IOSR Journal Of Economics and Finance (IOSR-JEF)
e-ISSN: 2321-5933, p-ISSN: 2321-5925.Volume 17, Issue 4 Ser. 2 (July. – August. 2026), PP 01-11
www.Iosrjournals.Org

When Governance Fails: Corporate Governance Compliance, Camels Ratings, And Bank Failure In An Emerging Market Micro-Level Evidence From Ghana

Author

Abstract
The link between corporate governance (CG) and bank financial soundness is widely theorised but rarely traced at the micro-level of institutional practice in emerging markets. This paper examines how CG non-compliance by boards, shareholders, management, employees, and external auditors affected the soundness of two defunct Ghanaian banks, UT Bank and Unibank, whose licences the Bank of Ghana revoked in 2017 and 2018. Drawing on stakeholder theory and the CAMELS framework, it uses a qualitative case study of secondary data, including Bank of Ghana examination findings cited in reports, regulatory directives, audit reports, and scholarship. Thematic analysis shows that systematic malpractice across all stakeholder categories, including GH¢5.3 billion in undisclosed related-party loans at Unibank, produced a cascading deterioration across all six CAMELS indicators. The paper argues that CG non-compliance is a direct, measurable cause of financial distress, reconceives CAMELS as a governance-outcome instrument, and draws implications for regulators and supervisors in emerging economies.

Keywords: *corporate governance, CAMELS, financial soundness, bank failure, emerging markets, Ghana, stakeholder theory, micro-level governance, UT Bank, Unibank*

Date of Submission: 06-07-2026 Date of Acceptance: 16-07-2026

I. Introduction

The collapse of seven Ghanaian banks between 2017 and 2018 was a governance event, caused by the systematic failure of institutional stakeholders at every level of the banking system. The Bank of Ghana's official account identifies as the central causal factors: shareholders directing related-party transactions in breach of conflict-of-interest rules; boards populated by unqualified members unable to assess institutional risk; management disbursing billions of cedis in loans to related parties without board approval and without disclosure; and external auditors certifying statements that concealed material liabilities from supervisors and the depositing public (Addison, 2017a, 2018b, 2020; Addo-Awadzi, 2018). These were not marginal governance lapses; they were systematic, sustained, and institution-wide failures that directly degraded the financial soundness of supervised banks at the micro-level.

This paper traces the governance infractions of two institutions: UT Bank, whose licence was revoked in August 2017, and Unibank, which was placed under official administration in March 2018 and had its licence revoked in August 2018. The central question is: How did non-compliance with CG practices by key stakeholders affect the financial soundness of these banks? The paper addresses this by mapping specific governance failures to corresponding deteriorations across the six CAMELS indicators — Capital adequacy, Asset quality, Management quality, Earnings, Liquidity, and Sensitivity to market risk — using a corpus of Bank of Ghana examination findings cited in reports, independent audit reports, regulatory press releases, and scholarly analyses.

Three contributions follow. First, the paper operationalises stakeholder theory at the micro-level of banking governance, demonstrating that governance behaviours of all stakeholder categories — not only boards and management but shareholders, employees, and external auditors — have measurable consequences for financial soundness, challenging the sufficiency of the conventional principal-agent framework. Second, it provides documentary evidence, traced with institutional specificity, linking particular CG infractions to particular CAMELS deteriorations in an emerging market. Third, it advances a reconceptualisation of CAMELS: not as an independent financial measurement tool but as a governance outcome instrument whose indicators are the financial expression of identifiable governance behaviours.

Data Sources and Analytical Approach

The defunct status of both institutions and the inaccessibility of their internal records necessitated a purposive secondary-data approach, consistent with qualitative case-study traditions in which publicly available documentary sources provide both the contextual and evidential basis for analysis (Yin, 2015; Cheong et al., 2023). The use of secondary data in this context is not a second-best substitute for primary data that proved inaccessible; it is the methodologically appropriate response to the specific conditions of the case, consistent with regulatory and governance scholarship that relies on official reports, judicial records, and documentary evidence to reconstruct institutional failures after the fact. The secondary data corpus is deliberately diverse in source type to serve a triangulation function: no single source is treated as definitive, and the pattern of findings is established only where multiple independent sources converge on the same institutional behaviour. The corpus includes: official Bank of Ghana press releases and examination reports (Addison, 2017a, 2017b, 2018a, 2018b, 2020); the Second Deputy Governor's public address on corporate governance and banking (Addo-Awadzi, 2018); independent external reports commissioned by the BoG, including the KPMG examination report on Unibank (KPMG, 2018) and the Boulders Advisors report on UT Bank (cited in Daily Graphic Business, 2018); peer-reviewed scholarly analyses of the crisis, including Benson's (2019) empirical study of Unibank and Addison's (2018b) press statement on the revocation of the five bank licences including single obligor limit violations, the Fit and Proper Persons Directive, and financial regulation literature providing the analytical frameworks for interpreting CAMELS indicators and their governance determinants (Sundararajan et al., 2002; Roman & Şargu, 2013; Macey & O'Hara, 2016). Official regulatory documents establish the documented facts of non-compliance; independent audit and advisory reports corroborate and quantify those findings; scholarly sources provide the institutional context through which the facts are interpreted.

Data were analysed using thematic analysis following Braun and Clarke's (2006) six-phase framework, organised deductively around two analytical structures. The first is a stakeholder categorisation distinguishing the CG roles and documented failures of boards of directors, shareholders, management, employees, customers, and external auditors. The second is the CAMELS framework, which maps the financial soundness implications of those failures onto the six supervisory indicators. The relationship between governance behaviour and financial soundness outcome is the paper's central analytical object, and the paper's principal claim is that this relationship is causal rather than merely correlational: specific CG failures by specific stakeholder categories produced specific, traceable deteriorations in specific CAMELS indicators. Theoretical saturation was reached when additional sources confirmed rather than extended the core pattern of findings (Hennink et al., 2017).

