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Gods and Governance

Divine Interventions in Corporate Governance at Capital Bank

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The Saturday Night Dilemma

It was late on a Saturday night in August 2017, and the usually serene atmosphere of Dr. Mensa Otabil's study felt heavy with anticipation. As the founder of the International Central Gospel Church (ICGC) and Chancellor of Central University, Otabil was accustomed to the weekly ritual of preparing his Sunday sermon. For decades, he had stood before thousands as a beacon of integrity, a motivational speaker, and a *spiritual father*[1] to many in Ghana. But as he revised his notes for the coming morning, he was acutely aware that this would not be an unusual sermon.

The past week had been tumultuous. The Ghanaian media was ablaze with news regarding his involvement in the collapse of Capital Bank, an indigenous bank where he served as the Board Chairman. Just days earlier, on August 14, 2017, the Bank of Ghana (BoG) had issued a press release revoking the licenses of Capital Bank and UT Bank due to "severe impairment of their capital". The regulator had approved a Purchase and Assumption transaction, effectively transferring all deposits and selected assets to GCB Bank Ltd, while placing the remaining assets and liabilities into receivership.

The collapse was not merely a financial statistic; it was a national shock. Capital Bank had recently been celebrated as a success story, having been adjudged the "Best Growing Bank" and "Best Bank in Deposits & Savings" at the 15th Edition of the Ghana Banking Awards just a year prior. Now, ordinary people faced the terrifying prospect of lost life savings, and the public looked to the board for answers.

Sitting at his desk, Otabil grappled with a complex identity crisis that sat at the intersection of faith and fiduciary duty. As a non-executive director, he was not involved in the daily management of the bank. Yet, statutory requirements did not distinguish between executive and non-executive directors regarding liability for the failure of a business. Non-executive directors were equally responsible for monitoring executive directors, acting in the interest of stakeholders, and ensuring robust risk management systems.

The damage was already done. Otabil wondered where his primary loyalty should now lie: should he focus on protecting his hard-won personal integrity, or should he step forward to fulfill his statutory duty as a director to explain the failure?. The sermon he was drafting had to find a precarious balance between divinity and corporate governance—between the hope of divine intervention and the harsh reality of earthly accountability.

He decided that his first public response would be from the pulpit. He owed his congregation an explanation. Glancing at his draft, he finalized the words he would speak in just a few hours, choosing to anchor his response in his faith rather than the

[1] A senior religious mentor. In this context, the relationship implies deep loyalty and submission, where the 'spiritual father' exercises authority over the 'son's' personal and professional decisions.

technicalities of the boardroom. As the night wore on, the question remained whether this affirmation of faith would be enough to quell the storm of regulatory scrutiny and public outrage gathering outside his church doors.

The Rise of an Indigenous Tiger

To understand the magnitude of the fall, one must first appreciate the velocity of the ascent. The story of Capital Bank was, for many years, the quintessential story of Ghanaian entrepreneurial grit. It began on October 29, 2009, when William Ato Essien, a young and charismatic entrepreneur, founded the institution as a microfinance company.

Essien’s vision was not small, and his timeline was aggressive. Within a year of operation, the microfinance entity had grown its deposit base to GH¢ 36.06 million, with a total asset size of GH¢ 47.18 million. As the company’s assets swelled, it quickly outgrew its microfinance shell, transitioning into a Savings and Loans Company known as First Capital Plus. By 2013, the institution had become a dominant force in the sector, boasting a deposit base of GH¢ 211.11 million and total assets of GH¢ 286.80 million. The Bank of Ghana noted that during this period, the firm held a staggering market share of 16% of advances and 19% of total assets in the savings and loans subsector.

Driven by this rapid accumulation of capital and market presence, the institution applied for a provisional universal banking license in July 2012. After a six-month provisional period, it was granted a full license on December 4, 2013, officially becoming First Capital Plus Bank. When the firm later rebranded to Capital Bank in 2015, it was operating 18 branches across the country and employing over 355 personnel.

The bank’s rise was fueled not just by aggressive expansion, but by perceived innovation. In 2011, it introduced "Speed Banking," a cash deposit service that allowed customers to deposit cash into their accounts via mobile phones without being physically present in a branch. This solution resonated in an economy with a significant informal sector, helping the bank sweep up deposits from market traders and small business owners.

The foundation of Capital Bank however, was built on more than just financial metrics; it was built on powerful relationships. Central to the bank's governance structure was the bond between the founder, Ato Essien, and the Board Chairman, Pastor Mensa Otabil. Essien did not view Otabil merely as a corporate overseer but described a "father-son relationship" between them. Otabil, in turn, viewed his role through a lens of mentorship, later clarifying that he was helping a young man who wanted to change the fortunes of others. Essien publicly confessed that Pastor Otabil "disciplined" him more than anyone else, suggesting a dynamic where spiritual authority and corporate oversight were deeply intertwined.

This unique blend of rapid financial growth and deep personal loyalty set the stage for a complex governance environment, one where the lines between a spiritual father and a board chairman would soon be tested.

The Boardroom Dynamics

While Capital Bank projected an image of robust growth and innovation to the public, the internal governance structure responsible for overseeing this expansion was remarkably fragile. In the banking sector, where risk management is paramount, the strength of a board is often measured by its size, diversity, and the independence of its directors. By these metrics, Capital Bank was operating with significant structural deficits.

The sheer scale of Capital Bank's operations, managing hundreds of millions in assets, contrasted sharply with the size of its governing body. Between 2013 and 2016, the bank maintained a static board size of just five members. This was a stark deviation from best-practice expectations for large banks, typically ranging between 9–15 directors to ensure a breadth of experience and adequate manpower for committee work.

