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Unlocking the Black Box of Financial Innovation: A Case Study of Banking Institutions in the Eastern Region of Ghana

Doreen Adu¹, Francis Sarkodie-Addo^{1*}

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ABSTRACT

Ghanaian business owners and clients are of the view that the use of innovation, especially technology could influence the growth of financial institutions in Ghana, and one of the key focus of the study has been how the use of innovation could serve as a means to ensure business sustainability. Interestingly, most qualitative respondents concurred the use of innovation as a means to ensure business sustainability. The study, “Unlocking the Black Box of Financial Innovation: A Case Study of Banking Institutions in the Eastern Region of Ghana” could help identify action plans through existing frameworks to optimize performance among financial institutions in the Eastern Region of Ghana. The study is based on secondary data sources with qualitative research, observing and describing events as they occur, with the goal of capturing all of the richness of everyday behavior. The intricacies of financial innovation remain shrouded in mystery, with limited understanding of its drivers, mechanisms, and risk management strategies, a knowledge gap that hinders policymakers, regulators, and industry stakeholders from optimizing financial innovation’s potentials. The study establishes the following key findings: 1). Majority of customers and clients of financial services are of the view that technology influences the growth of institutions in Ghana. 2). Innovativeness has led to improvement of the financial services and improved payment systems 3). The fear of unknown and lack of awareness creation are the key triggers of resistance to innovativeness in organization. The study provided the following as key recommendations: Business leaders should see innovation as the key element to reach customer satisfaction, Organizations should focus on products, types of product, stages and features and also pay more attention on the role it plays in realizing competitive advantage, Banking institutions should consider speed and simplicity as their priorities, leading to the focus on clients in their operations to ensure they are maintained, Financial institutions should have policies that seek to reward Innovation ideas at every level to encourage employees to come up with new ideas all the time, Business leaders should forge strategies including stakeholder-engagement, brainstorming and awareness creation, and idea cascaded down to get others behind a change. The study argues that within the context of the rapidly changing operating environment, simplification, stringent risk management, and innovative mindset should be considered as tools for adaptive capabilities.

INTRODUCTION

Background of the Study

Financial innovation has transformed many businesses in Ghana, particularly the banking landscape. The rapid adoption of digital technologies and innovative financial products have improved financial inclusion, reduced transaction costs, and enhanced customer experience, especially speed of delivery and quality of products. Agreeing with the position of Zhang *et al.* (2023) who indicates that Financial Technology (Fintech), including Peer-to Peer (P2P) lending, can enhance financial inclusion by breaking down banking services, directing capital to core functions, and delivering services digitally. In the view of the researchers, this seeks to ensure greater access to funds for the wider population. The researchers in their view argue that peer-to-peer (P2P) lending platforms can enhance financial inclusion by offering an alternative to traditional financial institutions, particularly those in the rural communities with fewer bank branches and urban areas with limited access to fringe banking

services. However, the intricacies of financial innovation remain shrouded in mystery, with limited understanding of its drivers, mechanisms, and risk management strategies. This knowledge gap hinders policymakers, regulators, and industry stakeholders from optimizing financial innovation’s potentials. This could mean that financial management firms should have some links in the market economic system to ensure sustainability of these firms.

Based on the above, Bisultanova *et al.* (2019) argue that the task of every company is the planning and the judicious use of its financial resources in order to improve its creditworthiness and stability in the market. The development of every financial institution which includes banking sector is hinged on innovation and technology, with more granular dimensions on the economies where financial market is not strongly developed, such as African and other underdeveloped world. Though performance of financial institutions in Africa have not been encouraging enough, it is believed that innovativeness

¹ Relationship Manager, Zenith Bank Ghana, Ghana

² Accra Institute of Technology (AiT), Ghana

* Corresponding author’s e-mail: francissar582@gmail.com

could serve as a strong strategy to improve performance within the African states. This should base on empirical findings which are less ambiguous giving their conditions in the financial markets. With this background, it is clear that banks would play a significant role in the economic development of every country in Africa including Ghana. Defining what economists mean by innovation, the researcher seeks to focus on the two main types of innovation which are “product and process”.

