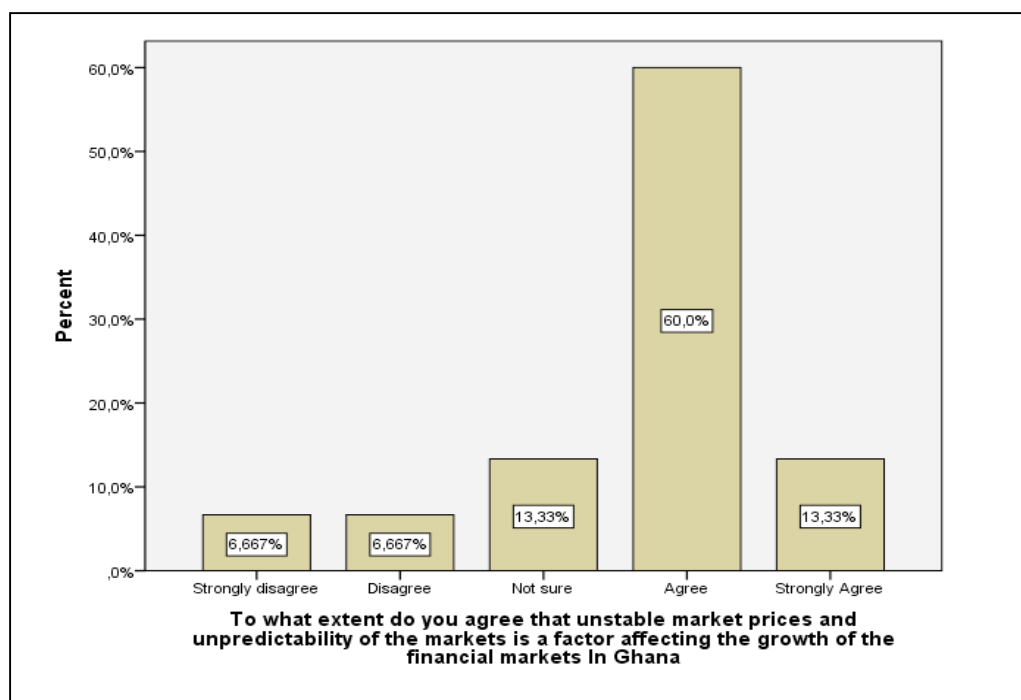


Figure 22. The extent to which respondents agree with the statement that unstable market prices and unpredictability is a factor affecting the growth of the financial market in Ghana.

Figure 22 above describes the extent to which respondents agree with the statement that unstable market prices and unpredictability is a factor affecting the growth of the financial market in Ghana. As shown in the graph, 60% of the

respondents agreed with the statement that unstable market prices and unpredictability is a factor affecting the growth of the financial market in Ghana; 13% were strongly in agreement with the statement; 13% were not sure of the situation; 7% disagreed and again 7% were strongly in disagreement with the statement.

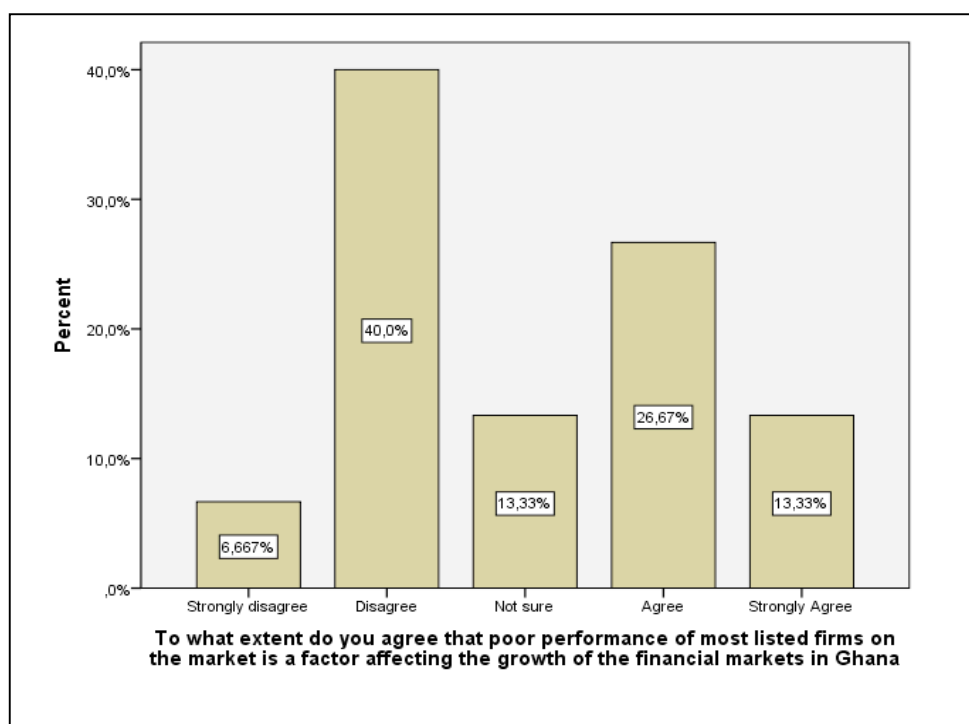


Figure 23. The extent to which respondents agree with the statement that poor performance of most listed firms on the market is a factor affecting the growth of the financial market in Ghana.

