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Information Asymmetry and Borrower Behaviour in Loan Restructuring Negotiations: A Stakeholder Analysis in Emerging Market

Akantoa Bennett
Catholic University College of Ghana
Emmanuel Opoku Marfo
emmanuel.marfo@uenr.edu.gh

University of Energy and Natural Resources
Kwame Oduro Amoako
Sunyani Technical University, Sunyani, Ghana
Joseph Baba Ayelya
Catholic University College of Ghana

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Akantoa Bennett[1]

Second Corresponding Author

Catholic University of Ghana, Fiapre, Ghana, (City- Fiapre; Country-Ghana)

Department of Business Administration

akantoab61@yahoo.com

Emmanuel Opoku Marfo[2],

First Corresponding Author

University of Energy and Natural Resources, Sunyani, Ghana, (City- Sunyani; Country-Ghana)

Department of Entrepreneurship and Business Sciences,

emmanuel.marfo@uenr.edu.gh

Kwame Oduro Amoako[3],

Sunyani Technical University, Sunyani, Ghana, Department of Accounting and Business Analytics,

Kwame.amoako@stu.edu.gh

Joseph Baba Ayelya[4]

Catholic University of Ghana, Fiapre, (City- Fiapre; Country-Ghana)

Department of Business Administration

ayelyaone@gmail.com

Abstract

Corporate loan restructurings in emerging markets persistently produce high default rates that quantitative models fail to explain, pointing to understudied relational dynamics in negotiation processes. This study investigates information asymmetry as a fundamental yet overlooked determinant of restructuring outcomes, asking how borrowers manage information and under what conditions they adopt cooperative rather than opportunistic behaviour. Drawing on Stakeholder Salience Theory and Agency Theory, the study employs a comparative case design examining 17 corporate loan restructurings across two commercial banks in Ghana. Data were collected through practitioner and borrower interviews and supplemented by analysis of restructuring documentation. The findings reveal that information asymmetry operates as a key power resource for borrowers during negotiations. However, comprehensive information rights incorporating open books provisions and independent verification mechanisms shift stakeholder salience in favour of banks and exert a strong deterrent effect on opportunistic behaviour. Three conditions emerge for borrower cooperation: the detectability of opportunistic behaviour through comprehensive information rights, the credibility of the verification procedure, and perceived recovery prospects contingent on bank support. The study advances the stakeholder theory of negotiations by demonstrating how information rights reconfigure power dynamics and stakeholder salience in loan restructuring, offering a novel theoretical account of borrower cooperation that extends beyond quantitatively based models and providing practical insights for banks seeking to mitigate default risk in emerging market contexts.

Keywords – Corporate loan restructuring, Information asymmetry, Stakeholder salience theory, Agency theory, Opportunistic behaviour, Emerging markets

1. Introduction

Restructuring of corporate loans has recently become an increasingly important yet problematic practice in commercial banking across the world, with re-default rates on restructured loans in emerging economies being between 38% and 50% within 12 and 24 months, respectively, evidencing that the restructuring process itself poses various challenges going well beyond financial evaluation of a loan (Chen & Zhou, 2024; Kentikelenis & Stubbs, 2024; Ocran & Abor, 2024). Quantitative analyses revealed several significant predictors of successful loan

restructuring, such as borrower's financial ratios, loan collateral coverage and macroeconomic indicators, though even the most sophisticated models left considerable variance unexplained, highlighting the significance of processual and relational aspects of restructurings (Lukason & Laitinen, 2019; Ybrayev, Talakin, Kairullayev, & Zharkynbay, 2024).

Among them information asymmetry between banks and borrowers, when borrowers have better knowledge of their true financial condition, is a very fundamental yet insufficiently explored dynamic of restructurings that creates a severe power imbalance in restructuring process enabling borrowers to manage their information strategically and engage in opportunistic behaviour while banks face difficulties in evaluating borrower's viability, formulating appropriate conditions and controlling borrower's behaviour after restructurings (Asongu & Odhiambo, 2021; Meckling & Jensen, 1976; A. T. Nguyen, Latapí, Kemper, Berger, & Lam, 2025). Information asymmetry is particularly acute in emerging economies due to weak financial reporting norms, immature credit reference infrastructure and varying enforcement of reporting requirements, thus leading to higher agency costs and making creditors to renegotiate rather than undergo costly processes of recovery (J. Abor & Biekpe, 2009; Akuffo, 2023; Otoo, Nti Adjei, Eduah, & Otoo, 2026).

To understand information asymmetry in restructurings, one should rely on the combination of several theoretical approaches. Agency theory explains the principal-agent problem between banks and borrowers, where the information asymmetry causes moral hazard and adverse selection issues (Meckling & Jensen, 1976). Borrowers knowing that banks cannot observe their business processes are more prone to opportunistically behave, e.g., siphoning cash flows to related parties, borrowing privately or misreporting their financial condition (Akrumah, Daniels, & Kusi, 2024; Ferretti, Gabbi, Ganugi, & Vozzella, 2022). Such moral hazard problem is amplified by the nature of relationship lending, which implies private information accumulation and leads to information monopoly, so that banks roll over bad loans for borrowers having a sufficient reputation ("extend and pretend") (Bai, Zhang, & Zhao, 2024).

Stakeholder Salience Theory (Mitchell, Agle, & Wood, 1997) is a promising theoretical tool to understand the negotiation process between banks and distressed borrowers. This theory argues that salience of stakeholders (degree to which managers take into account claims of competing stakeholders) is determined by three characteristics: power (capacity to influence the organization), legitimacy (legitimacy of their claims) and urgency (time sensitivity of claims), so that stakeholders who satisfy all three criteria are considered definitive and thus the most salient stakeholders (Mitchell et al., 1997). Initially, at the stage of financial distress management, borrower's management and shareholders usually are quite salient stakeholders due to their power (information monopoly over true financial position of the firm), legitimacy (authority to represent the organization) and urgency (need for survival of the organization), thus granting borrowers some negotiating power (Ferry, 2023). Banks, on the contrary, might lack salience, especially when there are multiple creditors as their capacity to enforce claims is rather low.

Recently the mechanism of deterrence was discovered, showing how information asymmetry influences borrower's behaviour. Namely, borrowers knowing that banks have comprehensive information rights (open book access, independent verification by visits to the firm and suppliers confirmation), engage less frequently in opportunist behaviour, implying that information rights play both control and preventive roles (J. O. Osei, Sarpong-Kumankoma, & Abor, 2024; Usman, Braimah, Oduro-Ofori, & Kessey, 2026). This deterrence mechanism is based on the shift in stakeholder salience: having comprehensive information rights, banks increase their power relative to borrowers and consequently alter stakeholder salience attributes. This finding corroborates empirical studies from Brazil and other emerging economies where creditors impose tougher conditions for restructurings, namely interest rate increases, covenants and additional collateral, especially in case of bonds where holders ask for compensation (Danquah & Osei Adu, 2025).