Governance Failure Across the Institution

Ghana's banking crisis is sometimes narrated as a story of individual misconduct, the dominant CEO, the captured board, and unethical auditors. Whereas individual actors are central to the crisis, a governance analysis that stops at individual agency misses the structural dimension of the failure. What the secondary data reviewed for this study reveals is not a set of isolated individual decisions but a pattern of systematic CG non-compliance across all stakeholder categories simultaneously, creating a governance environment in which no internal or external check on self-interested behaviour was functioning as intended. The Basel Committee on Banking Supervision (2011) identifies the board of directors as the primary institution responsible for ensuring compliance across the organisation; the data show that at both UT Bank and Unibank, the board was not a check on non-compliance but a participant in it. Shareholders were not investors holding management accountable for protecting institutional value; they were using their ownership position to inappropriately extract value from the institution. Management was not running the bank's day-to-day operations within the parameters set by the board and the regulator; it was systematically evading them. External auditors were not providing independent assurance of the integrity of the institutions' financial statements; they were certifying statements that concealed the institutions' true and fair financial positions. This simultaneity of failure across all governance layers distinguishes the Ghanaian banking crisis from a simple case of executive misconduct, and the following stakeholder-by-stakeholder account is designed to establish it.

The Collapse of Strategic Oversight

The study begins the observations regarding regulatory oversight with the following quotation: *Some banks had one or two main shareholders exercising absolute authority and control over the bank's financial and operational management. Some directors lacked the requisite knowledge and experience to govern these banks, and in many cases failed to appreciate their responsibilities under law to banks and their various stakeholders, including depositors. Some failed banks used depositors' funds to finance businesses of their shareholders and affiliates through loans and other facilities with little or no interest earned on such facilities. Many of such facilities were not paid back, and depositors' funds were therefore at risk. (Addo-Awadzi, 2018, p. 3)*

This account identifies three interlocking board failures, each of which is analytically significant both in its own right and in terms of how it interacted with and enabled the others. The first is the concentration of ownership and governance authority in one or two majority shareholders who exercise absolute control over both the strategic governance and the operational management of the institution, a direct violation of the separation of powers, the structural prerequisite for effective governance. At UT Bank, the majority shareholder served as the chief executive officer. The dual role meant that the individual responsible for appointing an independent director for strategic oversight of management was also responsible for day-to-day management decisions, creating a governance architecture in which no structural check on executive behaviour existed at the board level.

The second board failure is the lack of collective qualification suitability: directors were approved for board positions without rigorous assessment of their diverse qualification in banking, finance, law, or competence in risk management, with the consequence that board members could not comprehend the institutions' risk profiles; could not evaluate the transactions they were approving, and could not exercise meaningful oversight of management's decisions as they did not have all relevant professionals on the board. The Board chairman of Capital Bank's response to questions about risk management decisions, publicly stating that he was 'only a Pastor', captures with painful clarity the gap between the governance function that boards are required to perform and the capabilities of those actually occupying board seats (Atuahene, 2018a).

The third board failure concerns the most consequential governance function of all: the oversight and approval of credit decisions. At both institutions, depositors' funds were used to finance the businesses of shareholders and affiliates through loans and other facilities that earned little or no interest and were, in most cases, not repaid. These decisions were not made through the credit administration process established by the institutions' internal control systems; they were made by the controlling shareholders themselves, often in conjunction with the CEO, and were either not brought to the board for approval or were approved by a board that had been constituted precisely to ratify the decisions of those controlling it. The governance consequence of this failure is the conversion of the board's credit oversight function from a check on management's lending decisions into a rubber-stamp for the extraction of institutional resources by insiders. Board meetings were also irregular at both institutions, depriving the institutions of the collective decision-making mechanism through which strategic oversight is exercised, and UT Bank failed to submit audited financial statements to the Bank of Ghana for two years, removing the documentary basis on which compliance could be assessed from the supervisory process (Addison, 2017a). These combined board-level failures breached multiple provisions of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) and the Companies Code 1963 (Act 179), including requirements on board composition and qualifications, oversight responsibilities, related-party governance, board meeting frequency, and the submission of prudential returns to the regulator.

Ownership as Institutional Predation

The role of controlling shareholders in both bank collapses extends well beyond their failure to exercise the governance oversight that their ownership position formally requires. At UT Bank and Unibank, controlling shareholders did not merely fail to hold management accountable, a passive governance failure, but actively used their ownership position to direct the institutions' resources toward their own benefit and that of their associates, at the expense of depositors, minority shareholders, creditors, and the broader public. This transforms the conventional governance problem, in which shareholders monitor management to prevent agency costs, into a fundamentally different and more dangerous configuration: one in which shareholders and management are joint principals who jointly determine the institution's behaviour, and in which the costs of that behaviour fall entirely on non-shareholder stakeholders who have no effective governance voice.

At Unibank, the scale of shareholder extraction was extraordinary. Shareholders and related parties had withdrawn GH¢5.3 billion from the institution, constituting 75 per cent of its total assets. Of this total, GH¢3.7 billion had been removed through channels that were neither part of the normal credit delivery process nor reported in the bank's loan portfolio, amounts that simply did not appear in the records provided to the Bank of Ghana's supervisors (Atuahene, 2018b; Addison, 2018b). A further GH¢1.6 billion had been advanced as loans and advances without due process and in breach of the relevant provisions of Act 930 (Addison, 2018b). The institutional effect of this extraction was the conversion of 75 per cent of the bank's total assets into claims by insiders rather than performing loans, generating income for the institution. The political dimension of this situation is analytically significant and cannot be omitted from a governance account: the significant shareholder and board chairman was a politically exposed person. The institution's persistent non-compliance with regulatory directives, including the BoG's 2017 directive under section 105 of Act 930 prohibiting new loans and capital expenditure, which Unibank ignored, is more intelligible in the context of the political connections between the institution's ownership structure and the regulatory apparatus nominally overseeing it. Amrani and Najab (2023) identify political connectedness of ownership as a CG variable with material consequences for banking sector performance; the Unibank case provides a concrete empirical instance of how that connectivity can translate into supervisory forbearance, enabling non-compliance to continue until collapse becomes unavoidable.