Figure 23 above describes the extent to which respondents agree with the statement that poor performance of most listed firms on the market is a factor affecting the growth of the financial market in Ghana. As shown in the graph, 27% of the respondents agreed with the statement that poor performance of most listed firms on the market is a factor affecting the growth of the financial market in Ghana; 13% were strongly in agreement with the statement; 13% were not sure

of the situation; 40% disagreed and 7% were strongly in disagreement with the statement.

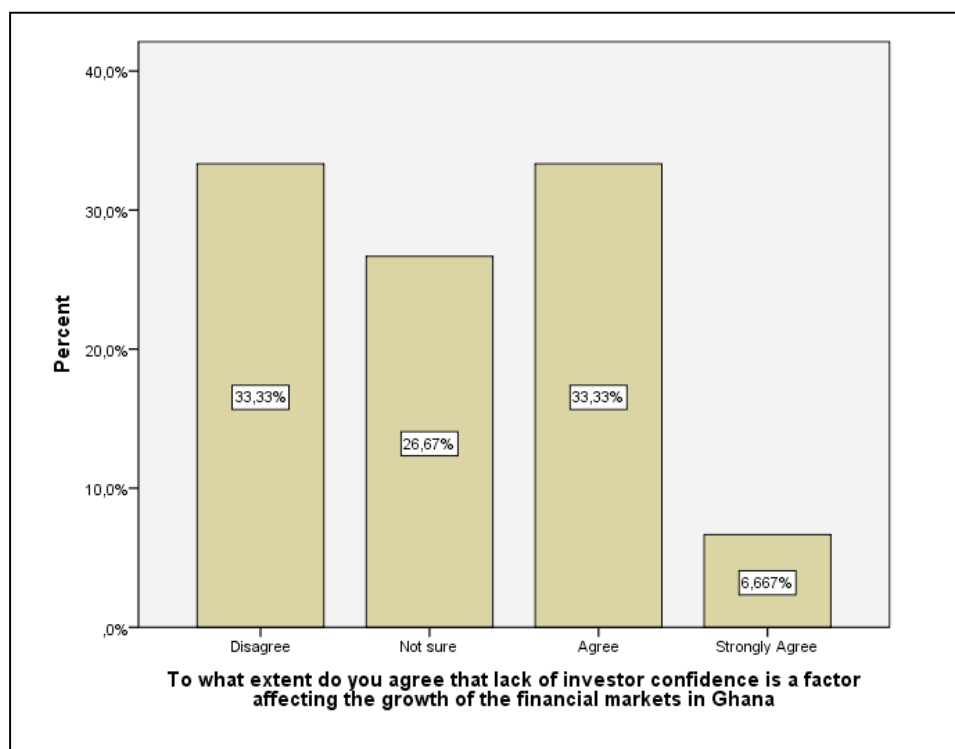


Figure 24. The extent to which respondents agree with the statement that lack of investor confidence is a factor affecting the growth of the financial market in Ghana.

Figure 24 above describes the extent to which respondents agree with the statement that lack of investor confidence is a factor affecting the growth of the financial market in Ghana. As shown in the graph, 33% of the respondents agreed with the statement that lack of investor confidence is a factor affecting the growth of the financial market in Ghana; 7% were strongly in agreement with the statement; 27% were not sure of the situation; 33% disagreed while none were strongly in disagreement with the statement.