The term innovation is seen as the single most important capability for organizations and individuals all over the world. In financial services, the development and applications of modern technologies are steadily transforming the way banks do business and deliver services to their clients. The study “Unlocking the Black Box of Financial Innovation: A Case Study of Banking Institutions in the Eastern Region of Ghana” argues that within the context of the rapidly changing business environment, simplification, stringent risk management, and innovative mindset should be considered as a tool for adaptive capabilities. Agreeing with Anderson *et al.* (2014) who argue that “an innovative mind-set enables proactive approaches, foster collaboration, and facilitates flexibility, resilience, and agility”. As a powerful tool for adaptive capabilities, it allows individuals and organizations to thrive in a dynamic environment, anticipate challenges, and capitalize on opportunities.

Research Questions

The research questions that specifically buttress the main objective are as follow

- What are the effects of innovation on the Banking Sector in Ghana?
- What are the key forms of resistance to innovativeness in financial institutions in Ghana?
- What are the key triggers of resistance to innovativeness in financial organizations in Ghana?

Primary Objective

The study seeks to assess how innovation practices influence performance of the Banking sector in Ghana using Eastern Region of Ghana as a case study

Specific Objectives

The specific objectives of the study include to:

- To examine the effects of innovation on Banking Sector in Ghana.
- To examine different forms of resistances to innovativeness in financial institution.
- To analyze the key triggers of resistance to innovative mind-set in the financial organisations.

In furtherance to the above, the study leads to the development of recommendation for policy makers; guidelines to encourage business incubation and acceleration in Ghana

Scope and Significant of the Study

This study covers the Eastern Region of Ghana,

targeting banks and other financial institutions such as microfinance, insurance and other SMEs with research product that seeks to enhance service efficiency. The study suggests that there is lack of innovativeness in financial businesses, which in a nutshell contributes to negative performance of many institutions in Ghana. The inefficiency in these institutions negate the reluctances on the part of Ghanaians to deposit in banks, exhibited among individuals Ghanaians and beyond. The research topic; “Unpacking the Black Box of Financial Innovation: A Comparative Study of Banking Institution in Ghana” is critical as the phenomena of lack of innovation in most financial institution has become awkward to the extent that researchers must be encouraged to make conscious effort to resolve it now and beyond.

LITERATURE REVIEW

The study hinged on growth mind-set theory developed by Dweck C. S., (2006), an important theory that postulates that individual’s ability and intelligence can be developed through dedication, hardworking, and persistence. The theory emphasizes the importance of growth mind-set in fostering innovation, learning, and personal growth among others. The key components of the theory include growth orientation, learning from failure, persistence, feedback and continuous learning. The theory has both strengths and weaknesses that require critical attention. Its strength includes resilience, encouragement, fostering of innovation, promoting adaptability, and enhancing motivation. While its weaknesses focus on overemphasis on individual effort, potential for burning, difficulty in measuring progress. By understanding and applying the growth mind-set theory, individuals and policy makers as well as organizations can be effectively and contextually, promoting growth, innovativeness, and development, particularly within the Eastern Region of Ghana.

Forms of Innovation and Degree of Novelty

The following are the forms of innovation that the study concentrated on: product innovation, Process innovation; innovation in payment system, innovation effects on the Banking sector in Europe, innovation effects on the Banking sector in Asia etc.

Product Innovation

Brigham and Houston (2009) write on the Fundamentals of Financial Management 12th Edition. The study explains that an enterprise system such as that of many countries as well as the United States has the primary goal to help managers maximize their firms’ values, subject to constraints such as not polluting the environment, not engaging in unfair labor practices, and not engaging in antitrust activities. Discussing the concept of valuation, the study attempts to explain how it depends on future cash flows and risk, and show why value maximization is good for humanity in general. Considering the major types of financial markets, the returns that investors have earned and the risks inherent in different types of

securities. The study emphasizes that such knowledge as well as information in relation to fundamentals of financial management is key for anyone working in finance as well as anyone who has or hopes to own financial assets.

Brigham and Huston focus on the 2008 financial crisis which affected many developed and developing countries. An experience of market meltdown which impacted negatively on stock market and declined stock price by 50%; ripping out trillions of dollars of savings. The percentage of losses had on sick joke, known as “401(k) retirement plan becoming 201 (k) plans the impacts includes the return of retirees going back to work, housing construction ceased, and even have prices being plunged by 20% nationwide and by as much as 50% in some part of the country, including the seriousness of ripping out 3 trillions of dollar savings. The situation worsened to extent that even homeowners realized that their mortgage was exceeding the values of their homes; leading to defaults and foreclosures.