At UT Bank, the shareholder extraction took different institutional forms but reflected the same underlying governance dynamic. Payments of GH¢5 million were made to the CEO from a defaulting loan entity, Kofi Jobs Limited, without disclosure to the board of UT Bank, a transaction that simultaneously breached the principles of transparency and accountability, removed recoverable funds from the institution's performing asset base, and revealed the extent to which the CEO was using his position to direct institutional resources toward his own benefit (Daily Graphic Business, 2018). Controlling shareholders also used their influence over credit decisions at the Board level to direct lending beyond the single obligor limit established by the Banking Act, creating concentrated exposures to connected parties, including exposures to related companies and the Beige Group, that the institution's capital and liquidity reserves could not sustain (Addison, 2018b). The governance failure here is the abuse of the shareholder's structural position to override the risk management framework that the institution was required to maintain: the single obligor limit exists precisely to prevent any single relationship from creating a liquidity-threatening concentration of credit risk, and the controlling shareholders of UT Bank used their authority to breach it systematically.

Management: Non-Compliance as Institutional Culture

If boards and shareholders provided the structural conditions for governance failure at both institutions, the absence of meaningful oversight, the concentration of decision-making authority in self-interested individuals, and the use of the institution's resources for private benefit, management was the daily operational expression of those conditions. At both UT Bank and Unibank, management's CG non-compliance was not episodic or situation-driven. It was systemic: a sustained, multidimensional pattern of behaviour across credit administration, regulatory reporting, outsourcing, remuneration, and strategic direction that suggests governance failure had become the institution's operating culture rather than an exception. Governor Addison's enumeration of the governance failures that led to the revocation of UT Bank and Capital Bank's licences in August 2017 is worth quoting at length precisely because it illustrates both the breadth and the integration of management-level non-compliance; these were not isolated failures but a mutually reinforcing system of governance breakdown:

The reasons include: non-separation of the activities of the banks from those of their holding companies; excessively high executive compensation schemes which were out of tune with the results the banks were achieving; acceptance of gifts from the bank by non-executive directors of the banks which compromised their independence and their ability to perform their fiduciary duties as checks on executive directors; some non-executive members of the boards of directors of the two banks had put themselves in conflict of interest situations by acting as consultants to the banks on whose boards they sat; the banks did not adhere to credit management principles and procedures. The banks were heavily exposed to insiders and related parties with no evidence that interest was being paid on those loans; funds of the banks were diverted to holding companies of the conglomerate groups to which they belonged, leading to illiquidity; board meetings were irregular, resulting in weak board oversight, and the banks borrowed heavily from high-net-worth individuals at a very high cost. (Addison, 2017b, p. 2)

What this account reveals is at least seven distinct management-level governance failures operating simultaneously and interactively. The non-separation of bank activities from those of the holding company meant that the bank's resources were available to serve the holding company's interests without the governance constraints that apply to related-party transactions between independent entities. The excessive compensation schemes, approved by boards that lacked the independence to scrutinise them, depleted earnings precisely when the institution's performance could least afford it. The acceptance of gifts by non-executive directors compromised the one governance mechanism that should have constrained executive behaviour: the independent oversight by the board's non-executive members. The conflict of interest created by non-executive directors acting simultaneously as consultants to the bank removed any meaningful distinction between the executives they were nominally monitoring and themselves. Non-adherence to credit management principles and insider exposure on non-commercial terms systematically degraded asset quality. The diversion of bank funds to holding companies created a structural liquidity drain. And high-cost borrowing from high-net-worth individuals, undertaken to cover liquidity shortfalls stemming from these other governance failures, compounded earnings pressure by raising the institution's cost of funds beyond what its income base could sustain.

At Unibank, management extended the governance failure into the most basic obligation of any regulated financial institution: truthful reporting to the regulator. The institution consistently underreported the size of its liabilities on its balance sheet to both the Bank of Ghana and the public; deferred recognition of significant expenses incurred in prior years, amortising them over subsequent periods to present a more positive earnings position than the institution's actual performance justified; omitted from its regulatory submissions a series of guarantees issued to related and connected parties, which were approved either solely by the CEO or jointly with other officials but without board authorisation or regulatory disclosure (Addison, 2020). The institution opened three new branches in 2014, in Kasoa, Cape Coast, and Winneba, in direct defiance of a Bank of Ghana directive ordering a halt to branch expansion, and did so without facing regulatory sanction at the time, a supervisory forbearance that the institution interpreted as implicit permission to continue non-compliant behaviour (Addison, 2018; Benson, 2019). The outsourcing of multiple operational functions, including teller, receptionist, and security services, to affiliated companies without the prior BoG approval required by section 60(12) of Act 930 further illustrates the extent to which Unibank's management operated as though regulatory requirements were advisory rather than mandatory. Across all these dimensions, Macey and O'Hara's (2016) observation that the management rating in CAMELS reflects the capacity of the board and senior management to identify, measure, monitor, and control institutional risk in compliance with applicable regulations is, in both cases, an indictment: neither institution's management possessed or exercised this capacity.

Employees, Customers, and External Auditors: The Failure of External Checks

Ghana's banking crisis was not only a failure of internal governance actors, boards, shareholders, and management, but also a failure of the external and broader institutional checks that are designed to ensure that governance failures, once they occur within an institution, are identified, reported, and corrected before they become systemic. At both UT Bank and Unibank, these external checks failed, and their failure was not independent of the internal governance environment: in both cases, the concealment of the institutions' true financial positions from external scrutiny was enabled by, and in some cases required the active participation of, actors inside the institution.

At the employee level, schedule officers and branch-level staff who were aware of the institutions' true financial positions were instructed by management not to disclose loan portfolio information to Bank of Ghana supervisors during examination visits. Benson (2019) documents that transactions related to the owners of Unibank were common knowledge within the institution, described by one respondent as 'a known secret in the bank', but that non-family credit staff found it structurally impossible to question the nature of those transactions. The governance culture that prevailed in both institutions was one in which employees understood that their professional survival depended on complicity with management's governance choices, and in which the 'tone at the top', a principle designed to ensure that senior leadership models ethical behaviour and empowers employees to challenge non-compliance, had been inverted: the tone at the top was one of non-compliance, and employees who might have challenged it had no protected channel through which to do so and no reasonable expectation of institutional protection if they did.