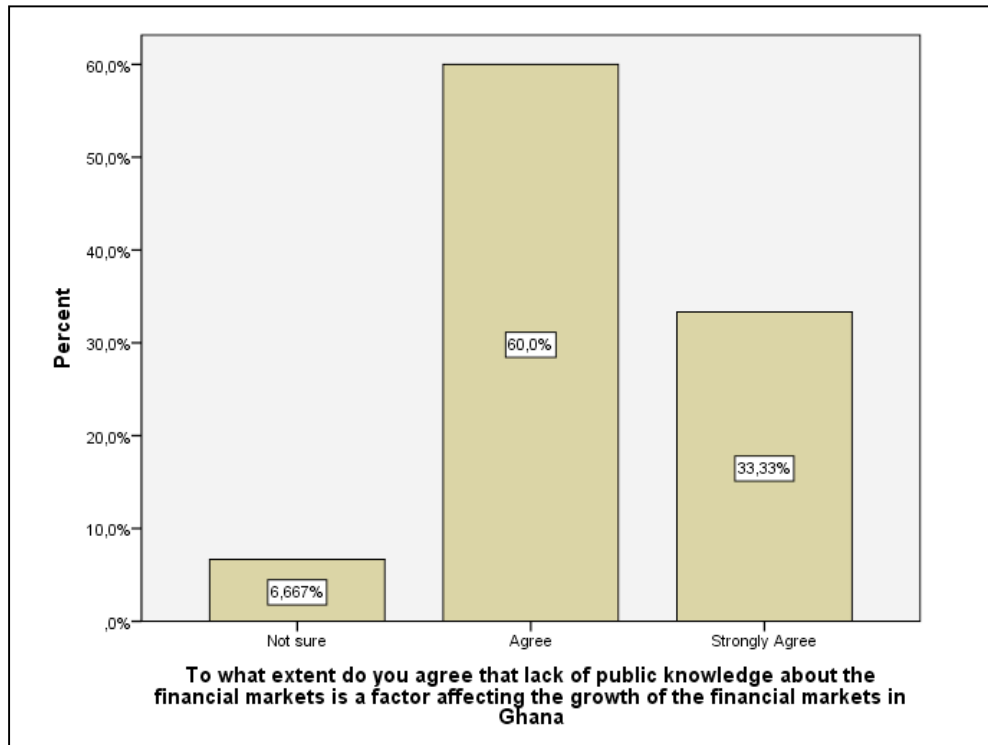


Figure 25. The extent to which respondents agree with the statement that lack of public knowledge about the markets is a factor affecting the growth of the financial market in Ghana.

Figure 25 above describes the extent to which respondents agree with the statement that lack of public knowledge about the markets is a factor affecting the growth of the financial market in Ghana. As shown in the graph, 60% of the respondents agreed with the statement that lack of public knowledge about the markets is a factor affecting the growth of the financial markets in Ghana; 33% were strongly in agreement with the statement; 7% were not sure of the situation; none disagreed nor were none strongly in disagreement with the statement.

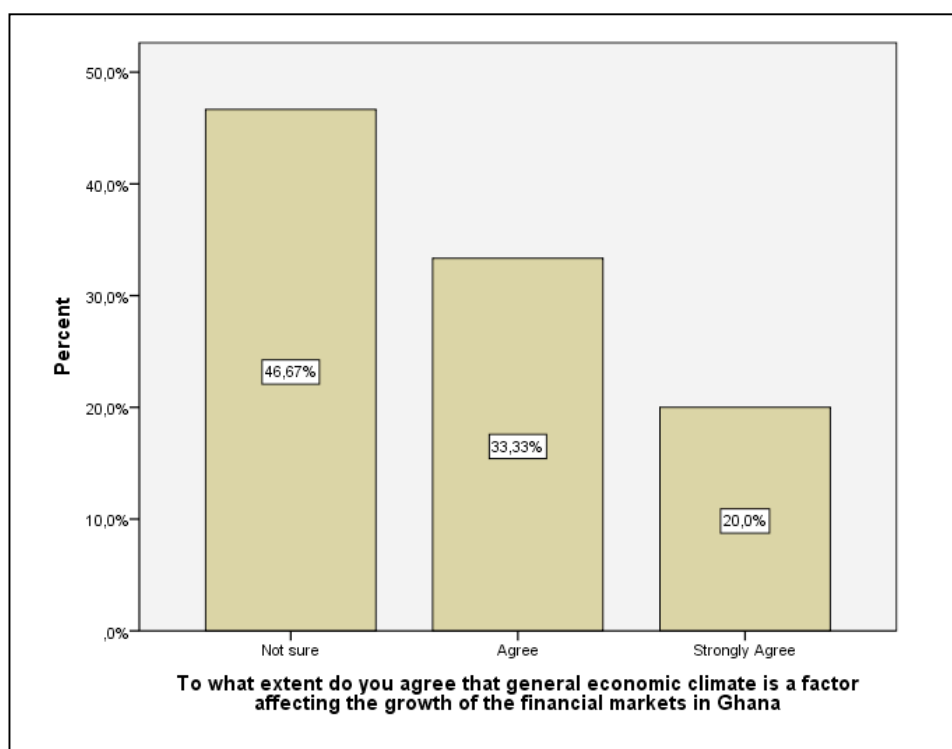


Figure 26. The extent to which respondents agree with the statement that general economic climate is a factor affecting the growth of the financial market in Ghana.

Figure 26 above describes the extent to which respondents agree with the statement that the general economic climate is a factor affecting the growth of the financial market in Ghana. As shown in the graph, 33% of the respondents agreed with the statement that the general economic climate is a factor affecting the growth of the financial market in Ghana; 20% were strongly in agreement with the statement; 47% were not sure of the situation; none disagreed and also were none were strongly in disagreement with the statement.

With the exception of the above factors with which respondents agree to as being the factors affecting the growth of the financial market in Ghana, some other factors like illiteracy and high poverty rate and poor investment culture among Ghanaians were also mentioned or listed as being also a factor affecting the growth of the financial market in Ghana.

