

THE EFFECT OF TOP MANAGEMENT TEAM'S SOCIAL CAPITAL ON BANK PERFORMANCE IN GHANA: THE ROLE OF LIQUIDITY AND TRUST.

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Abstract

The recent banking crisis in Ghana has generated a lot of debate on liquidity of banks as well as the competency of bank management team. Connecting trust to the stability of the banking system is now an issue in Ghana, which is subject to several debates and fora after the financial crises. Finding a permanent solution to the trust problem in the banking system has been a major concern to top management since it affects the behavior of customers. The study evaluated the effect of the top management team's social capital on bank performance, the mediating role of liquidity in the relationship between a top management team's social capital and bank performance, as well as the moderating role of management commitment in the relationship between the top management team's social capital and liquidity. A sample of four hundred and thirty (430) respondents were targeted for the study where top management personnel from commercial banks in Accra were drawn using a purposive sampling method. The study followed a mixed methods approach. The study focused on three dimensions of social capital, namely network intensity, trust and collaboration. The findings showed that network intensity, trust and liquidity positively influence bank performance, while liquidity did not mediate the positive relationship between social capital and bank performance. In addition, the study found that management commitment moderates the relationship between network intensity, trust and bank performance. The findings of the study have significant implications for the banking sector, investors, policy makers and other stakeholders due to the importance of the success of the banking sector to the economy of Ghana. The relationship between network intensity and bank performance is an indication that intensity in social connections by management facilitates the development and adoption of collective solutions to industry challenges, which in turn help in improving business performance among network members. It is recommended that proper management of bank liquidity is not only desirable but a necessity for banks if they are to safeguard their performance and survival.

Keywords: social capital, network intensity, trust, collaboration, liquidity and bank performance.