Many banks could not cope with the situation as they were overly burdened with huge losses and bankruptcies, restructuring and massive layout. Based on all the above challenges the researcher concludes with two level findings:

- The fundamental concepts of finance are unchanged and that all the concepts are applicable.
- The problem of 2008 resulted largely because businesses, individuals, and government officials did not pay sufficient attention to the basic principles of finance. It could be agreed that the fundamental concepts of finance are unchanged and that all the concepts are applicable though, the statement holds only when all things being equal. This is because we live in a dynamic world where conditions and situations cannot be permanent. The dynamics in these social media days are such that solutions that could solve ancient problems may not be appropriate for the today world; siding with Corral *et al.* (2015)’s expression that the obstacles to African agrarian development never stay the same. The assertion buttresses a popular African slogan, which states that “no condition is permanent”. The world dynamism calls for innovations and technology or way to match business situations at all times.

Process Innovation

Reguia (2006), writes on Product Innovation and the Competitive Advantage. The study consider innovation as one of the success features in the economic companies, and should be considered as the key element to reach customer satisfaction and also realize their desires. Reguia (2006), defines innovation as a new idea implemented to realize the competitive advantage to the companies, at the time when they have had similar opportunities to present their products with low costs. The researcher through the study highlighted innovation, by focusing on products, types, stages and features and paying more attention on the role innovation plays in realizing competitive advantage.

The researcher provides a new or significantly improved production or delivery method for financial institutions. He advocates for the inclusion of significant changes in techniques towards the use of equipment and/or software in the modern business operation; reiterating that world economic environment is characterized by rapid changes in all frameworks, especially the technological sides which become the most important discussion axe that affects the economic based on company’s strategies. For him since our businesses are operated within the internal and external environments, it is therefore necessary for companies to aggressively fit itself in these changes in order to maintain its market place, and to face the aggressive competition in such an open world market. Buttressing the position of Cenamor *et al.* (2017) who assert that the Transition to Innovation-based Business models Entail a profound Shift in How Companies Deliver Value to their Customers.

The key shortfalls of the study are that; the study fail to indicate methodology used: the disadvantage in relation to the lack of methodology is that the study is not able to help researchers to make effective evaluation of the study’s reliability and gumminess. Also the study failed to consider how resistance on innovative mind-sets could negatively impact on financial institution and what resistance triggering factors are available?

Innovation in Payment System

Bech and Hancock (2020) write on Innovation in Payments. The study explores the rapid evolution of payment systems, driven by technological advancements. The study highlights the importance of innovation in payment systems, while also emphasizes the need to address ongoing challenges related to access and cross-border payment.

According to the study, technological advancement has transformed the way individuals and businesses conduct transaction, with understanding that innovation in payments have made domestic transactions safer, faster and cheaper, with many systems now operating 24/7 in many countries. Buttressing the position of Petralia *et al.* (2019) who argue that technological innovation is helping transforming financial services and products, with evidence that payments have been and continue to be the activity most affected by technological innovation. Bech *et al.* (2020) shows key significant progress includes efficiency and accessibility of financial transactions. Beyond these advantages, the researchers were able to explore the key challenges associated to these innovations and technological advancement. The key shortfalls include: The fact that challenges persist, particularly, in cross-border payments and access to payment systems in emerging market and developing economies.

Innovation Effects on the Banking Sector in Europe

There have been tens of tools from scientific perspectives to measure innovation and success of enterprises according to Mihaljčić *et al.* (2015). The researcher and

scientist write on the Role of Organizational Innovation in Achieving and Maintaining Company's Business excellence. The study seeks to analyze the relationship that exists between innovation and business excellence, targeting large manufacturing companies in Bosnia and Herzegovina, using a tested methodology created by the Croatian scholar. According to the paper, in in Croatian: "Hrvatski Kvocijent Inovativnosti" (HKI) is applied to assess the condition and the activities undertaken in order to build innovation capacity, and an assessment of the enterprise innovation level, whereas the methodology of BEX index (Business Excellence Index) was used to measure business excellence of an enterprise. The research objective then was to research degree of innovativeness of companies in Bosna and Herzegovina and gave an answer to the research question as: "are innovation companies achieving excellence?". They had a result that has been encouraging and stimulating for the managers of those targeted companies with the aim of strengthening their innovation capacity in order to advance on the business excellence ranking scale in Europe.