4.4 The Dominance of the Money Market over the Capital Market in Ghana

The last research question of the study was to find out whether the money market dominates the capital market in Ghana and if they do, what are the reasons. According to the result of the study, more than 50% of the respondents agree with the statement that the money market dominates the capital market in Ghana (See Appendix III. figure 27).

So what makes the money market dominance over the capital in Ghana? According to the responses from respondents; firstly, is because of the conservative nature of Ghanaians. That is to say that most Ghanaians are in a way afraid to take risks. They like playing safety games and moreover because of the risky nature of the capital market (stocks), majority of Ghanaians gets shun away and rather invest in the money market which is characterise with significant returns, risk – free and a short term duration period.

The second thing to talk about is lack of knowledge about the capital markets. Most Ghanaians do not have much knowledge about the capital markets because of lack of investment education and poor investment culture. These make it very difficult for the public or individuals to go for securities traded in the capital market hence making the money market dominance over the capital market.

Finally, easy accessibility, short term duration and the flexibility of diversified portfolio associated with the money market and also the largely cash driven nature of the Ghanaian economy contributes to the making of the money market attractive to the Ghanaian economy and hence making it dominant over the capital market.

5 SUMMARY OF RESULTS AND CONCLUSIONS

This final chapter summarises the results of the study, draws conclusions and gives policy recommendations and also some recommendations for further studies.

5.1 Summary of Results

The topic of the study is to describe the current situation of the financial markets in Ghana and the aims of the study is to:

- Describe the current situation of the financial market in Ghana.
- Determine whether the financial market in Ghana is performing its role efficiently.
- Determine the factors affecting the growth of the financial market in Ghana and
- Determine the factors that make the money market dominant over the capital market in Ghana.

The above aims lead to research questions and then the designing of questionnaires and finally analysing responses from respondents concerning the research questions.

Firstly, considering the first aim of the study of describing the current situation of the financial market in Ghana, questions were asked about the market situation three years ago and then what the situation is at the moment or currently. From the analysis, it was found that despite the financial crisis three years ago (i.e. 2007 and 2008) the financial market in Ghana were: booming, experiencing growth, they were a great place to invest and investments in the market yielded great re-

turns and moreover there were no sign of the market collapsing (See figure 2, 3, 4, 5 and 6).

So what is the current situation of the financial market in Ghana now or at the moment? From the analysis it was found that the current situation of the financial market in Ghana at the moment can be describe as being stagnant compared to the situation three years ago. That is even though the market is not booming as before or as it was three years ago, it is not collapsing either, neither it is experiencing any significant growth at the moment nor it is attractive for investment to investors and moreover investment in the market cannot be said to yield great returns (See figure 7,8,9,10 and 11).

To continue, the second aim of the study was to determine the efficiency of the financial market in Ghana. According to Gallagher (2003, p. 24): a financial market is said to be efficient if securities traded easily, speedily or quickly and at low cost. Hence any market lacking these qualities is considered inefficient. From the analysis it was found that the financial market in Ghana are inefficient, based on the theory of market efficiency. Securities in the market are not traded easily, quickly and at low cost and moreover market transaction are not completed on time as well as prices of securities do not reflect their value (See figure 12, 13, 14, 15 and 16).

Again, based on the efficiency of the financial market in Ghana and in order to access the efficiency of the market with no biasness, questions were asked about how the financial market is performing it role. This is because how the financial market performs its role as financial market would go a long way to determine how efficient they are. According to Cecchetti (2008), financial markets serve three roles in our economic system; that is firstly, they offer savers and borrowers liquidity; secondly they pool and communicate information and thirdly they allow risk sharing. From the analysis it was found that the financial market in Ghana is performing it roles as a financial market. They offer savers and borrowers liquidity, channel resources to their best possible use, pool and communicate infor-

mation about the markets, serve as a place for transferring risk and to some extent accurately estimate the price of traded securities (See figure 17, 18, 19, 20 and 21).

Furthermore, the third aim of the study was to find the factors affecting the growth of the financial market in Ghana. From the analysis, it was found that the following were the factors affecting the growth of the market in Ghana in which lack of knowledge about the market and illiteracy on the part of investors are the major factors (See figure 22, 23, 24, 25 and 26):

- Lack of public knowledge about the financial market
- Unstable market prices and unpredictability of the market
- Lack of investor confidence
- The general economic climate
- High poverty rate
- Poor investment culture among Ghanaians and
- Poor performance of most listed companies on the market.

Finally, the last aim of the study was to find out the factors that make the money market dominance over the capital market in Ghana. The following were the factors found out to be the reason behind the dominance of the money market over the capital market in Ghana:

- Conservative nature of Ghanaians (i.e. being afraid of taking risk)
- Lack of knowledge about the capital market by the public
- The risk-free nature of the money market
- The cash-driven nature of the economy of Ghana

- The easy accessibility and short-term duration of the money market.