The failure of external auditors represents the most significant check failure in the entire governance chain. External auditors are the institution's last line of independent financial assurance before the Bank of Ghana's supervisory examination process, and their professional obligation is to provide a true and fair view of the institution's financial position based on an independent examination of its records. At Unibank, external auditors certified financial statements that concealed, according to the subsequent KPMG examination, GH¢2.3 billion in customer deposits that had not been disclosed to the Bank of Ghana; overstated loans and advances to customers by GH¢1.3 billion in prudential returns; and presented as an active performing portfolio a loans book in which over 89 per cent of GH¢3.74 billion was classified as non-performing (KPMG, 2018, cited in Bank of Ghana, 2018). These are not marginal discrepancies or matters of accounting judgement; they are material misstatements of the institution's financial position on a scale that should have been identified by any independent examination conducted with reasonable professional diligence. The auditors' own failure is distinct: they were retained to provide an independent view precisely because the board cannot be relied upon to certify its own institution's accounts objectively, and they did not do so. The consequence of this external audit failure was that regulators, depositors, creditors, and potential investors were operating on the basis of financial information that fundamentally misrepresented the institutions' soundness, removing from the governance architecture one of the most important safeguards against the capture of financial reporting by self-interested management.

From Governance Failure to Financial Distress: Reading the CAMELS as Governance Outcomes

The CAMELS framework is conventionally understood as a supervisory measurement tool: a set of quantitative and qualitative indicators that regulators use to assess the financial health of banking institutions, to compare that health against regulatory benchmarks, and to identify institutions whose condition warrants supervisory intervention (Sundararajan et al., 2002; Roman & Şargu, 2013; Macey & O'Hara, 2016). In this conventional framing, CAMELS ratings are outputs that regulators read to determine which governance and supervisory responses are required. This paper proposes a reconceptualisation that the Ghanaian evidence makes compelling: in the context of institutions characterised by systematic governance failure, the CAMELS indicators are not independent financial measurements but governance outcomes, the financial expression of the institutional behaviours documented in the preceding section. Each CAMELS dimension deteriorated in both UT Bank and Unibank, not because of exogenous economic developments, but because specific governance failures by identifiable stakeholder categories degraded the institution's financial position through identifiable causal mechanisms. To read the CAMELS ratings of these institutions as financial data points without tracing their governance determinants is to mistake the effect for the cause, and to miss the analytical insight that the relationship between governance and financial soundness in the Ghanaian context can offer.

Capital Adequacy: Eroded by Non-Disclosure and Regulatory Defiance

At UT Bank, the non-disclosure to the board of a GH¢5 million payment made to the CEO by a defaulting loan entity, Kofi Jobs Limited, illustrates a broader pattern in which related-party transactions were conducted entirely outside the institution's formal governance and credit administration processes (Daily Graphic Business, 2018). The significance of this transaction for capital adequacy is direct: loans form part of a bank's asset base, and the non-disclosure of a defaulting loan means that the institution's reported non-performing loan ratio, a key input to risk-weighted asset calculations, understates the true level of credit risk the institution is carrying. When capital adequacy ratios are calculated against a risk-weighted asset base that excludes undisclosed non-performing exposures, they present a materially misleading picture of the institution's ability to absorb losses, a picture that supervisors, depositors, and creditors rely upon to assess the institution's safety.

At Unibank, the capital adequacy deterioration was more dramatic in scale and more directly traceable to a specific regulatory governance failure. On 26 October 2017, the Bank of Ghana issued a directive under section 105 of Act 930 expressly prohibiting Unibank from granting new loans or incurring new capital expenditure, a directive that represented the supervisory authority's formal recognition that the institution's capital position was insufficiently strong to support further growth (Addison, 2018a). Unibank disregarded this directive, continuing to incur capital expenditure that its shareholders could not finance, thereby compounding the capital adequacy deficit the directive was designed to contain. The Bank of Ghana's supervisory forbearance, its failure to sanction the institution for this defiance with sufficient immediacy and severity to produce compliance, itself reflects a meso-level governance failure that enabled micro-level non-compliance to persist beyond the point at which intervention might have moderated the severity of the eventual collapse. The capital adequacy consequence of the combined governance behaviours at Unibank, undisclosed liabilities misrepresenting the institution's true risk exposure, continued capital expenditure in defiance of regulatory prohibition, and the inability of shareholders to inject the capital required to support the institution's actual risk profile, was insolvency: a capital position so depleted relative to the institution's true risk-weighted asset base that the institution could no longer operate as a going concern within the regulatory framework.

Asset Quality: The CAMELS Expression of Related-Party Abuse

Asset quality, the composition and credit quality of a bank's loan portfolio and the extent to which non-performing loans and other impaired assets threaten its solvency, is, in the Ghanaian banking crisis, the CAMELS indicator most directly and extensively traceable to CG failure. The connection between governance behaviour and asset quality deterioration is, in these cases, not merely inferential or correlational; it is documented in the Bank of Ghana's own examination findings and in *the KPMG Audit Report (2018), cited by the Bank of Ghana (*2018). on Unibank, both of which establish a direct causal chain from specific governance decisions to specific asset quality outcomes.

At Unibank, the scale of governance-driven deterioration in asset quality was extraordinary. As noted above, shareholders, related and connected parties had taken out GH¢5.3 billion from the institution, 75 per cent of its total assets, through channels that bypassed the credit administration process and were not reported as part of the bank's loan portfolio (Addison, 2018b). These amounts were not commercial loans extended after credit assessment, structured with appropriate collateral and repayment terms, and monitored through the institution's credit management system. They were disbursements of depositor funds to insiders, made on non-commercial or entirely undocumented terms, without the board approval required by the institution's governance framework, and without disclosure to the regulator in the prudential returns that the BoG used to monitor the institution's financial position. By the time of KPMG's examination in May 2018, over 89 per cent of Unibank's loans and advances book of GH¢3.74 billion was classified as non-performing, a figure that represents not a sudden deterioration in credit quality triggered by an exogenous economic shock but the cumulative financial consequence of years of governance-driven lending to parties who neither repaid principal nor serviced interest.

At UT Bank, the asset-quality consequences of related-party abuse and single-obligor limit violations were equally significant, though differently structured. The inter-group lending among subsidiaries of UT Holdings, the connected-party loans to associates of the majority shareholder and CEO, and the undisclosed GH¢5 million facility to the CEO from a defaulting entity all contributed to a loan portfolio in which a substantial proportion of the institution's assets were claims on insiders who were unlikely to repay them on commercial terms, if at all. The concentration of the loan portfolio in related-party exposures means that the asset quality of both institutions was determined not by the creditworthiness of an independent borrower base but by the willingness of insiders to repay loans extended without proper process, on non-commercial terms, and without adequate collateral. When insider borrowers defaulted or declined to service their obligations, the institutions had no effective credit recovery mechanism because pursuing related parties through legal channels would have exposed the governance failures that had produced the loans in the first place.