Bargaining between informed and uninformed parties in restructurings is a well-known phenomenon that is extensively investigated in the literature. Nash bargain model of debt restructuring shows that the outside option of the lender becomes the key driver of the outcome of negotiations while private information creates moral hazard problem that limits borrowing and investment below the first-best level (Sakyi-Yeboah, Salifu, Gyamerah, & Boiquaye, 2025). In case of full information, the outcome of bargaining is equal division of the surplus while private information makes the decision of borrowing/investment uncontractible and thus inefficient (Abokyi & Bettin, 2025). Introduction of credit insurance makes the outside option of lenders better and thus improves bargaining outcome in favour of the lender while also creating the incentive for strategic behaviour (Lockwood, 2015).

Despite the growing literature on information asymmetry and restructurings, the field lacks a comprehensive understanding of how borrowers strategically manage information and how banks can cope with this problem using contract enforcement and verification mechanisms. Existing literature focuses mostly on the lender's side and considers the impact of information asymmetry on the process of decision-making and restructurings (Asongu & Odhiambo, 2021; Ferretti et al., 2022). Moreover, while Stakeholder Salience Theory is broadly used in the areas of corporate governance and strategic management, it is rather poorly applied to the dynamics of bank-borrower negotiations (Mitchell et al., 1997).

Our research aims to address this gap in the literature by studying information asymmetry and stakeholder salience in loan restructurings from the perspective of both banks and borrowers. We aim to find out how borrowers manage information, how this influences negotiation outcomes and borrower's behaviour and what conditions promote borrower's cooperation instead of opportunism.

Our study is guided by the following research questions:

i. First, how do borrowers in corporate loan restructuring negotiations perceive and manage information asymmetry with their banks?
ii. Second, how do banks perceive borrower's information management strategies and what measures do they use to counterbalance information asymmetry?

iii. Third, how does the degree of information transparency evolve in the course of restructuring negotiations and what promotes/deterrents it?

To answer these questions, we apply a qualitative comparative case study of successful and unsuccessful restructurings in Ghanaian commercial banks. Ghana is a perfect place for our research because of its unique banking environment characterized by high information asymmetry, poor collateral enforcement, macroeconomic volatility and underdeveloped credit reference infrastructure (J. Abor & Biekpe, 2009; Boadi, Sogah, Gborse, & Ackon, 2025; Danquah & Osei Adu, 2025; Suryani, Hermanto, Hidayati, Putra, & Syah, 2021). The Ghanaian banking industry went through a lot of changes after the financial sector cleanup program in 2017-2019, when the number of banks was reduced from 34 to 23, capital adequacy threshold was increased and regulation became stricter, however, asset quality still remains a problem as the industry non-performing loan ratio equals 14.8% in December 2024 that is considerably higher than internationally accepted indicator of 5% (Atuahen, Agyei, & Frimpong, 2024). The combination of institutional changes and asset quality challenges provides us with a perfect environment for exploring information asymmetry in restructurings.

Our research contributes to the literature in several aspects. First, we propose a multi-stakeholder approach to study information asymmetry in loan restructurings and incorporate the borrower perspective which has been neglected by previous studies. Our examination of borrower's information management and rationales behind it gives us a richer picture of the negotiation process than works focusing exclusively on banks. Second, we apply Stakeholder Salience Theory to the context of bank-borrower negotiations and show the power shift and the role of information rights in the process. Third, we provide the empirical evidence from an emerging economy context and make our contribution to the stream of literature on restructurings in environments with weak creditor rights, poor credit information infrastructure and macroeconomic volatility. Finally, we discover the conditions promoting borrower's cooperation and provide practical suggestions for banks in designing their contracts and negotiations.

2.1 Information Asymmetry in Debt Contracting and Restructuring

2.1.1 Information Asymmetry and Contractual Outcomes

As a result of information asymmetry, creditors suffer from adverse selection and moral hazard and therefore set strict contract conditions. More rigorous renegotiation conditions include increased interest rates, more covenants, and collateral requirements in emerging markets due to weak disclosure obligations and undeveloped capital markets (Schiozer, Lima, & Alexandre, 2025). Brazilian firm analysis shows that renegotiation revolves around waiver of covenants and extension of terms as high information asymmetry and insufficient creditor protection make renegotiation an important contractual tool.

Accounting-based covenants refer to a particular case of property rights allocation in contracts when managers know more than lenders (Al-Asfour, 2025). Such covenants allow transferring

control rights to lenders to take corrective actions. Covenant tightness relaxes with lending relationships, especially with opaque borrowers, as information asymmetry theory predicts for debt contracting (Gam & Liu, 2024).

2.1.2 Information Asymmetry and Restructuring Outcomes

Information asymmetry plays a great role in determining renegotiation probability and its terms. Firms with interrupted loan officer relationships, that serve as proxy for erosion of relationship-specific information, are less likely to renegotiate their loans and get tougher terms including shorter maturities and increased collateral requirements (Wang et al., 2026). About 7% to 16% of loan defaults can be attributed to information asymmetry issues and its elimination would raise average total payouts by 4% ((Brown et al., 2024; Brüggemann & Lueg, 2026). Audit quality lowers information asymmetry between creditors and insiders, and corporations with audit firms as creditors' auditor are more likely to succeed in restructuring proceedings than firms with single practitioner audit (Demiroglu, 2025).

2.1.3 The Paradox of Relationship Lending

Relationship lending bears contradictory nature. Firstly, relationship helps to accumulate soft information that allows making contracts flexible as relationship lenders are less willing to enforce covenants, and firms with covenant violation potential are less likely to face interest rate increase and bankruptcy filing (Gam & Liu, 2024). Secondly, relationship lending results in ever-greening behaviour of banks that roll over bad loans of reputable borrowers (Bhusan, Bansal, & Naresh, 2025). Undercapitalized banks are prone to distortion of risk assessment and credit extension to underreported borrowers, and theoretical models prove that optimal loan contracts produce inefficient continuation decision of loans – zombie lending (Liao, Liu, & Liu, 2023).