5.2 Conclusions

This paper describes the current situation of the financial market in Ghana using descriptive research methods by employing both qualitative and quantitative research approach by performing interviews and designing questionnaires. The questionnaires were answered by fifteen (15), working at different financial institutions.

The results indicate that the current situation of the financial market in Ghana at the moment can be described as being stagnant compared to the situation three years ago. The market is not booming, neither is it collapsing, it is not experiencing any significant growth and neither is it so attractive for investments.

Again, the results indicate that the financial market in Ghana are not efficient based on the theory of market efficiency even though to some extent it is performing its role as financial market by providing savers and borrowers liquidity, pooling and communicating information about traded securities and channelling resources to their best possible use.

To continue, it was also found out that the general economic climate, unpredictability of the financial market; lack of investor confidence and lack of education and knowledge about the market by the public are the major factors affecting the growth of the financial market in Ghana.

Finally, it was known that the money market dominates the capital market in Ghana because of the conservative nature of Ghanaians that is not willing to take risks, lack of knowledge about the capital market on the part of investors, easy and flexibility nature of the money market and also the cash-driven nature of the Ghanaian economy.

5.3 Policy Recommendations

The following are some policy recommendations that spring from the findings of the study:

1. ***Massive educational and promotional campaign***: the greatest challenge hindering the financial markets in Ghana is lack of education and promotional campaign. The Ghana Stock Exchange (GSE), which is the main controller of the financial markets in Ghana, should come up with a programme of continuous education for investors, intermediaries, issuers and regulators. Doing this would be of extremely important for the growth and development of the financial markets in Ghana and the Ghanaian economy as a whole. Again financial education should be strengthened in high schools and particularly in the universities. This would help inculcate investment attitude and behaviour among Ghanaians in the long run.
2. ***Provision of funds and incentives for market research***: funds and some incentives should be made available to researchers to explore the markets in order to get greater access to quality research on information useful for investment analysis. Doing this would go a long way to make the market more efficient.
3. ***Following prudent macroeconomic policies***: There is need for the Ghana government to follow prudent macroeconomic policies. The high interest and inflation rates, budget deficits, etc., that have become persistent not only create financial instability but also feed uncertainty, which affects market development.
4. ***Sound banking system***: The banking sector is vital to the development of the financial markets. A progressive and sound banking system is required to quicken the growth and development of the financial markets in Ghana.

5. ***Improving the communication infrastructure:*** There is need for the government of Ghana to improve the physical infrastructure, particularly the telecommunication infrastructure, which is the pivot around which business on the financial markets.

5.4 Recommendations for Further Studies

A number of recommendations spring from the study, which would be very helpful for further research in describing the situation of the financial market in Ghana. The recommendations are:

1. ***Investors' involvements:*** In order to get a clear and better description of the markets situation, not only financial analyst should be target as being the studies respondents but also investors as well as shareholders and brokers should be involved in the studies. In this way there would not be only one side of the issue but many, which would lead to a clear and better description of the situation financial market in Ghana.
2. ***Specific description:*** for an in-depth description of the markets, specific description of the various type of market should be made rather than generalizing them and grouping them as one.
3. ***Dividend payment:*** this research didn't give involve description about how dividend is paid and calculated. Therefore it is recommended that for further studies it should be look at and be considered.

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LIST OF APPENDICES

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Appendix II. Questionnaires on the Financial Markets in Ghana

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APPENDIX I

Questionnaire Cover Letter

9th January 2012.

Dear Respondent,

I am a student of Vaasa University of Applied Sciences in Finland and I am carrying out a descriptive research on the topic: '**Describing the current situation of the financial market in Ghana**', as a thesis topic in partial fulfilment of my Bachelor's degree in Business Administration in International Business.

I am therefore craving your indulgence if you could humbly participate in this survey in describing the current situation of the financial market in Ghana. Your participation in this study would help in describing the current financial markets situation in the country and moreover help in the development of financial markets.

This questionnaire is designed to take about 15-20 minutes of your time for completion. All responses will be treated in strictest of confidence and only summarised results will be published. Your time and cooperation is very much appreciated.

Thanks in anticipation of your cooperation; while I look forward to receiving a quick response from you.

Yours Sincerely,

David Dadzisode Mensah

Vaasa University of Applied Sciences

Dept. of Business Economy

Vaasa, Finland

Email: davidmensahd.81@gmail.com

Your time and attention is very much appreciated. All responses will be treated confidentially and only summarized results will be published.

APPENDIX II

Questionnaires on the Financial Market in Ghana**A. PERSONAL PROFILE**

1. What is your gender?

a) Male

b) Female

2. What is the name of the financial company or institution you are working for?

.....

3. What department are you, in the above-mentioned financial company?

.....

4. What is your job title or profession in the above mention department?

.....