The study affirms that innovation level in Bosnia and Herzegovina was very high based on efforts on companies in the country to improve and their comfort to adopt changes. As the study seeks to analyze the relationship between innovation and business excellence, concentrating on only large manufacturing companies in Bosnia and Herzegovina, with the use of "tested methodology" created by the Croatian scholar, the question here may be; would the test methodology be application in the African and most specifically the Ghanaian situation? This is because the writer could not have extensive researched literature that critically evaluated how it could work in other regions such as African. Such lack of degree of analysis could not guarantee it adaptation in the situation in Ghana.

Innovation Effects on the Banking Sector in Asia

Lin *et al.* (2018), writes on the topic known as Banking and Innovation: a Review. The study provides a summary of the major findings based on empirical studies, and examined the effect of banking development on innovation; and subsequently highlighted the relative contributions that could in a nutshell support the understanding of the roles banking sectors play if they determine to make innovation practical.

Nicholas (2014) writes on "Did Bank Distress Stifle Innovation During the Great Depression?" the study depended on the negative shocks to the banking system during the Great Depression in the 1930s, specifically, in US. The study examined the effect of bank distress in relation to corporate innovation, contributing to the understanding of the link between the health of the financial sector and the real economic growth via technological development during the important stage of history. In the findings, the researcher was able to establish that there is a negative relation between bank distress and various dimensions of firm level innovation

which is seen to be disproportionately stronger than for R & D firms that has greater external finance dependence and that operate in several distress regions.

The challenges associated with the great depression era has been viewed as an exogenous shock to the supply of banking credit for both private and public firms. With this, furthering to that the study's ability to apply such an empirical study and systematic method for searching and examined the effect of banking development on innovation; and subsequently highlighted the relative contributions that could support the understanding of the roles banking sectors was enormous in its nature.

Innovation Effects on Banking Sector in Australia

Arnoni *et al.* (2016) write on future of payments in Australia-The future of transaction banking and payments in 2020. Reviewing of the PWC of Australia's strategic plan between 2016 and 2020, the document provides information about the future of transaction of the Bank, especially how banking and payments activities will make in 2020 and beyond considering issue of disruptions forces across the payments industry. Agreeing with Pavón (2009): Kyne Solutions – Entrepreneurship and the Business Plan; the researcher argues that businesses should have a going concern approach that emphasizes on the future of the firm while their gone concern approach focuses on the past and the current situation of the company. Rnoni (2016) explains that most of payment that go on in banking sector such as banking offerings are at the center of everyday banking processes and that it constitutes about 25 per cent of all revenue in the Australian financial system and are one of the most critical attributes customers look at when choosing financial institutions.

According to the paper, in Australia, clients increasingly expect speed simplicity and insights from financial service providers in order to do business with them. This means that serious businesses must consider the adaptation of business integration and simplicity with the idea of one-stop-shop approach. This because many clients may consider changing expectation around payments and transaction. To meet these expectations by clients, the PWC banks forge a strategic vision to meet the over-changing customers experience at the heart of their business by the introduction of the figure 2.1. below; which consider the practices today and the required practices for tomorrow.

The paper through the above figure 2.1: "Today's Banking Practices as Against Future Expectation", establishes that the attitude of customers today is that, they rely on local branches of bank staff for day to day banking and for that matter, they are ready to queue up for a simple inter-bank transfer. However, the study is of the view that in future, customers would look for ease and convenience approach in how bank staff would perform in their day-to-day payments; solutions accessible anywhere at any time on any device. On business, the paper indicates that there is complexity of dealing with multiple vendors,

lack of visibility over cash flow leading to difficulty in harnessing full capacity of the business. While the future assumption is that clients may expect the efficiency and reliability in payment processes integrated to business such as ERP system and analytics to perform better customer management. ERP for instance is a technology to foster speedy and efficiency business performance. On bank, the paper establishes that the future focus will be on undifferentiated value proposition; reactive approach to client's every day banking needs legacy system, and product-focus as approach to meet the future needs of clients.

Innovation Effects on the Banking Sector in Africa

Nguena (2019) writes on Financial Innovation in Developing Countries: The Determinants of Mobile Banking and Financial Development in Africa. The study addresses the question of financial innovation in development countries by focusing on the determinants of mobile banking development in Africa. Data collected by the researcher, on mobile banking across countries was partially constructed by the author, to which is applied panel data and cross-sectional econometric techniques, that helped to investigate the determinants of mobile banking development. Statistically, the data was analyzed and revealed that there is a positive link between the different proxies of mobile banking and an indicator of mobile banking development using the principal component analysis technique constructed.