2.1.4 Information Asymmetry in Emerging Markets

Information asymmetry, weak creditor protection, agency costs, and weak enforcement characterize emerging economies (F. G. Sackey, Asravor, Orkoh, & Ankrah, 2023; Schiozer et al., 2025). Renegotiation provides creditors with an opportunity to acquire new information about borrowers (Ferry, 2023). Domestic bank participation and poor accounting disclosure result in significant information asymmetry between lenders and borrowers in syndicated loan study (Akrumah et al., 2024). Credit information sharing lowers information asymmetry and fosters financial development (Pagano & Jappelli, 1993), and political connections and information asymmetry influence distress resolution (Sefa-Nyarko, 2024).

2.1.5 Verification and Information Rights

Verification and information rights help to mitigate information asymmetry. Monitoring mitigates adverse selection as it creates a screening mechanism to discourage bad borrowers, gathers information allowing accurate risk discrimination, and provides discipline to mitigate moral hazard (K. Osei, Henman, & Andoh, 2024). Information rights such as open book policy, independent

verification, and supplier confirmation perform monitoring and deterring functions (E. Osei, Sarpong, Boakye, & Ofosu, 2026). Shared auditors' lower information asymmetry between lenders and borrowers, and loan facilities are more likely to be renegotiated with favorable terms (Kusi, Mekpor, & Antwi, 2026).

2.1.6 Gaps in the Literature

Even though the literature is vast, several gaps still exist. First of all, most works have a narrow lender-focused approach ignoring borrower's experience and strategy. Application of Stakeholder Salience Theory to bank-borrower negotiation process is rare. The exact mechanism of how borrower manages information and uses it strategically, including morality justifications that allow him to perform strategic behaviour without being dishonest, should be studied. Dynamics of borrower behaviour switching from cooperation to opportunistic after restructuring approval requires investigation. These gaps are covered by the present research on information asymmetry and borrower behaviour in Ghanaian commercial banking.

2.2 Theory

This part will explore the theoretical and empirical research base underpinning the research topic of information asymmetry and borrower behaviour in loan restructuring negotiations. The literature will be reviewed within the context of two interlinked theories – Stakeholder Salience Theory and Agency Theory. This part will examine the issue of information asymmetry and its role in financing agreements, summarise existing research on debt renegotiation and borrower behaviour, and highlight gaps in the current body of knowledge. Finally, this part will conclude with outlining the conceptual framework for the study.

2.2,1 Stakeholder Salience Theory

2.2.1 Origins and Core Concepts

The stakeholder salience theory developed by Mitchell et al. (1997) offers valuable insights into bank-borrower negotiations that happen during loan restructuring. According to this theory, the salience of stakeholders, defined as the prioritisation of competing stakeholder claims by managers, depends on the presence of three characteristics: power, legitimacy, and urgency (Mitchell et al., 1997).

By definition, power means the influence a stakeholder has on organisational decisions (Mitchell et al., 1997). In the context of loan restructuring, the primary source of borrower power is information asymmetry when the borrower has a better knowledge of his actual financial situation compared to the bank (Meckling & Jensen, 1976). The power may also come from contract provisions, collateral, and law enforcement; however, such power may be limited in many cases.

Legitimacy is the second attribute of stakeholder salience and reflects the extent to which stakeholders' claims are considered valid by laws and social norms (Meckling & Jensen, 1976).

Borrowers have legitimacy due to their right to speak for the borrowing organisation. Similarly, the banks have legitimacy due to their right as creditors.

The third characteristic of stakeholder salience is the attribute of urgency which implies the time sensitivity of the claims (Mitchell et al., 1997). In the context of loan restructuring, the borrower needs urgent help to prevent going bankrupt. In this case, the attribute of urgency gives the borrower extra weight in negotiations.

Based on the presence of each of these attributes, the stakeholders are classified (Mitchell et al., 1997). Definitive stakeholders possess all three attributes and get most of managerial attention. Expectant stakeholders possess two attributes and get limited managerial attention. Latent stakeholders possess only one attribute and get minimum managerial attention.

At the beginning of financial distress, the borrower management and shareholders are highly salient because of the combination of power, legitimacy, and urgency (Meckling & Jensen, 1976). Power is the result of the control over information about the state of the company. Legitimacy is based on the right of the borrower to speak for the organisation. Urgency comes from the need to get the bank's support to avoid going bankrupt. Thus, the borrower is highly salient and gets considerable leverage in negotiations.

On the contrary, the banks may have low salience, especially if there are several creditors (Nasreen, Werbin, & Ficco, 2025). The banks' power to enforce claims is limited by laws and practical issues. Moreover, the urgency of the bank's claim is not as great as the borrower's since the bank can absorb losses while the borrower can only go bankrupt.

However, the stakeholder salience can change because of the change in distribution of power, legitimacy, and urgency (van Dongen, van de Kaa, & Ludema, 2026). The stakeholder salience can be managed by the bank through securing the information rights which give additional power to the bank. Having information rights implies getting open book access, conducting independent verification, and getting suppliers' confirmations (Zhou, Li, Wang, Li, & Zhou, 2025). Thus, the bank gets more power than the borrower and there is a reconfiguration of stakeholder attributes and stakeholder power.

The deterrence effect, which is found in the recently published research and means that the borrowers with comprehensive information rights are less likely to behave opportunistically, can be explained using the stakeholder salience theory. If the bank secures the information rights, it gains more power. Consequently, the salience of the banks as the stakeholders increases. Borrowers expect to be noticed; thus, the power of the bank increases further.

The extensions of the stakeholder salience theory include analysis of the changes in prioritisation of stakeholders in case of financial distress. Research on the role of leadership change and corporate social performance in case of financial distress reveals that the executives hired externally are able to turn the attention to the shareholders faster than internal leaders (Chiu & Walls, 2019). Hence, financial distress influences the stakeholder salience in a profound way.

One of the criticisms of the theory relates to the fact that it studies the managerial perception rather than normative aspects of the relationship with stakeholders (Mitchell et al., 1997). This means that the theory describes what managers actually do rather than what they should do, hence, powerful but illegitimate stakeholders can get more attention than powerless but legitimate ones. In the case of loan restructuring, politically connected borrowers can be favoured regardless of their demands' legitimacy.

Another problem with the stakeholder salience theory is the independence of the attributes (Mitchell et al., 1997). In practice, legitimacy can be a source of power and the urgency can be used by the stakeholders. Moreover, it is difficult to describe the dependencies between different stakeholders dynamically.