Furthermore, the composition of the board raised serious questions regarding independence and expertise. Although regulatory standards recommended a blend of independent and inside directors, in 2013 and 2015, the board was dominated by inside directors, with four insiders to just one outsider. Even when the ratio shifted, the "non-executive" nature of the directors was compromised by their close personal relationships with the promoters and executives The board was described not as a diverse group of independent professionals, but as a circle of close friends who shared the same vision as the board chair, often lacking the specific professional knowledge related to the positions they occupied[2].

This lack of diversity extended to gender as well. Despite the global and regional governance best-practice benchmarks increasingly advocate gender diversity, often citing targets around 30 – 40% female representation, Capital Bank had zero female representation on its board from 2013 to 2016.

The structural weaknesses were perhaps most visible in the absence of critical board committees. A functional bank board relies on specialized committees to dissect complex issues such as credit risk, remuneration, and nominations. However, Capital Bank either lacked or failed to operationalize key committees, particularly for large credit exposures during its critical growth years. While an Audit and Compliance Committee and a Corporate Governance Committee existed, the absence of a dedicated credit oversight body was a glaring omission for a bank that was rapidly expanding its loan book.

In this environment, the "father-son" relationship between Chairman Otabil and CEO Essien became the de facto governance mechanism. With a small, homogenous board and missing oversight committees, the board, designed to be a watchdog, had become a lapdog, unable or unwilling to bite the hand that fed the "tiger."

[2] Agyemang, A. O., et al. "Collapse of Big Banks in Ghana: Lessons on Its Corporate Governance." *Research Journal of Finance and Accounting*, Vol. 10, No. 10, 2019.

The Unraveling

The facade of success began to crack as the regulatory environment in Ghana tightened. By 2017, the banking industry was buzzing with news of the imminent adoption of risk-based capital requirement. This shift meant that a bank's capital would be directly linked to the risk inherent in its portfolio, forcing institutions to be far more selective in their business dealings. For Capital Bank, whose rapid expansion had been built on aggressive risk-taking without the counterbalance of a robust credit committee, this regulatory pivot was catastrophic.

Behind the scenes, the bank was hemorrhaging cash. The "indigenous tiger" was facing a severe liquidity crisis. In a bid to stabilize the faltering institution, the Bank of Ghana intervened, injecting Emergency Liquidity Support (ELS) to keep the bank afloat. However, subsequent investigations would reveal a governance failure of the highest order: the funds intended to save the bank were allegedly misapplied[3]. Instead of stabilizing the bank's operations, large sums were applied in ways inconsistent with the stated stabilization purpose and into non-core banking activities and personal ventures. A move that accelerated the institution's downward spiral.

On the morning of August 14, 2017, the inevitable occurred. The Bank of Ghana issued a definitive press release announcing the revocation of the licenses of both UT Bank and Capital Bank. The regulator cited "severe impairment of their capital" as the primary cause for the drastic action.

The announcement detailed a "Purchase and Assumption" transaction, approving the takeover of the bank’s deposits and selected assets by GCB Bank Ltd. The remaining assets and liabilities were handed over to a receivership process undertaken by PricewaterhouseCoopers (PwC). On the same day, the Ghana Stock Exchange suspended the listing of UT Bank indefinitely, signaling the total collapse of confidence in these once-celebrated brands.

In the wake of the collapse, the spotlight turned instantly to the boardroom. While a non-executive chairman might typically be distanced from daily operations, the Companies Act of Ghana offered no such shield. The Act made no distinction between executive and non-executive directors regarding their duties and liabilities. As the Chairman, Otabil faced the same legal responsibilities as the management he had trusted: to preserve the assets, act in the best interest of the company, and ensure that the financial controls were robust.

The Pulpit and the Public

Its Sunday morning, and Dr. Otabil stood in the wings of the International Central Gospel Church, moments away from addressing his congregation. The atmosphere

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[3] PricewaterhouseCoopers (PwC). Report on the Inventory of Assets and Liabilities of Capital Bank Ghana Limited (In Receivership). Bank of Ghana, 2017. Available at: https://www.bog.gov.gh/wp-content/uploads/2022/01/Inventory-report-of-assets-and-liabilities-Capital-Bank.pdf.
See also: " Report Says Capital Bank Board Squandered BoG Cash." Modern Ghana, August 7, 2018. Available at: https://www.modernghana.com/news/874588/report-says-capital-bank-board-squandered-bog-cash.html

inside the auditorium was charged; the eyes of the nation—believers, critics, and regulators alike—were fixed on this pulpit.

In his hand, he held the notes he had agonized over the night before. He knew that whatever he said in the next few minutes would be dissected not just by theologians, but by financial analysts and the media. The collapse of Capital Bank was no longer an internal boardroom matter; it was a national crisis involving taxpayer funds and the life savings of ordinary Ghanaians.

He had two clear paths before him. One was the path of the corporate chairman: to speak on the technicalities of the collapse, the regulatory environment, and the specific governance failures that led to the revocation of the license. The other was the path of the spiritual father: to offer hope, resilience, and a theological perspective on adversity.

As he walked up the steps to the stage, the weight of the "father-son" relationship with Ato Essien, the silence of the board during the liquidity crisis, and the roar of the public outcry seemed to converge. He adjusted the microphone, looked out at the expectant crowd, and prepared to deliver a message that would define the intersection of faith and corporate accountability in Ghana.

"These are the three statements I will make with regards to the response I want to give," he began, his voice steady. *"My first statement is that God is good, my second statement is that God is good, and my third statement is that God is good."*

And while the congregation responded with a thunderous “Amen” and a rousing applause, the question hung in the air: would this affirmation of faith be enough to answer the hard questions of governance waiting for him outside the church doors?