Highlighting determinants of the student, it mentioned human capital development, credible monetary policy, infrastructure development, remittances facilitation, urbanization and trade openness and the facilitation of access to domestic credit from the banking sector as the four (4) key model used and made a general recommendation to the African governments to pursue good performance in the light of those determinants mentioned above and also ensure the implementation of specific and well-conditioned economic policies. Researchers like Nguena (2015) and Upadhyaya, (2015) argues that mobile phone revolution is at the origin of the changes in the lives of many African countries, and that the technology does not only provide telecommunications, but also provide basic financial services in the form of phone-based money transfer and mobile account and saving system. The study indicates strongly that the substantial penetration rates of mobile telephony and its ability to transform cell phones into pocket banks in Africa are enormous opportunities for countries on the continent to increase affordable and cost-effective means of bringing on board a large part of the population that hitherto has been excluded from formal financial services for decades (Tchouto, Nguena, (2015). Agreeing with NGUENA, (2019) who argues that in Sub-Saharan Africa, 75% of the population do not have any formal financial services.

The transformation has been appealing, not only to banks and Micro Financial Institutions (MFIs), but also to financial regulators and governments, as well

as development partners who are providing support to ameliorate the lives of Africans via sustained growth and poverty reduction policies. The giant amount this innovative service includes MTC Africa which is making a lot of subscribers in mobile banking system in many parts of Africa. The Economist (2008) describes the phenomenon using the following words: "a device that was a yuppie toy not so long ago has now become a potent for economic development in the world's poorest countries".

Innovation Effects on the Banking Sector in Ghana

Domeher *et al.* (2014), writes on Adoption of financial innovation in the Ghanaian banking industry. Agreeing with the view of Abor (2004) who indicates that Information and Communication Technology (ICTs) are changing the way financial products are assessed by customers in sub-Saharan Africa. According to Domeher, in Ghana, technological developments have created new delivery channels for banking products and services, which includes automated teller machines (ATMs), Internet banking and PC and mobile banking and that such innovations have influenced growth which is important in banking business. On Traditional banking operations, the study suggests that technologies enable them to serve their clients more cost-effectively; making them more useful to their clientele. "Their main concern has been to serve clients more conveniently, while growing their profits and improving their competitiveness" reiterated by the study. One of the unarguable, the most revolutionary electronic innovations seen by the contemporary financial management is the ATM, a utility that provides remote services to clients, according to the study by Abor, (2004). ATM services in banking actually helps increase banks utility to customers.

From Domeher *et al.* (2014) point of view, the combined services of the automated and the human teller's operation of banks in Ghana make banks more productive during banking hours and those customers of those banks benefit immensely as a result of shorter queues in banking halls. Since ATM services offer an alternative to queuing in banks, customers are able to invest such time saved in other productive activities. Another innovation introduction that has been mentioned by the researcher is the introduction of the "e-banking". The e-banking innovations has also shortened queues inside banks halls; minimizing the cases of inconveniences and reduced inefficiencies in banking industry Frimpong (2010). Acquah (2006), observe that innovation in electronic banking (e-banking) in Ghana have helped to improve not only efficiency but also financial intermediation. Upon all the assertions above it is clear that the factors that has the capability to influence the adaptation of innovative products and services in the financial sectors are not empirically examined how innovative mind-set could impact positively on performance of contemporary financial management system in Ghana.

Resistance and Their Effects on Innovative Practices

Smollan (2011) views resistance as a destructive force that runs against the interest of organizations. Fischer *et al.* (2013) writes on Management Resistance to Innovation. The researchers researched on resistance to innovation by management and establish that such resistance occurs in two ways such as 1). Resistance to ideas and their approval and 2) resistance to the implementation of the approved ideas. The study suggests that most often, resistance to ideas may not be detected by the organization because the ideas may be deterred before they have a chance to blossom. While resistance to implementation or ineptitude in the management of change will eventually become evident in a low percentage of successful implementations.

The study further suggests that the innovation process is inherently positive and we are reluctant to dwell on negative factors. Conversely, it was asserted that we have found that the resistance to innovation by managers is a critical barrier. Often this barrier obstructs the positive actions of well-meaning and creative members of the organization. Such challenge and raises recommendation as solution to them.