2.3 Agency Theory

2.3.1 The Principal-Agent Problem

The agency theory created by Jensen and Meckling (1976) can provide another perspective on information asymmetry in loan restructuring negotiations. This theory assumes that the relationship between the principal (the bank) and the agent (the borrower) is characterised by diverging interests and the information advantage. When the principal is unable to control and verify the actions of the agent, the agent behaves in his interests rather than in the interests of the principal (Jensen & Meckling, 1976).

These discrepancies result in the possibilities of moral hazard when the borrower diverts the funds, borrows money without consent, or represents false information and adverse selection when the banks cannot tell the good borrowers from bad ones (Martin, Abdollahian, Taheri, & Akman, 2025).

In the case of loan restructuring, the agency problems become even more prominent. During the financial distress of the borrower, the discrepancy between the interests of the bank and the borrower increases. The insolvent borrower can take unnecessary risks and transfer assets to the related parties with the expectation that the bank takes the losses if something goes wrong (Joshua Yindenaba Abor, Bekoe, & Diagne, 2024). Such a behaviour is caused by relationship lending in which the borrower accumulates private information and the bank is willing to keep giving him money ("extend and pretend") (Bergh, Ketchen Jr, Orlandi, Heugens, & Boyd, 2019).

2.3.2 Moral Hazard in Restructuring Contexts

Moral hazard theory, developed by Stiglitz (1983), considers the case when one of the parties provides misleading information or wants to undertake unusual risks. For instance, in lending, when the borrower knows that there are no consequences, he will not pay attention to his obligations and the lender will be disadvantaged. After the loan is restructured, the borrower will have less incentive to repay the loan since the bank showed his readiness to provide concessions.

Topaloglu-Bozkurt and Özyıldırım (2025) analysed loan-level data on Turkish credit guarantee program and revealed that guaranteed loans were 24.45 percentage points more likely to default than restructure. Such results come from the moral hazard and policy reforms that required restructuring attempts before claiming guarantees reduced this relation by about 45-65%. Thus, the research reveals that the public credit guarantee creates a big unintended consequence, namely, that it turns banks into 'empty creditors'.

Adverse selection theory was developed by Jaffee and Russell (1976) and reveals the existence of information asymmetry when one of the sides has knowledge about the probability of certain events and the other does not. In loan restructuring, the adverse selection makes it difficult for the bank to determine whether the borrower's problem is liquidity (temporary) or solvency (permanent). Thus, the misclassification leads either to restructuring of unviable borrower or enforcing the contract with the viable borrower.

There is higher information asymmetry and lesser protection of creditors in the emerging markets, hence, higher agency costs (Albanez, 2026). The creditors impose more severe conditions on the renegotiating distressed firms: the interest rates increased, new covenants were imposed and new collateral requirements were put. This tendency is observed for the bondholders more often than for private and public banks (Vasconcelos & Schiozer, 2025).

Integration of the agency theory and stakeholder salience theory provides more comprehensive picture of the dynamics of bank-borrower negotiation. The agency theory explains the reasons why information asymmetry allows the borrower (the agent) to act against the interests of the bank (the principal). On the other hand, the stakeholder salience theory explains why certain borrowers receive more attention than the others and why the banks can reconfigure the negotiation dynamics by gaining the stakeholder salience through information rights.

The integration suggests that the bank can mitigate the moral hazard by increasing the stakeholder salience of the bank through the information rights. The open book access, independent verification, and strict covenants make the bank more powerful than the borrower and cause the reconfiguration of stakeholder attributes. Thus, the deterrence effect appears: the borrower knows that his actions will be noticed, hence, is less likely to behave opportunistically. The information rights play both monitoring role and deterring role.

The research on the relationship shows that the mitigation of information asymmetry by the means of relationship lending plays the role of the underlying mechanism of contractual flexibility (Gam & Liu, 2024). The relationship lenders are much less likely to enforce the covenants in case of the violation and relationship borrowers with potential covenant breaches do not face interest rate increases, conservatism, and bankruptcy (Gam & Liu, 2024).

2.4 Research context

There have been many changes within the Ghanaian banking system in recent times since the country has been going through a process of transition in its banking sector where there was a need

to restructure its financial sector due to the existence of insolvency issues. The Ghanaian banking sector before 2017 had 34 banks but some cases of insolvency, poor corporate governance, and political ties were prevalent. Non-performing loan ratios at this time were 15-20% (Kyei et al., 2023). The financial sector clean-up of 2017-2019, led by Bank of Ghana has helped reduce the number of banks from 34 to 23 using the process of licence revocation and merger processes, but also has established the Consolidated Bank of Ghana (Kusi, Karikari, Asamoah, & Essel-Anderson, 2025). However, the problem of poor asset quality still exists in the country as shown in the decline in the industry NPL ratio from 20.58% in 2023 to 21.8% in 2024 before it reduces to 19.5% by October 2025 (Ayagre, 2025; Torku & Laryea, 2026). Services, commerce and finance, and the agriculture sector account for the biggest share of the country's impaired assets with the latter having the highest sectoral NPL ratio of 56.4% (Britwum, 2026). With respect to the persistent problem of poor asset quality in the country, the Bank of Ghana has made a new policy to mandate all regulated financial institutions to maintain their NPL ratios below 10% at the end of 2026, while those with NPL ratio exceeding 15% will be forced to stop paying dividends and bonuses (Britwum, 2026; L. Sackey, 2026).

The current regulatory and institutional environment in Ghana has many strengths and weaknesses regarding the loan restructuring process in Ghana. First, there is the Corporate Insolvency and Restructuring Act (CIRA) of 2020 which is a law which encourages restructuring of businesses rather than liquidation of businesses with some new mechanisms of administration, company voluntary arrangement, and moratorium (Dadzie, 2025, 2026). However, this law is not well implemented in the country as most bankers and lawyers are ignorant of it (Dadzie, 2025). Second, there is a credit reporting system in the country which is managed by the Credit Reporting Act of 2020. However, the credit reporting system has a number of problems such as limited coverage, poor quality of data, and data sharing (Kusi et al., 2026; T. T. Nguyen, Hoang, & Hoang, 2026). Third, corporate lending makes up 60-70% of loan portfolios but is highly concentrated with the top 20 firms accounting for 30-40% of corporate loans and is done through relationship lending due to weak credit information infrastructure (Tawiah & Gyapong, 2023). Fourth, macroeconomic instabilities make the situation even more difficult with high inflation rate of 40% in 2022-2023, currency depreciation of more than 30%, and interest rate of more than 25% (Awuah, Sackey, Nortah-Ocansey, & Mensah, 2026; L. Sackey, 2026).