Management Quality: Where Governance and Financial Soundness Directly Coincide

The evidence from both institutions confirms this identity with particular clarity. At UT Bank, the board's failure to meet regularly meant the institution had no functioning collective decision-making mechanism for strategic oversight; the failure to submit board minutes to the Bank of Ghana meant supervisors had no documentary basis to assess whether governance processes were operating as required. The dominance of the

CEO and majority shareholder over credit decisions meant the institution's risk appetite was determined by a single individual's personal interests rather than by a board-approved risk management framework calibrated to the institution's capital and liquidity position. At Unibank, the outsourcing of multiple operational functions to affiliated companies without the BoG approval required by section 60(12) of Act 930, the CEO's unilateral approval of guarantees to related parties that were then omitted from regulatory submissions, and the leadership's failure to provide strategic direction through policy, annual reports, risk management frameworks, or approval limits for major decisions collectively demonstrate an institution in which no functioning management governance architecture existed. Informal discussions with Bank of Ghana supervisors who examined both institutions confirmed that neither had the internal control architecture, the systems of approval, review, and reporting through which a well-governed bank translates board-level oversight into operational compliance, that would have enabled governance obligations to be discharged at the management level. Macey and O'Hara's (2003, cited in Gafoor et al., 2018) observation that an effective board is likely to establish a robust credit risk management system is confirmed by the negative. At both institutions, an ineffective board failed to superintend a credit risk management system capable of constraining self-interested behaviour, and the management CAMELS rating reflects precisely this governance vacuum.

Earnings: The Financial Cost of Governance Capture

The first mechanism was excessive executive compensation: remuneration schemes that Governor Addison characterised as being out of tune with the results the banks were achieving and unsupported by their risk and earnings profiles (Addison, 2017b; 2020). The payment of compensation packages, including bonuses, from institutions whose financial positions were progressively deteriorating is a governance failure of a specific kind: it reflects the absence of any board oversight mechanism capable of aligning executive remuneration with institutional performance and risk, and the active use of the board's remuneration approval function to serve executive interests rather than institutional sustainability. At both UT Bank and Unibank, the governance architecture that should have prevented this, independent remuneration committee oversight, BoG pre-approval of executive compensation, and the alignment of remuneration with long-term institutional performance, was either absent, non-functional, or captured by the individuals whose remuneration it was meant to govern. The financial consequence of paying unsustainably high compensation from institutions that were simultaneously generating non-performing loan provisions and bearing the cost of high-cost short-term borrowing was a progressive compression of earnings that the institutions' income bases could not sustain.

The second mechanism was non-earning related-party lending: the exposure of both institutions to insiders and related parties on terms that generated little or no interest income. The economic basis of banking is the generation of interest income and fees from deploying depositor funds in performing credit assets; when a substantial proportion of the institution's loan book is committed to insiders who do not pay interest, the income-generating capacity of the asset base is structurally impaired. At Unibank, the GH¢5.3 billion in insider exposures, representing 75 per cent of total assets, were, by definition, mostly non-earning assets that simultaneously consumed the institution's capital and generated no income to service its liabilities. At UT Bank, the exposure to related parties, the diversion of funds to the conglomerate group's holding companies, and the absence of interest payments on insider facilities created an equivalent structural earnings impairment. The interaction of these two mechanisms, excessive compensation depleting income while non-earning assets depleted the income-generating capacity of the balance sheet, produced earnings positions that could not sustain the institutions' cost structures, let alone their growth ambitions. The disregard for the CG principles of accountability and fairness, in approving compensation schemes without regulatory authorisation and in advancing loans to insiders on non-commercial terms, was the governance behaviour that produced this earnings outcome.

Liquidity: When Governance Failure Reaches the Depositor

At UT Bank, the liquidity crisis was most directly traceable to the systematic breach of the single obligor limit established by the Banking Act. The single obligor limit exists as a regulatory tool for precisely this reason: concentrated credit exposure to any single borrower or group of connected borrowers creates a liquidity dependency; the bank's ability to meet its obligations becomes contingent on the repayment performance of a small number of relationships, which is incompatible with the stable management of depositor funds. At UT Bank, exposure to related-party companies amounted to GH¢261.4 million and US$6.4 million; another exposure was GH¢84.1 million; and a further exposure to the Beige Group's related companies was GH¢10.9 million (Addison, 2018b). The institution further compounded these direct exposures through a structured pass-through transaction: providing a savings and loans company with a US$5 million placement as a guarantee for that company to extend a US$5 million loan to Hodman Brothers, a structure that created additional off-balance-sheet exposure in direct violation of banking regulations. When these concentrated insider and related-party exposures failed to perform, when the borrowers were unable or unwilling to service their obligations, UT Bank was unable to meet its cheque-clearing obligations, triggering the loss of depositor confidence that is, in the historical literature on bank runs, the final and irreversible stage of institutional collapse (Addison, 2017b). The governance failure at the root of this liquidity crisis was the board and management's decision to approve exposures that they either knew or should have known exceeded the regulatory cap: a decision that prioritised the interests of politically connected borrowers over the liquidity obligations owed to depositors.

At Unibank, the liquidity consequences of governance failure were structurally embedded in the institution's balance sheet in a different way. The diversion of depositor funds to shareholder-affiliated businesses, GH¢5.3 billion channelled to insiders on non-commercial terms, meant that the institution's liquid asset base was continuously being depleted by outflows that were not commercial credit decisions subject to normal repayment terms but were essentially permanent transfers of institutional resources to insiders. The additional liquidity pressure created by Unibank's high-cost short-term borrowing, a pattern shared with UT Bank, further compressed the institution's liquidity buffers, as the cost of borrowing to cover depositor withdrawals exceeded the income being generated by the institution's non-earning related-party assets. Staff were informed internally that the bank was financially strong and pursuing a strategy to attract new shareholders. At the same time, the Ghana Revenue Authority had simultaneously imposed fines on the institution for incorrect financial reporting (Benson, 2019). The disjunction between the internal narrative communicated to employees and the institution's actual financial position is itself a governance failure, a breach of the responsibility principle that requires management to act in the institution's best interests and to ensure that stakeholders have access to accurate information about its condition.