McGourty *et al.* (1996) have been few innovation pioneers who establish that there are four specific behaviors for companies and managers and that these organizations and managers are inquisitive, advocative, collaborative, and goal-oriented. The researchers further found out that innovative companies in their bit to foster these behaviors, use programs and or activities designed to reinforce actions that are inquisitive, advocative, collaborative, and goal-oriented. McAdam *et al.* (2007) also argue that leadership and vision are also important to managers to cultivate innovation instead of technical competency. They noted that that having leadership support innovation was a driving force behind successful innovation in small and medium-sized enterprises. Oke (2004) has the view that the lack of effective innovation measure on the part of top-management has the negative effect on the management of innovation. According to him, sometimes getting the support from upper management may also hinder managers trying to foster innovation due to lack of effective innovation measures on their part. The researcher also asserts that another resistant force is “lack of employee acceptance and inadequate awareness creation by senior managers”.

On solution to overcome managerial resistance to ideas, the researchers recommend that;

- 1) Managers should be rated on innovation by the value of the ideas that are generated by the people in their departments.
- 2) Create an idea review process that gives constructive criticism to ideas that are not accepted.
- 3) Ideas that involve growth should be supported by appropriate resources to avoid straining the personnel and facilities of the organization.
- 4) Managers who have innovative departments should be rewarded appropriately with salary increases, bonuses, and promotions.

5) Create a culture that does not fear failure and rewards reasonable risk taking in the pursuit of innovation.

6) Make it clear that innovation is part of everyone’s job.

Research Design and Method

Unlocking The Black Box of Financial Innovation: A Case Study of Banking Institutions in the Eastern Region of Ghana is a social phenomenon that needs critical attention. Specific towns and cities targeted for the study were Koforidua, Aburi, Nsawam/Adoagyiri, Asamankese, Somanya, Nkawaw, Oda and Kade, using qualitative survey instrument, a total of 28 respondents were targeted. Per the 2021 Population and Housing Census General Report, Eastern Region had a total population of 2,925,653 representing 9.48% of the total Ghanaian population. While the geographical area of target for the qualitative approaches has a total population of 1,291,004 representing 44% of the total population of the Eastern Region.

Sampling Method

The study employed a purposive sampling technique to selected banking and other financial institutions in the Region, focusing on the above towns and cities. The sampling size was determined based on the saturation point, where data collection continued until no new themes emerged. A total of 45 participants were targeted from 15 financial institutions, comprising 5 senior managers, 10 middle managers, 10 supervisors and 20 customers. This specific sampling size is crucial as it seeks to enable accurate estimates, reducing biases, and increasing reliability as the study employs a carefully chosen approach to investigate the phenomenon.

Data Analysis Method

Qualitative data was analyzed, using NVivo 12 software. The analysis involves coding, theme identification, and pattern recognition. The coding process involved an inclusive approach, where codes emerged from the data. Two researchers independently coded the data to ensure inter-coder reliability, and any discrepancies were resolved through consensus. Because the writers have the view that the method is one of the simplest way of conducting research that involves a deep dive and thorough understanding of the data collected. The approach helps the collection of data from secondary source, targeting published documents, reports, journals, the internet, magazines, newspapers, and other relevant documents related to the research topic. The writer has the assumption that the data collected would be holistic, rich, and nuanced with findings that were emerged through careful analysis

Statement of Ethics

By ensuring accuracy and correctness, the authors demonstrate their commitment to excellence, integrity, and respect for their readers. The writers therefore recognize that it is crucial for several reasons, which

includes: Credibility, reliability, integrity, respect for readers, and authority of the research paper,

Discussion of Key Findings

Innovation is recognized as an indispensable element for companies, not only at the micro level for realizing sustainable competitive advantage but macro level as well. The study sought to find answers to the key penetrating questions believed to help solve certain problems in the banking sector. This is relevant to the industry as most often; it faces key challenges that need a “think outside the box” solution. Interestingly, the focused on the following five (3) specific objectives to achieve the study’s main goal:

- 1) Examine the effects of innovation on Banking Sector in Ghana
- 2) Examine different forms of resistances to innovative mind-set in financial institution
- 3) Analyze the key triggers of resistance to innovative mind-set in the financial organisations.