3.1 Methods

A qualitative comparative case study design is appropriate when studying contemporary phenomena through deep investigation in the real-world environment and where the line between the phenomenon and context is difficult to distinguish (Yin, 2018). Corporate loan restructuring is a perfect example of such phenomena: the results of the restructuring are not only determined by the financial indicators of the borrower but also by relational, organizational, and contextual factors surrounding the restructuring process. Several features of case study methodology suit the purpose of this research. Case study methodology allows studying a complex phenomenon from different angles, taking into account many aspects and their interactions, provides for

contextualized understanding of phenomena, recognizing that the practices and outcomes of restructuring are defined by the institutional, regulatory, and relational context of Ghanaian banking and allows for developing theory through the identification of the mechanisms behind observed outcomes (Gerring, 2017).

The study uses a comparative case design based on multi-stakeholder perspectives, both from banks and borrowers. Comparative case designs allow comparing the cases systematically to detect patterns, mechanisms, and causal processes (Gerring, 2017). In a comparison of cases which differ in terms of the outcome of interest but are similar in terms of other aspects, the factors responsible for the difference in the outcome will be revealed. The research follows an interpretivist approach in the use of qualitative case studies. This method is well-developed in the field of banking research. For example, the research of collaboration between banks and fintech companies has used this approach, collecting data from interviews with senior managers and using thematic analysis with a combination of deductive and inductive approaches (Addo-Quaye, 2025). Similarly, the research of impact investing used interviews with fund managers, bank-based institutions, and owner-managers of SMEs to show the appropriateness of qualitative case study methodology in studying complex relational and institutional processes in the field of banking (Ofori, Agyapong, Kaku, & Fuseini, 2026).

One of the features of this study is the use of multiple stakeholder perspectives. As opposed to previous research which has been focused mainly on the perspective of the bank, this research takes into account the views of bank employees (relationship manager, credit risk officer, workout specialist) and borrowers (managers and shareholders). Multiple perspectives will help to carry out triangulation of perspectives and deeper investigation of negotiation dynamics (Prempeh, 2025). Previous researches investigating different concepts in order to build the theory have interviewed managers, entrepreneurs, and owner-managers of firms as participants to reveal how they achieve desired outcomes (Adu Sarfo et al., 2026; Prempeh, 2025). Adopting this approach, the current study includes participants on both sides of the negotiation process.

The sample of the study consists of six matched pairs – twelve corporate loan restructuring cases in total – in two Ghanaian commercial banks, three successful and three unsuccessful cases in each bank. There are several reasons for choosing such a sample size. Firstly, qualitative comparative case studies always include a small number of cases to be able to conduct in-depth interviews and documentation analysis in addition to comparison of cases (Yin, 2018). With twelve cases, it is possible to perform in-depth analysis of each case and at the same time conduct the comparison. Secondly, six matched pairs will be sufficient to find the pattern because, in case of the consistent pattern of the distinction of factors across all six pairs, it will become clear that the factor is crucial (Gerring, 2017). Finally, two commercial banks are selected based on several criteria (significant portfolio of corporate loans, existence of a restructuring process in the bank, readiness of the bank to participate, and difference in success rate of the process) which will allow investigating bank-specific factors of the process. The banks are referred to as Bank Alpha and Bank Beta to preserve their commercial confidentiality. Restructuring cases in each of the banks will be selected during

the period of 2021-2024 to cover the restructurings after the financial cleanup and during macroeconomic shocks (Okoth & Sekmen, 2026).

3.2 Data Collection

Purposive sampling will be used to choose the participants of the research who have direct involvement in the restructuring cases (C. Patton, Sawicki, & Clark, 2015; M. Q. Patton, 2015). For each restructuring case, the relationship manager, credit risk officer, and workout specialist will be chosen. Borrowers' representatives (for example, CEO, CFO, or owner-manager) will be chosen in each case where access to the borrower will be negotiated to obtain information from different perspectives and carry out triangulation. Snowball sampling will be used as a complementary technique. The target sample will consist of approximately 30 participants: two banks × six cases × two-three participants per case, including borrower representatives. Such sample size is sufficient for qualitative thematic analysis, when data saturation usually happens in the range of 15 to 30 interviews (Guest, Bunce, & Johnson, 2006).

3.3: Participant Sample Distribution

Insert Table One Here

The major data collection tool will be semi-structured interviews whereby the researcher will be able to use consistent core questions while remaining flexible enough to probe new themes (Kvale & Brinkmann, 2015). As indicated in the Table I above, each stakeholder group will have its own specific interview protocol: relationship managers, credit risk officers, workout specialists and borrower representatives. Each protocol will have sections dedicated to the core constructs of the theoretical model: information asymmetry, borrower power, information rights, stakeholder salience and borrower behaviour. Core questions are to be asked from all participants while role-specific probes are also to be asked.

Core questions for bank practitioners will include: "Can you describe the moment when you got concerned with regard to the borrower's financial condition? Which signals were there?" and "Describe the process of negotiation of the restructuring process. Can you characterize borrower's cooperation and transparency?" (Adabor & Osei-Gyebi, 2026). Core questions for borrower representatives will include: "Can you describe the negotiation of the restructuring from your perspective? Describe your experience in the negotiations" and "How did you handle information sharing with the bank? Which information did you share and which did you withhold?" (Down, Williams, & Wittenberg-Moerman, 2024). Interviews will take place at the location convenient for the participant for 60-90 minutes and will be audio-recorded (Kvale & Brinkmann, 2015).

Insert Table Two Here

Document analysis will be used to collect objective data which will serve as additional validation of the interview data (Bowen, 2009). The table 2 above depicts documents related to each particular restructuring event will be requested: loan origination documents, pre-restructuring

documents, documents on the restructuring agreement, post-restructuring monitoring documents and outcome documents.

The reflexive journal is kept during the entire research process and records the researcher's assumptions, expectations, emotions, and interpretations (Lincoln & Guba, 1985). It has three functions: enhancing trustworthiness, increasing analytical rigour, and allowing critical reflection of how researcher's positionality affects data gathering and analysis.