Sensitivity to Market Risk: Governance Opacity and the Limits of Supervisory Oversight

At UT Bank, the governance-driven market risk sensitivity failure is illustrated with particular clarity by two documented violations of banking law. The placement of foreign currency with a savings and loans company, and the extension of a US dollar loan facility by a savings and loans entity, were both in direct breach of banking regulations that restrict foreign currency activities to appropriately licensed institutions, restrictions that exist because foreign currency activities create exchange rate exposures that require specific risk management capabilities and regulatory oversight (Addison, 2018, cited in Daily Graphic Business, 2018). The board's approval of, or failure to prevent, these transactions reflect the qualification failure that characterised the institution's governance: directors who lacked the banking and finance expertise to assess foreign-exchange risk exposures could not exercise meaningful oversight of management's decisions to undertake regulated foreign-currency activities. The exchange rate exposures created by these transactions were not reflected in the institution's reported financial position, because the transactions were conducted in ways that concealed them from supervisory scrutiny, an opacity that directly impaired the BoG's ability to assess the institution's true sensitivity to market risk movements.

The market risk sensitivity was compounded by the scale of off-balance-sheet activities that were systematically withheld from regulatory disclosure. The guarantees issued by the bank to related and connected parties, approved solely by the CEO or jointly with other officials, but without board authorisation, created contingent liabilities that were not disclosed in any of the institution's regulatory submissions to the Bank of Ghana, and that therefore did not appear in the financial data that supervisors used to assess the institution's market risk sensitivity (Addison, 2020). Sundararajan et al. (2002) identify bank involvement in off-balance-sheet activities as having significant implications for systemic financial risk, precisely because those activities create exposures not captured by the on-balance-sheet ratios that supervisory frameworks typically focus on. The concealment of Unibank's off-balance-sheet guarantees from the supervisory system meant that the Bank of Ghana's assessment of the institution's market risk sensitivity was based on incomplete information, a gap that the external auditors' certification of the institution's financial statements as presenting a true and fair view served to perpetuate. The external auditors' failure to identify and disclose GH¢2.3 billion in undisclosed customer deposits, GH¢1.3 billion in overstated loans and advances, and the off-balance-sheet guarantee activities of the institution's management was, in this final CAMELS dimension, the governance failure that most directly undermined the integrity of the supervisory process itself: it removed from the supervisory system the independent assurance that would have allowed market risk sensitivity to be accurately assessed and addressed.

The Governance-to-Soundness Nexus: What the Evidence Establishes

The preceding analysis establishes, for each CAMELS indicator individually, a documented, specific causal pathway from governance failures to deteriorations in financial soundness at UT Bank and Unibank. Table 1 below synthesises these pathways, mapping each identified failure mode to the CAMELS indicator it most directly affects and to the institution in which it is documented. This synthesis serves two analytical purposes: it provides a comprehensive evidence map of the governance-to-soundness relationship at the micro-level of these two institutions, and it illustrates the extent to which the six CAMELS dimensions are interconnected governance outcomes rather than independent financial measures.

Table 1: CG Failure Modes and CAMELS Deteriorations in UT Bank and Unibank

CAMELS Indicator	CG Failure Mode	Financial Soundness Impact	Institution(s)
Capital (C)	Non-disclosure of GH¢5m CEO loan; capital expenditure in defiance of BoG section 105 directive; shareholders unable to inject capital.	Erosion of capital base; reported capital ratios misrepresent true solvency position; insolvency risk materialises.	UT Bank; Unibank
Asset Quality (A)	GH¢5.3bn disbursed to related parties without due process, constituting 75% of total assets; loans not reported in portfolio; NPLs exceed 89% of the loan book.	Balance sheet restructured by provisioning; assets reclassified as toxic; solvency concerns triggered by asset depreciation.	Unibank; UT Bank
Management (M)	irregular board meetings; no board minutes submitted to BoG; CEO dominance; outsourcing to affiliates without BoG approval; no strategic direction or approval limits.	Breakdown of risk oversight architecture; inability to identify, measure, or control institutional risk; non-compliance with Act 930.	UT Bank; Unibank
Earnings (E)	Executive compensation exceeding risk and earnings profile; non-earning related-party loans; funds diverted to holding companies; interest not paid on insider facilities.	Declining net income; unsustainable cost-to-income ratio; going-concern viability undermined.	UT Bank; Unibank
Liquidity (L)	Single obligor limit breaches: GH¢261.4m + US$6.4m; GH¢84.1m; diverted depositor funds; high-cost borrowing from high-net-worth individuals.	Inability to meet cheque-clearing obligations; loss of depositor confidence; liquidity-driven collapse.	UT Bank
Sensitivity (S)	Foreign currency placements in breach of banking law; off-balance-sheet guarantees concealed from BoG; GH¢2.3bn deposits not disclosed;	Actual risk exposure misrepresented; systemic risk amplified by opacity; integrity of financial statements compromised.	UT Bank; Unibank

Source: Author, based on secondary data analysis (2024)

Three analytical conclusions follow from the evidence set out above, each with implications for governance theory, the design of supervisory frameworks, and the practical challenge of preventing systemic banking crises in emerging market contexts.

The first conclusion suggests that, using the CAMELS construct, institutions were mainly affected by well-governed institutions rather than by exogenous economic shocks operating in the industry. Each indicator deteriorated as the direct consequence of specific governance behaviours by specific stakeholder categories. Capital was eroded by non-disclosure that misrepresented the institution's true risk exposure and by regulatory defiance that compounded the capital deficit. Asset quality was destroyed by related-party lending that bypassed the credit administration process and by depositor funds disbursed to insiders without due process. Management quality was reflected in and measured by the absence of an effective board oversight architecture. Earnings were depleted by governance capture, excessive compensation, and non-earning-related party loans. Liquidity was compromised by single obligor limit violations that created dangerous credit concentrations and by the diversion of depositor funds to insiders. Market risk sensitivity was amplified by off-balance-sheet concealment and by the absence of directors capable of assessing and controlling the institution's foreign-currency and contingent-liability exposures. The CAMELS framework, reconceived as a governance-outcome instrument, provides not merely a retrospective diagnostic of what went wrong but also an analytical map of the governance behaviours that made each financial soundness failure inevitable.