5. For how many years now, have you been working for the mentioned company?

	Please tick only
a) 1-5 years	<input type="checkbox"/>
b) 6-10 years	<input type="checkbox"/>
c) 11-15 years	<input type="checkbox"/>
d) 16-20 years	<input type="checkbox"/>
e) Above 20 years	<input type="checkbox"/>

6. For how many years have you been working as (the above-mentioned profession)?

	Please tick only
a) 1-5 years	<input type="checkbox"/>
b) 6-10 years	<input type="checkbox"/>
c) 11-15 years	<input type="checkbox"/>
d) 16-20 years	<input type="checkbox"/>
e) Above 20 years	<input type="checkbox"/>

7. How would you describe your employment status?

- a) Full time
- b) Part time

8. What is your highest level of education?

	Please tick only
a) Elementary school	<input type="checkbox"/>
b) High school	<input type="checkbox"/>
c) College school	<input type="checkbox"/>
d) Graduate school	<input type="checkbox"/>

9. What is your degree level?

	Please tick only
a) High school diploma	<input type="checkbox"/>
b) Bachelor's degree	<input type="checkbox"/>
c) Master's degree	<input type="checkbox"/>
d) Doctorate	<input type="checkbox"/>

10. Your Email Address (in case there is a need to contact you)

.....

B. SURVEY PROPER

11. To what extent do you agree with the following statements in describing the situation of the financial market three years ago in Ghana?

		<Strongly disagree Strongly Agree>				
		Please tick only				
		1	2	3	4	5
a)	The markets were booming	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b)	The markets were experiencing growth	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c)	The markets were collapsing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d)	The market was a great place to invest	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e)	Investments in the markets yielded great returns	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

12. To what extent do you agree with the following statements in describing the current situation of the financial market in Ghana at the moment?

		<Strongly disagree Strongly Agree>				
		Please tick only				
		1	2	3	4	5
a)	The markets are booming	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b)	The markets are experiencing growth	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c)	The markets are collapsing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d)	The markets are a great place to invest	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e)	Investments in the markets yielded great returns	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

13. To what extent do you agree with the following statements in describing the efficiency of the financial market in Ghana?

		<Strongly disagree Strongly Agree>				
		Please tick only				
		1	2	3	4	5
a)	Securities are traded easily	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b)	Securities are traded quickly	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c)	Securities are traded at low cost	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d)	Market transactions are completed on time	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e)	Market price of securities reflects their value	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

14. To what extent do you agree with the following statement in describing how the financial market in Ghana are effectively and efficiently performing their role as financial markets?

		<Strongly disagree Strongly Agree>				
		Please tick only				
		1	2	3	4	5
a)	They offer savers and borrowers liquidity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b)	They channel resources to their best possible use	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c)	They serve as a place for transferring risk	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d)	They pool and communicate information about traded securities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e)	They accurately estimate prices (the value) of traded securities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

15. Is the money market dominance over the capital market in Ghana? (If No, please go to question 17)

a) Yes

b) No

16. If yes, what factors do you think makes the money market dominance over the capital market in Ghana? (Please list)

i).....

ii).....

iii).....

iv).....

v).....

17. To what extent do you agree with the following factors as being the factors affecting the growth of the Financial Market in Ghana?

		<Strongly disagree Strongly Agree>				
		Please tick only				
		1	2	3	4	5
a)	Unstable market prices and unpredictability of the markets	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b)	Poor performance of most listed firms on the market	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c)	Lack of investor confidence	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d)	Lack of public knowledge about the financial markets	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e)	General economic climate (factors)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

f) Others (please specify).....

.....