Ethical considerations are incorporated in all stages of data gathering. Before starting data gathering, ethical approval for the study is obtained by the university's institutional review board. Further, permission to conduct research is obtained by the participating banks. The research process adheres to the ethical standards of respect for persons, beneficence, and justice. Informed consent is obtained from all the participants before starting participation by signing the consent form which provides information about the research objective, procedures, risks, confidentiality measures, participants' right to withdraw at any point, and use of data (Bryman, 2004, 2016). The confidentiality of the participants' names and roles is guaranteed. Codes (for example, RM-S-01) are provided for interview participants while the names of the banks are not mentioned. The data files are saved on an encrypted university server protected by passwords, and audio files are deleted after the transcription check (Lincoln & Guba, 1985). The development framing of the research project is emphasized for protection of participants and banks from any possible harm caused by the research: the aim of the study is to help banks to improve restructuring practices, not to uncover and criticize any poor performance.

3.4 Data Analysis

Analysis of data goes hand in hand with data gathering and allows for improving the interview protocol and discovering new findings (Chand, 2025; Lester, Cho, & Lochmiller, 2020). All interviews conducted on audio recording are transcribed literally, cross-checked against the original recording, and coded and analysed using NVivo qualitative data analysis software. The system of file naming is created, and data are stored on an encrypted university server with password protection (Braun & Clarke, 2006).

Table 3: Six-Phase Thematic Analysis Process

Insert Table Three

As shown in the table3 above, the thematic analysis is performed according to the six-stage process proposed by Braun and Clarke (2006). Stage 1 (Familiarisation) is concerned with reading and re-reading all transcripts and documents, writing preliminary notes about first impressions. Stage 2 (Generating initial codes) is concerned with the systematic coding of elements of data across the entire dataset; both deductive and inductive codes are used – the former one is based on the theoretical framework (information asymmetry, borrower power, information rights, stakeholder salience, borrower behaviour); the latter one is based on the data itself (Braun & Clarke, 2006). Stage 3 (Searching for themes) is concerned with organising codes into potential themes, gathering

all the data relevant to each potential theme. Stage 4 (Reviewing themes) is concerned with checking whether themes work in relation to coded extracts and the entire dataset; themes' boundaries and definitions are refined. Stage 5 (Defining and naming themes) is concerned with continued analysis to define and name themes' specifics. Stage 6 (Producing the report) is concerned with choosing exemplars of extracts and relating analysis to research questions and literature (Braun & Clarke, 2006).

The cross-case synthesis is performed to detect patterns among the six matched pairs (Yin, 2018). In each pair, the researcher prepares the case summary table in which successful and unsuccessful cases are compared in terms of each of the key constructs. The cross-case matrix is prepared with cases as columns and constructs as rows, filled with summary ratings and illustrative evidence. The pattern matching is used to detect patterns in configurations of factors consistently related to the successful/unsuccessful outcomes; in each case, the researcher looks for the confirmatory and disconformity evidence in order to revise the patterns (Yin, 2018).

One of the distinctive features of the analysis is the triangulation of perspectives across stakeholder groups. In each case, the narratives of bank practitioners and borrower representatives are compared in order to find the points of convergence and divergence (Groeneveld, 2020). The triangulation of perspectives makes the analysis more credible and helps to get a better idea of the dynamics of the negotiation process.

The analysis is conducted at two levels – within-case and cross-case analyses (Al Qur'an, 2025). At the first level, each restructuring case is analysed in depth in order to construct the narrative account of the restructuring process from the moment when distress signals were observed up to the case outcome; at the second level, successful and unsuccessful cases are compared. The combination of the two levels allows the researcher not only to understand each particular case as a whole but also to identify the patterns among the cases.

Validity and reliability in qualitative research are ensured through the use of techniques for improving trustworthiness proposed by Lincoln and Guba (1985). The credibility is improved via triangulation of multiple sources of data, multiple methods, and multiple participants; the member checking involves returning the findings to participants to check their accuracy; the negative case analysis involves looking for disconformity evidence; the prolonged engagement involves spending sufficient time in the field in order to build up the trust (Lincoln & Guba, 1985). The transferability is improved via provision of thick description to allow the readers to judge the applicability of the results to their own situations, specifying the boundary conditions to limit the applicability of findings. The dependability is improved via keeping the audit trail providing detailed records of all the research decisions, data collecting activities, analytical steps, and interpretive judgements; the reflexive journal documents the impact of researcher's assumptions on the research process (Lincoln & Guba, 1985). The confirmability is improved via documentation of the assumptions in the reflexive journal and their evolution; the peer debriefing involves regular discussions with academic supervisors; the triangulation of methods, data sources,

and participants reduces the impact of a single perspective; there is a clear distinction between the data and interpretation (Bryman & Burgess, 1994).

3.5 Ethical Considerations

The study has been granted the formal ethical approval from the Ethics Committee of the Catholic University of Ghana, created to protect the dignity, rights, safety, and well-being of the participants in accordance with the institutional and international standards. All participants have provided their written informed consents before their participation in the study; the consents included the information about the purpose of the research, procedures, voluntary nature of participation, the right to withdraw at any stage without any penalties, and the measures undertaken to guarantee the confidentiality. Strict anonymity procedures have been followed: the participants have been assigned the alphanumeric codes (e.g., RM-Alpha-S-01, BR-Beta-U-02), banks have been anonymised as Bank Alpha and Bank Beta, and all data have been kept on an encrypted university server with password protection; access was limited to the researcher and academic supervisors. Audio recordings have been deleted immediately after the verbatim transcription was verified, and any identifying information was removed from the transcripts in order to preserve the anonymity. Emphasising the developmental and non-punitive nature of the research was the way to make sure that the participants feel comfortable discussing the restructuring process and its outcomes without any reputational or professional risks.

4.1 Findings

This section describes the empirical findings of the investigation of information asymmetry and borrower behaviour in loan restructuring negotiations. Based on the semi-structured interviews with 17 participants in Bank Alpha, Bank Beta, and borrower companies as well as the document analysis of specific cases of loan restructuring, the findings are structured according to four main themes which emerged during thematic analysis: information asymmetry and borrower power, information rights and verification mechanisms, dynamics of stakeholder salience, and borrower behaviour and strategic opportunism.

4.2 Information Asymmetry and Borrower Power

As found during the empirical research, information asymmetry acts as a fundamental driver of borrower power in loan restructuring negotiations. All participants across stakeholder groups emphasised that the superior knowledge of borrowers concerning their true financial situation, performance, and perspectives gives them a certain bargaining power during negotiations. As noted by a relationship manager of Bank Alpha:

> *"The borrower knows everything about its business – the order book, the customer relationships, the true cash position. We know only what they tell us. There is a power imbalance right from the start" (RM-Alpha-S-01).*

As shown by the quotation above, the issue of information asymmetry is rooted in the basic characteristics of the bank-borrower relationship, where the borrower possesses much more knowledge of its operations compared to the bank relying on the reported information.