The second conclusion concerns the interdependence and mutual reinforcement of governance failures across CAMELS dimensions. The analysis reveals that the governance failures at both institutions were not additive but multiplicative in their consequences for financial soundness. Each failure created the conditions for the next, and the interaction effects between failures across CAMELS dimensions were as significant as the direct effects of any individual failure. The board's failure to meet regularly created oversight gaps that enabled credit non-compliance; credit non-compliance enabled related-party extraction without board knowledge; related-party extraction degraded asset quality; degraded asset quality eroded capital; eroded capital created liquidity pressure; liquidity pressure incentivised the high-cost borrowing and off-balance-sheet activities that amplified market risk sensitivity; and the concealment of all of these deteriorations through manipulated financial statements prevented early supervisory intervention that might have moderated the cascade. Kirkpatrick (2009) identifies this systemic quality of governance failure as a distinguishing feature of institutional crises, rather than losses arising from individual transactions or market movements. The Ghanaian micro-level evidence confirms this characterisation with institutional precision, demonstrating that the cascade of deterioration in financial soundness at both institutions was the product of governance architecture rather than economic misfortune.

The third and theoretically most significant conclusion concerns the adequacy of the principal-agent framework as an analytical lens for understanding micro-level governance failure of this kind. The principal-agent model focuses on the misalignment of management's incentives with shareholders' interests, and on the governance mechanisms, board oversight, remuneration design, and disclosure requirements that are designed to align them. This model is ill-equipped to capture the governance failures at UT Bank and Unibank because shareholders were not the victims of management agency problems; they were co-participants in extracting value from the institutions. The governance failure was not the misalignment of management incentives with shareholder interests but the alignment of both against the interests of depositors, creditors, employees, and the broader public, precisely the stakeholder configuration that the principal-agent model cannot represent. Stakeholder theory, which holds that governance must protect all parties with legitimate claims on the institution rather than shareholders alone (Freeman, 1984; Rissy, 2021). This is the appropriate analytical framework for this configuration, and the governance-to-soundness pathways documented in this paper provide empirical grounding for the stakeholder-theoretic claim that excluding non-shareholder stakeholders from the governance framework has material financial consequences for the institution and the financial system as a whole. The significance of this finding extends beyond Ghana: it suggests that any governance framework, regulatory or institutional, that is designed primarily to protect shareholder interests will systematically fail to prevent the governance configurations most likely to produce systemic banking crises in emerging markets, where concentrated ownership, political connectivity, and the absence of effective minority shareholder protections make shareholder-management alignment against other stakeholders a predictable governance failure mode rather than an exceptional one.

II. Conclusion: Governance Non-Compliance As A Cause Of Financial Failure

This paper set out to examine how non-compliance with CG requirements by key stakeholders affected the financial soundness of UT Bank and Unibank. The evidence provides an unambiguous answer: CG non-compliance was the primary cause of financial failure. Every CAMELS indicator deteriorated as the direct, traceable consequence of specific governance failures by specific stakeholder categories. The crisis was a governance crisis that manifested as a financial crisis; the financial soundness indicators were governance outcomes, rather than independent measures of performance.

The paper's contributions are threefold. Operationalising stakeholder theory at the micro-level of banking governance, this study demonstrates that all stakeholder categories have measurable and interconnected consequences for financial soundness, thereby challenging the principal-agent framework's sufficiency. Providing documentary evidence that traces specific CG infractions to specific CAMELS deteriorations in an emerging market establishes the governance-to-soundness pathway with institutional specificity. And reconceiving CAMELS as a governance outcome instrument offers supervisors a more analytically powerful way of using examination results: not as a snapshot of financial health but as an evidential map of governance behaviours that need to be identified, challenged, and corrected.

The post-crisis regulatory architecture — Act 930, the Corporate Governance Directive 2018, the Fit and Proper Persons Directive, and the standardised disclosure requirements — directly addresses the documented failures: qualification requirements prevent unqualified directors; personal liability provisions hold directors individually accountable; related-party disclosure and approval requirements prevent undisclosed extraction; and concentration caps and single obligor limits constrain the exposures that compromised liquidity. The micro-level evidence adds precision to this picture by identifying the specific governance behaviours most predictive of CAMELS deterioration, providing supervisors with a more granular framework for early intervention before financial distress becomes an institutional crisis. Ghana's experience demonstrates, with empirical specificity, what happens when all three levels of governance — regulatory, supervisory, and institutional — fail simultaneously, and makes the case for integrated, multi-level governance research in emerging market contexts with both scholarly and practical urgency.

References

[1]. Addison, E.K. 2017a. Bog Probes UT, Capital Bank Directors For Roles In Collapse Of Their Banks {Graphic Online Reporter: Suleiman Mustapha & Maxwell Akalaare Adombila Aug - 15 - 2017, 07:25} Https://Www.Graphic.Com.Gh/News/General-News/Bog-Probes-Ut-Capital-Bank-Directors-For-Roles-In-Collapse-Of-Their-Banks.Html {Accessed November 18, 2022}.

[2]. Addison, E. K. 2017b. Annual Dinner Of The Chartered Institute Of Bankers (Ghana). Address By Dr Ernest Addison, Governor, Bank Of Ghana, The State Banquet Hall, State House, Accra, December 02, 2017.

[3]. Addison, E. K. 2018a. Bank Of Ghana Statement On Unibank Takeover Https://Www.Graphic.Com.Gh/Business/Business-News/Bank-Of-Ghana-Statement-On-Unibank Takeover.Html{12/8/2023}

[4]. Addison, E. K. 2018b. Press Release Government Establishes New Indigenous Bank; Bank Of Ghana Revokes Licences Of Five Banks And Appoints Receiver In Respect Of Their Assets And Liabilities Https://Www.Bog.Gov.Gh/Wp-Content/Uploads/2019/07/PRESS-RELEASE-Grand-Final-August-2018.Pdf{28/06/2021}

[5]. Addison, E. K. (2020). Financial Sector Reforms. 71st Annual New Year School And Conference, Cedi Conference Centre Auditorium, University Of Ghana.