Thank you very much for your time, responses and your participation

Appendix III

Figures

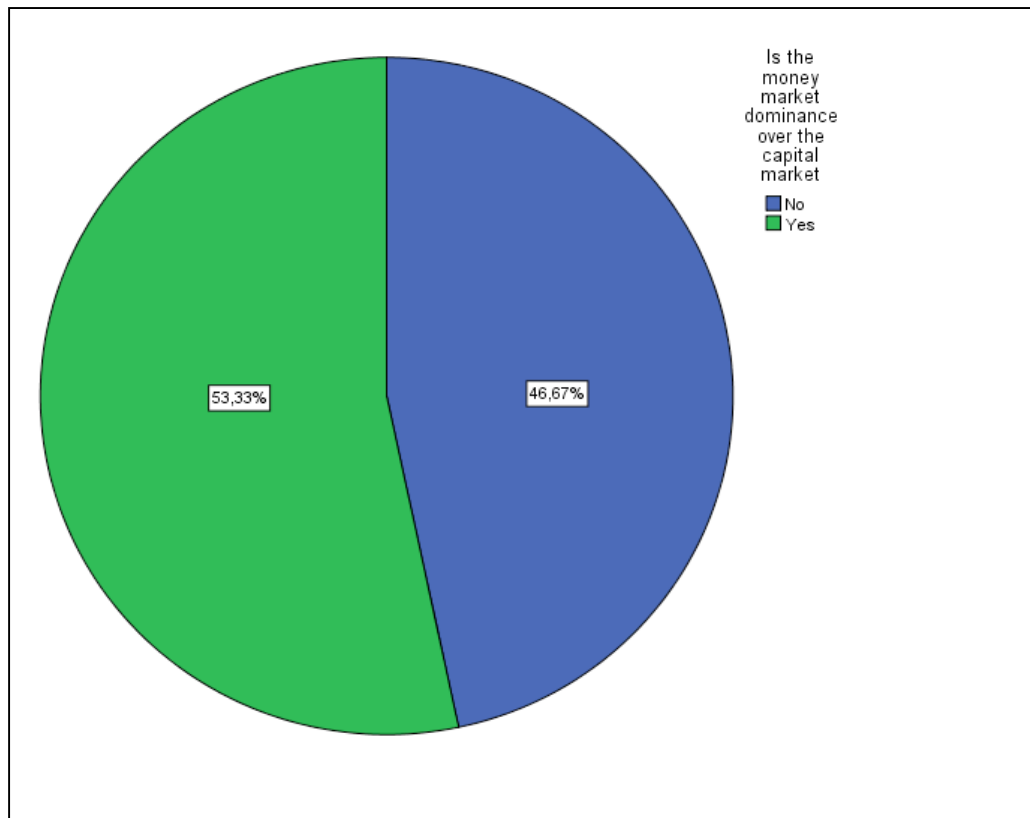


Figure 27. The extent to which respondent's agree with the statement that the money market dominate the capital market in Ghana.