Policy to Encourage Innovative Ideas from Staff

The study establishes that majority of clients and customers of financial services are of the view that technology could influence the growth of financial institutions in Ghana. Ghanaian business owners and clients are of the view that the use of innovation, especially technology could influence the growth of financial institutions in Ghana, and one of the key focus of the study has been how the use of innovation could serve as a means to ensure business sustainability. Interestingly, most qualitative respondents concurred the use of innovation as a means to ensure business sustainability. Referring to the data gathered from the survey instrument, there were other number of respondents who views buttresses this notion. Refer to the information below:

“I agree with the use of innovation as a means to ensure business sustainability because innovation is what keeps your business up to date with all the information, resources, current practices and procedures that you need to meet the current needs of your customers. And being able to satisfy the current needs of your customers will ensure the success and continuity of the business”.

This finding is in correlation with the position of Reguia (2006), whose work has been on “product innovation and the competitive advantage”. He argues that innovation is one of the success features in the economic companies, and according to the researcher, it should be considered as the key element to reach customer satisfaction and also realize their desires. Reguia (2006) has the view that innovation as a new idea is implemented to realize the competitive advantage in organizations at the time when they have had similar opportunities to present their products with low costs, highlighting strongly that using innovation, organizations should try to focus on products, types, stages and features and also pay more attention on the role it plays in realizing competitive advantage. Some innovations require the use of modern technology and

research materials for improvement of visibility of an organization that could enhance customer relation and improve customer trust. For instance, product innovation knowledge especially using technology for banking products such as saving and withdrawal would help financial institutions to meet customers and client speed needs.

With the use of technology to enhance performance, Reguia (2006), advocates for the inclusion of changes towards the use of technology such as equipment and/or software in the modern business operation; reiterating that world economic environment is characterized by rapid changes in all frameworks, especially the technological sides which become the most important discussion that affects the economy of every organization. It is believed that such direction will enhance company’s efforts to position itself to maintain market segment, and to face the aggressive competition in an open market. Reguia’s position was buttressed by a respondent in the qualitative research instrument who states:

“The use of innovation ensures business sustainability through digitization. This is because we are in a technological era where there is a rampant change in the way things are done. Being in a competitive environment and staying in business requires the adoption of an innovativeness, a mind-set that suits the times”.

Another respondent also shared the view that “Use of innovation ensures speed and cost reduction as it is clear that automation work takes few times than manual.

It is therefore clear that, integrating innovation with technology could go a long way to enhance performance in financial institutions if business managers pay much attention to it.

Effects of Innovation on Banking Sectors in Ghana

This objective seeks to examine the level of innovation effects on the Banking sector in Ghana, using the research question “What is the level of innovation effect on the financial sector in Ghana?”

Data gathered from the qualitative survey instrument administered has been relevant enough to translate the objective for the study:

- “Innovation has led to the financial industry developing new products and also improved payment systems which has led to improved customer experience”
- “In recent years the effect of innovation on the financial sector in Ghana has been very great. It is rated very high”.

This agrees with the position of Lin *et al.* (2018), who tackled the topic on “Banking and Innovation: A Review”. The researcher gives a strong argument that there should be a strong relationship between banking development and innovation in order to experience some level of effects which requires extension of the scope of analysis to more rough dimensions of innovation and how to support the Asian economies which are believed to have the financial market known to be less developed. The researcher further argues that when the stock market

is relatively less developed, as in most Asian economies, banks play a significant role in financing and promoting innovation.

Resistance to Innovation in Financial Institutions in Ghana

The objective sought to examine the extent of resistance to innovation in the financial institutions in Ghana. Fischer *et al.* (2013) writes on Management Resistance to innovation. The study provides a strong base to this study, focusing on resistance to innovation by management. The study establishes that resistance occurs in two ways such as 1). Resistance to ideas and their approval and 2) resistance to the implementation of the approved ideas. The researchers suggest that the innovation process is characteristically positive and that in most cases, management seem to be reluctant to settle on negative factors. Conversely, it is commonly accepted account that the resistance to innovation by managers is a critical barrier and that most often such barrier obstructs the positive actions of well-meaning and creative members of the organization. This position correlates with the finding that “resistance against changes, could result in negative effects on staff who have innovative mindset in the institution” in this case, business leaders should ensure that there is a clear acceptance by staff through awareness creation and business-wide participation in change management processes to ensure ownership and collaboration.