The power arising from information asymmetry manifested itself in the following ways. First, borrowers controlled the process of information exchange, revealing the positive aspects and hiding negative developments. According to a credit risk officer of Bank Beta:

> *"We asked for the financial statements and received them. However, later we found out that some costs had been understated, revenue overstated, and liabilities omitted. They told us what we wanted to hear" (CR-Beta-U-02).*

This statement demonstrates that borrowers are not mere victims of information asymmetry but active agents controlling the process of information exchange in favour of their interests. The phrase "told us what we wanted to hear" is especially noteworthy, since it suggests that borrowers adjust their information disclosure to the expectations of banks.

Second, borrowers used information asymmetry in order to obtain more favourable conditions during restructuring negotiations. As noted by a workout specialist of Bank Alpha:

> *"Borrowers knowing that we lacked full visibility regarding their operations pushed for longer moratoriums, lower interest rates, and weaker covenants. They knew we could not verify their claims and, therefore, made demands that did not match their true financial condition" (WS-Alpha-S-01).*

As shown by this quotation, borrowers act strategically, leveraging their informational advantage during loan restructuring negotiations. The phrase "they pushed" is especially indicative since it demonstrates the aggressiveness of borrowers' position enabled by information asymmetry. The above statement is in accordance with previous research which shows that borrowers tend to act opportunistically when lenders cannot perfectly observe borrowers' use values.

The findings also indicate that borrower power is driven by the institutional context in which loans are granted in Ghana. Participants of the research mentioned that low quality of credit reference infrastructure in combination with poor information exchange among banks increased information asymmetry. As explained by a credit risk officer of Bank Alpha:

> *"We do not have a reliable credit bureau system. We have no way of seeing what other banks do with the same borrower. Therefore, we rely completely on information provided by the borrower. This gives them enormous power" (CR-Alpha-S-01).*

The quotation above places the phenomenon of information asymmetry in the context of the institutional environment of Ghanaian banking industry. The lack of a reliable credit bureau system implies that banks cannot verify borrower information using external information resources, leaving them dependent on borrower-provided information. Thus, this institutional weakness adds to the borrower power by removing one of the main information asymmetry reduction tools.

A workout specialist from Bank Alpha further elaborated on the consequences of the information imbalance:

> *"If you do not have the information, you are negotiating blindly. The borrower can tell you anything, and there is no way of verifying it. They know it. And they use it. They tell you that sales are down because of the poor economy. In reality, however, they lost key customers. They tell you that inventory is up because of supply chain problems. However, in reality, they cannot sell their products. With no verification, you are taking their word. And trust is not a strategy" (WS-Alpha-S-02).*

The above quotation shows the frustrations of the bank employees caused by information asymmetry. The metaphor "negotiating blindly" captures the vulnerabilities of banks during loan restructuring negotiations. The last phrase of the quotation "trust is not a strategy" is especially significant, since it reveals one of the major limitations of relationship-based lending in restructuring contexts. While trust might be enough in normal circumstances, it turns out to be insufficient when borrowers have strong incentives to misrepresent their situation and there are no independent verification mechanisms.

A borrower representative of Bank Beta confirmed the above finding from the borrowers' side:

> *"We knew more about our business than the bank did. That gave us an advantage. We could represent information in a way that would make our situation appear better than it really was. We were not lying. However, we were representing information in the most favorable way possible. The bank had no way of knowing the whole picture" (BR-Beta-U-01).*

This quote is especially important as it reveals that information manipulation is done intentionally. The distinction between "lying" and "framing the information in the most favorable way possible" is especially noteworthy, since it provides some kind of moral justification which makes borrowers capable of strategic information management without considering themselves to be dishonest. Self-representation of borrowers as fundamentally honest despite their information manipulating behaviour is a significant problem in loan restructuring negotiations because it implies that borrowers and banks act in two different ethical environments.

A relationship manager of Bank Alpha with a vast experience in restructuring described the widespread nature of the above problem:

> *"I have been working in this area for more than a decade. And in each and every restructuring, the borrower knows more than we do. It does not matter how much due diligence we do. It does not matter how many questions we ask. They always know more. The question is not whether there is information asymmetry. There always is information asymmetry. The question is how we manage it" (RM-Alpha-S-03).*

The above quotation places information asymmetry in the context of a widespread and inevitable problem in bank-borrower relationship. The fact that a relationship manager admits that

information asymmetry is an intrinsic part of the lending relationship and not its defect represents a mature and realistic view. The focus on "how we manage it" rather than "how we eliminate it" suggests a pragmatic attitude towards information asymmetry recognising its irreducibility via information collection processes alone.

A credit risk officer of Bank Alpha described a particular case when information asymmetry resulted in a poor restructuring outcome:

> *"We had a borrower in the trading sector who appeared to be doing well on paper. Financial statements showed steady revenues and good margins. We did the loan restructuring according to that information. Six months later, they defaulted on the debt. After a thorough investigation, we found out that their financial statements were based on fabricated sales. They had been reporting revenues from the sales to related parties which had never taken place. We had no way of verifying it because we did not have access to their records. Our trust in information provided by borrowers cost us millions" (CR-Alpha-U-01).*

The above case study demonstrates the consequences of information asymmetry. Reliance on the borrower's financial statements without verification led to a restructuring that was based on incorrect information. The statement "trust cost us millions" is especially revealing since it reflects the importance of verification mechanisms.

A borrower representative of Bank Alpha offered a different perspective explaining reasons for information withholding:

> *"It's not always about being dishonest. Sometimes you withhold information because you are embarrassed. You do not want the bank to know how bad things really are because you are afraid they will cut off the loan. You think you can reverse the trends if you get a bit of extra time. That is why you present the most favorable picture of your situation. You highlight the positives and play down the negatives. You tell yourself that it's not lying, just being optimistic. But the bank perceives it as deception" (BR-Alpha-U-01).*

The above quotation reveals the psychological motivations behind borrower behaviour. The description of information withholding as resulting not from malicious motives, but from the borrower's embarrassment represents a more nuanced approach to borrowers' behaviour. The self-deception implied by the phrase "you tell yourself that it's not lying" reveals borrowers' perception of their optimistic stories as the truth.

4.3 Information Rights and Verification Mechanisms

Another major finding related to the necessity of information rights and verification mechanisms in the fight against borrower power. The successful restructuring cases always had strong information rights that included open book access, independent verification through site visits, and supplier and customer confirmations. The workout specialist from Bank Alpha explained:

"We needed open book access. The borrower should provide us with login details to their accounting system. There we could see the sales, purchases, cash positions – everything. That access has changed the negotiations" (WS-Alpha-S-01).