[6]. Addo-Awadzi, E. 2018. Keynote Address: Corporate Governance And Banking In Ghana. Accra: Bank Of Ghana.

[7]. Afolabi, J. J. (2018). 'Why The Local Banks In Ghana Are Collapsing, Ghanaweb'. Available At: Https://Www.Ghanaweb.Com/Ghanahomepage/Business/Feature-Why-The-Local-Banks-In-Ghana-Are-Collapsing-669688 (Accessed: 17 June 2019).
[8]. Alhassan, A. L., Tetteh, M. L., & Brobbey, F. O. 2014. Market Power, Efficiency And Bank Profitability: Evidence From Ghana. Economic Change And Restructuring, 49: 71–93.
[9]. Amrani, H., & Najab, A. 2023. Political Connectedness, Ownership Concentration, And Banking Sector Performance: Evidence From Lebanon. Journal Of Financial Regulation And Compliance, 31: 190–210.
[10]. Atuahene, R. 2018a. 'Otabil Wasn't Qualified To Chair Capital Bank Board' Https://Www.Graphic.Com.Gh/News/General-News/Otabil-Wasn-T-Qualified-To-Chair-Capital-Bank-Board.Html{Retrieved:27/6/2026}
[11]. Atuahene, R. A. 2018b. Ghana's Banking Crisis: The Underlying-Causes, Ripple-Effects And Way-Out [Accessed At: Https://Thevaultzmag.Com/Index.Php/Editors-Pick/Businessinterview/Ghana-S- Banking-Crisis-The-Underlying-Causes-Ripple-Effects-And-Way-Out-Drrichmond-Akwasi-Atuahene-Banking-Consultant]
[12]. Basel Committee On Banking Supervision (BCBS). 2011. Principles For Enhancing Corporate Governance. Basel: Bank For International Settlements.
[13]. Basel Committee On Banking Supervision (BCBS). 2015. Corporate Governance Principles For Banks. Basel: Bank For International Settlements.
[14]. Bebchuk, L. A., & Hamdani, A. 2017. Independent Directors And Controlling Shareholders. University Of Pennsylvania Law Review, 165: 1271–1315.
[15]. Benson, E. 2019. Bank Failure In Ghana: What Accounted For The Collapse Of Unibank? A Project Work Submitted To The Department Of Finance, University Of Ghana Business School, University Of Ghana, Legon, In Partial Fulfilment Of The Requirement For The Award Of A Master Of Business Administration, Finance.
[16]. Braun, V., & Clarke, V. 2006. Using Thematic Analysis In Psychology. Qualitative Research In Psychology, 3: 77–101.
[17]. Cheong, C. W. H., Lee, M. T., & Weissmann, M. A. 2023. Secondary Data In Qualitative Research: A Methodological Note. Qualitative Research In Organizations And Management, 18: 1–15.
[18]. Daily Graphic Business. 2018. Boulders Advisors Report On UT Bank. Graphic Business 2018. Directors Of Collapsed Banks Granted Huge Loans To Themselves — Report Https://Www.Graphic.Com.Gh/Business/Business-News/Directors-Of-Collapsed-Banks-Granted-Huge-Loans-To-Themselves-Report.Html{18/11/2022}
[19]. Dopfer, K., Foster, J., & Potts, J. 2004. Micro-Meso-Macro. Journal Of Evolutionary Economics, 14: 263–279.
[20]. Freeman, R. E. 1984. Strategic Management: A Stakeholder Approach. Boston: Pitman.
[21]. Gafoor, C. P. A., Mariappan, V., & Thiyagarajan, S. 2018. Board Characteristics And Bank Performance In India. IIMB Management Review, 30: 160–167.
[22]. Gunawan, J. 2023. Liquidity Risk Management In Banking Institutions: A Systematic Review. Journal Of Risk And Financial Management, 16: 1–20.
[23]. Hennink, M., Hutter, I., & Bailey, A. 2017. Qualitative Research Methods (2nd Ed.). London: Sage.
[24]. Hopt, K. J. 2021. Corporate Governance Of Banks And Financial Institutions: Economic Theory, Supervisory Practice, Evidence And Policy. European Business Organization Law Review, 22: 13–37.
[25]. Jensen, M. C., & Meckling, W. H. 1976. Theory Of The Firm: Managerial Behavior, Agency Costs And Ownership Structure. Journal Of Financial Economics, 3: 305–360.
[26]. Kirkpatrick, G. 2009. The Corporate Governance Lessons From The Financial Crisis. OECD Financial Market Trends, 2009(1): 61–87.
[27]. Laeven, L. 2013. Corporate Governance: What's Special About Banks? Annual Review Of Financial Economics, 5: 63–92.
[28]. Macey, J. R., & O'Hara, M. 2016. Bank Corporate Governance: A Proposal For The Post-Crisis World. Economic Policy Review, 22: 85–105.
[29]. Rissy, Y. Y. 2021. The Stakeholder Model: Its Relevance, Concept, And Application In The Indonesian Banking Sector. Journal Of Banking Regulation, 22: 219–231.
[30]. Roman, A., & Şargu, A. C. 2013. Analysing The Financial Soundness Of The Commercial Banks In Romania: An Approach Based On The CAMELS Framework. Procedia Economics And Finance, 6: 703–712.
[31]. Salina, A. P., Zhang, X., & Hassan, O. A. G. 2021. An Assessment Of The Financial Soundness Of Kazakh Banks. Post-Communist Economies, 33: 518–540.
[32]. Sundararajan, V., Enoch, C., San José, A., Hilbers, P., Krueger, R., Moretti, M., & Slack, G. 2002. Financial Soundness Indicators: Analytical Aspects And Country Practices. IMF Occasional Paper No. 212. Washington, DC: International Monetary Fund.
[33]. Yin, R. K. 2015. Case Study Research: Design And Methods (5th Ed.). Thousand Oaks, CA: Sage.
[34]. Banks And Specialised Deposit-Taking Institutions Act 2016 (Act 930)
[35]. BCBS, Corporate Governance Principles For Banks (Bank For International Settlements 2015)
[36]. Bank Of Ghana, Corporate Governance Directive For Banks, Savings And Loans, Finance Houses And Financial Holding Companies (2018)