Another important researcher on innovation is McGourty *et al.* (1996) also are of the view that there are four specific behaviors for companies and managers and according to the researchers, these kind of organizations and their managers are inquisitive, advocative, collaborative, and goal-oriented. The researchers further found out that innovative companies in their bit to foster good behaviors, use programs or activities designed to reinforce actions that are inquisitive, advocative, collaborative, and goal-oriented. According to the researcher, sometimes getting the support from upper management may also hinder managers who try to foster innovation due to lack of effective innovation measures on their part, lack of employee acceptance.

Assessing the Key Triggers of Resistance to Innovativeness in Financial Organizations in Ghana

The fear of the unknown, lack of awareness creation and lack of political will had been considered as the key Triggers of Resistance to Innovativeness in Financial Organizations in Ghana. The view of respondents indicates that employees have the assumption that they could lose their jobs as technological advancements may lead to the fear of the unknown, lack of awareness creation and lack of political will. The Objective sought to establish the key triggers of resistance to innovation in contemporary financial institutions in Ghana. Putting all these factors under serious scrutiny, the data shows clearly that a significant proportion of the respondents believe

that the fear of unknown is a key reason why individual staff members would resist an innovative mindset.

Referring to the data gathered from the qualitative survey instrument, the following two key findings were established to support the quantitative data founded:

- The fear of the unknown. In their view they could lose their jobs as technological advancements may lead to less human intervention at the workplace and,
- Lack of involvement, lack of awareness creation, and lack of political will.

CONCLUSION

In conclusion, this research seeks to provide valuable shrewdness into the complex processes in finding answers to the key penetrating questions believed to help solve certain problems in the banking sector, as the industry faces key challenges that need a “think outside the box” solution. The study focuses on the following three research questions derived from the specific research objectives: What are the effects of innovation on the Banking Sector in Ghana? what are the key forms of resistance to innovativeness in financial institutions in Ghana? and what are the key triggers of resistance to innovativeness in financial organizations in Ghana to achieve the study’s main goal?

The study establishes the following key findings: Majority of customers and clients of financial services are of the view that technology influences the growth of institutions in Ghana, Innovativeness has led to improvement of the financial services and improved payment systems, the fear of unknown and lack of awareness creation are the key triggers of resistance to innovativeness in organization, with recommendations such as: Business leaders to consider innovation as the key element to reach customer satisfaction, Organizations focusing on products, and pay more attention on the role it plays in realizing competitive advantage.

The development of every financial institution is hinged on innovation and technology, with more granular dimensions on the kind of economy where financial market is not strongly developed, especially, African and other developing world. Performance of financial institutions in Eastern Region of Ghana, and other part of the country, have not been encouraging enough, for lack of innovativeness. This requires strategy that seeks to improve performance within these region, given their conditions in the financial markets. With this background, it is clear that banks can play a significant role in the economic development as there is stringent efforts to create strategic directions such as the adoption of digital technologies that has the ability to ensure innovativeness, financial products that will improve financial inclusion, aimed at reducing transaction costs, based on speed of delivery and quality of products. and enhanced customer experience. The study seeks to contribute significantly to the understanding of financial innovation in Ghana’s banking sector with focus on the Eastern Region of Ghana.

The findings highlight the critical role of technology adoption, risk management, and strategic leadership in driving financial innovation. Policymakers and regulators can leverage these insights to craft policies promoting financial inclusion, stability, and competitiveness. Banking institutions can adopt best practices in innovation management, technology integration, and risk mitigations. The research contributes immensely to both conceptual frameworks and practical tools to ensure necessary evaluation in the subject of financial management.

Recommendations

Based on the findings from the study, the following recommendations were formulated:

- Business leaders in financial/banking sector should engage in policy development that seeks to encourage innovative ideas from staff; especially the use of technology which is believed to influence growth and increase speed of service aim at enhancing customers' experience.
- Business leaders should see innovation as the key element to reach customer satisfaction, this is because innovation as a new idea are implemented to harness competitive advantage.
- Banking institutions should consider speed and simplicity as their priorities, leading to the focus on clients in their operations to ensure they are maintained.
- Financial institutions should have policies that seek to reward Innovation ideas at every level. This will encourage employees to come up with new ideas all the time. This strategic focus will help institutions to introduce new products, enhanced payment systems and improved customer service.
- Business leaders should forge strategies including stakeholder-engagement, brainstorming and awareness creation, and idea cascaded down to get others behind a change.

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