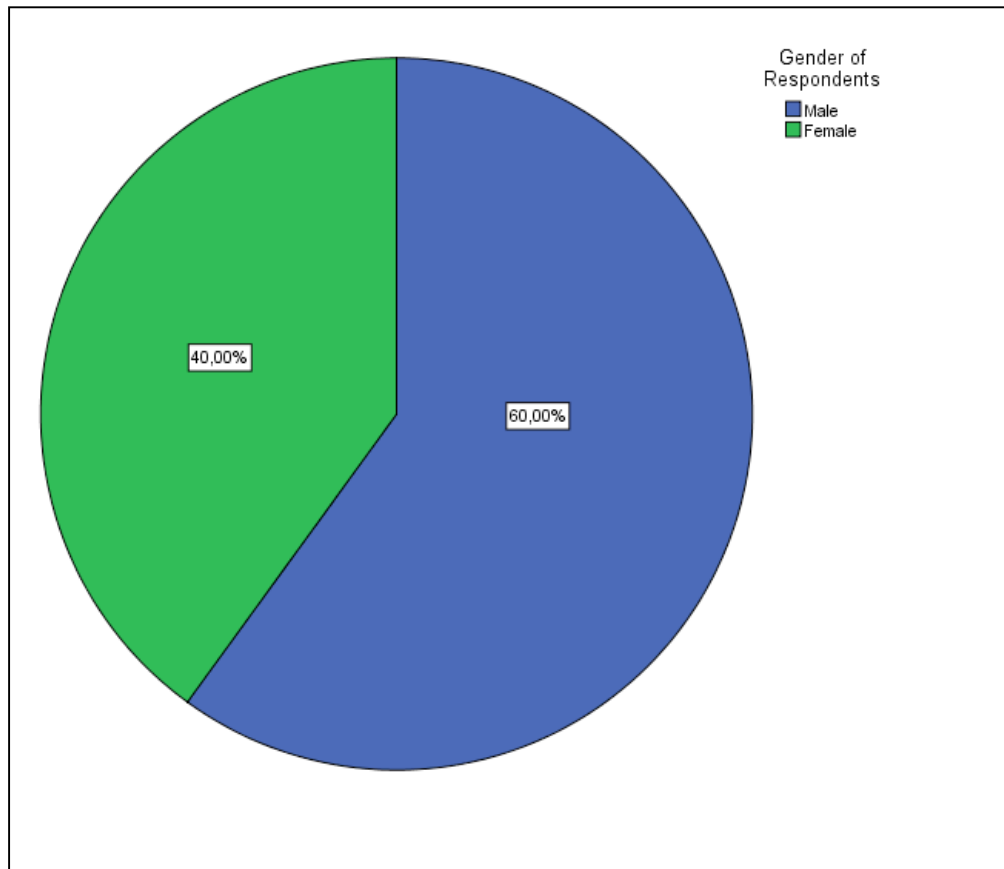


Figure 28. The Gender percentage or ratio of respondent of the study

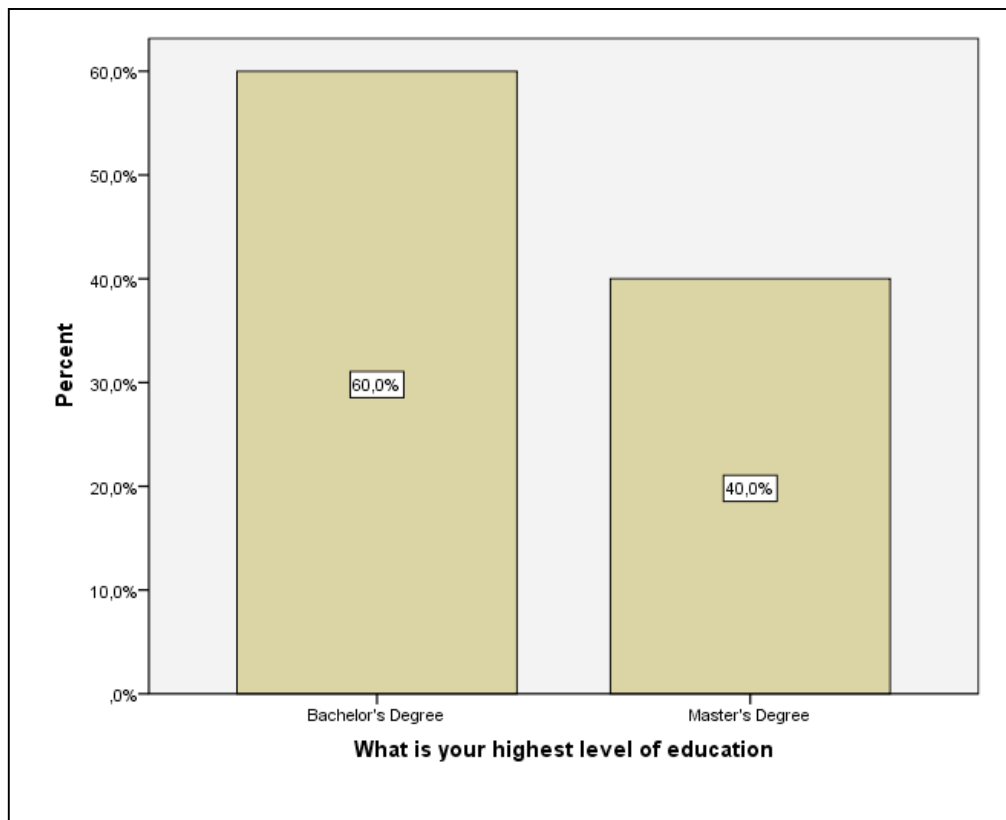


Figure 29. The Educational level of respondents of the study

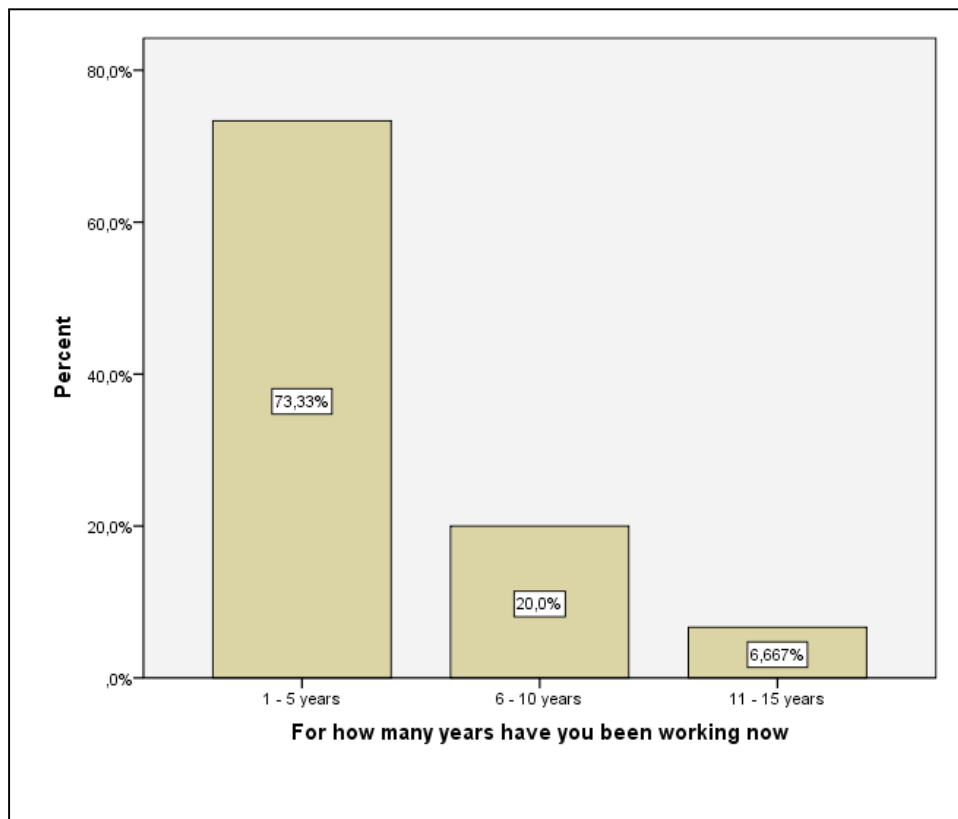


Figure 30. The number of years of work experience of respondents of the study