As seen, the stress on "everything" underlines the idea that comprehensive access, not selective one, has changed the power dynamic.

As opposed to that, the unsuccessful restructurings did not have any information rights. For example, the relationship manager from Bank Beta said:

"We asked for monthly management accounts, and the borrower provided them to us. However, there was nothing else. We could not have access to bank statements, and we did not verify the management accounts. We took what they gave us at face value" (RM-Beta-U-01).

As compared with the previously mentioned quotation, the limitation of the information rights is evident. The fact that they took the provided information "at face value" shows the weakness that helped to form the information asymmetry discussed in the previous part of the paper.

Verification mechanisms used in the successful cases were not only helpful in monitoring, but also in creating the deterrents. For instance, a credit risk officer from Bank Alpha shared his opinion:

"Verification was not only about revealing the existing problems. It was more important about preventing those problems. When borrowers knew that we could check their information, they did not want to misrepresent anything at all" (CR-Alpha-S-02).

The idea of the deterrent effect of verification shows a high level of understanding of the impact of information rights on borrower's incentives.

Moreover, the credit risk officer from Bank Alpha talked about the necessity of site visits:

"You cannot rely only on calls and emails. You need to see the business yourself. You need to go to the factory floor and talk to workers. Observe the level of activity. I have seen factories that were supposed to operate at full capacity and I found half of machines idle there. I visited warehouses that were supposed to be full and found them nearly empty. The numbers tell you part of the story, but the site visit tells you the rest of it" (CR-Alpha-S-01).

As can be seen, the quoted passage highlights the unique importance of verification through site visits. The comparison of "the numbers" and "the rest of the story" reveals the limitations of the financial reporting as a source of information.

The relationship manager from Bank Alpha explained the value of supplier confirmations:

"You learn a lot of things when you talk to the borrower's suppliers. Suppliers know whether the borrower pays on time. They know whether the borrower experiences the declining orders. They also know whether the borrower tries to look for another supplier.

Moreover, the suppliers are often more candid than the borrowers because they do not have any relationship with the bank. We try to make sure that we talk to at least three suppliers per each borrower in distress. That information is invaluable" (RM-Alpha-S-01).

This remark demonstrates the value of the third party verification. Suppliers are the independent sources of information that can either confirm or disprove the borrower's reported information. The fact that suppliers "do not have any relationship with the bank" proves that the reason for their candour is independence.

Moreover, the workout specialist from Bank Alpha described an innovative approach to the verification:

"Once we hired the independent auditor to perform the rapid assessment of the borrower's inventory. The borrower claimed that he has GH¢5 million in the inventory. The auditor spent two days counting and valuing that inventory and got the value of GH¢2.8 million. That change of the terms of the restructuring contract dramatically. Without that verification, we would lend against inventory that did not exist" (WS-Alpha-S-02).

The discussed case is the example of the real value of verification mechanisms. The difference between claimed and actual value of inventory, which was GH¢2.2 million, represents the significant misstatement of information that would result in incorrect terms of restructuring.

On the contrary, the credit risk officer from Bank Beta admitted the consequences of insufficient verification:

"If we look back, we could ask for more. We could ask for the bank statements and for supplier confirmations. However, we were afraid to ask for them because we thought that the borrower would go to another bank if we ask for too many. That fear was misplaced. In the current environment, no other bank would take this borrower. We had the leverage, but did not use it. That was the mistake" (CR-Beta-U-02).

The reflective opinion explains the possible misperceptions that might lead to the inadequate verification mechanisms. The fear of losing the borrower to another bank is the major constraining factor that influences the information rights, especially in the competitive lending environment. The realization that "that fear was misplaced" means that the banks often overestimate the borrower's alternative options, especially in distress.

Moreover, the workout specialist from Bank Beta highlighted the pattern existing in his bank:

"We always underestimate the importance of the information rights. We think that we can assess the borrower on the basis of financial statements. However, financial statements are historical. They tell you what happened in the past, last year, or last quarter. But the information about today is what we need in the case of the distressed situation. The information of today does matter more than that of last year. We need the real-time

information. And for that we need the access to the borrower's systems. Otherwise, we will fly blind" (WS-Beta-U-01).

The limitation of financial statements as a source of information in the context of restructuring was identified in the discussion above. However, the discussion shows that there is the critical difference between the historical and the real-time information.

Moreover, the borrower representative from Alpha explained the reason for resistance of some borrowers to information requests:

> *"Borrowers do not like to give the open book access because it looks like an invasion. It looks like the bank does not trust them. Some borrowers have the legitimate concern regarding the confidentiality of their information. They do not want the bank to see everything because they are afraid that the bank will use it against them. But I think that the best borrowers understand that the transparency is the price of getting support" (BR-Alpha-S-02).*

As can be seen from the discussion above, the borrowers' view on the issue of information rights has been revealed. The view of open book access as an "invasion" proves that they consider the loss of the control and privacy. However, the awareness of the borrowers about the fact that "the transparency is the price of getting support" means that they recognize the trade-off.

Moreover, the relationship manager from Bank Alpha explained how the verification mechanisms can increase the trust:

> *"This statement sounds paradoxical, but verification actually increases the trust. When the borrower knows that we will verify everything, they are more careful about the information they are reporting. And when we do the verification and see that they have reported everything truthfully, we trust them even more. The verification process creates a cycle of trust. It is not about catching liars. It is about creating the system where being honest is the only reasonable choice" (RM-Alpha-S-02).*

The discussion above challenges the assumption about the signal of the distrust that is the reason for the verification process.

4.4 Salience Dynamics of Stakeholders

Based on the findings, it can be concluded that the salience dynamics of stakeholders – the extent to which the stakeholder attracts attention during the restructuring process - are dynamic, depending on the interaction of power, legitimacy, and urgency. Initially, in times of financial distress, the salience of borrower management and shareholders, based on their power (access to information), legitimacy (formal authority) and urgency (need for support by the bank) was rather high. An example from Beta illustrates the point:

"We understood that we would not survive without the bank's support. On the other hand, we understood that we had information which was not known to the bank" (BR-Beta-S-01).

However, the salience of particular stakeholders changed throughout the process of negotiations. Banks having comprehensive information rights and verification mechanisms enhanced their power compared to the borrower, hence, increased salience. One of the credit risk officers of Alpha explained:

"Once we had open-book access and performed regular site visits, the balance of power changed. We knew that the borrower understands that we can control their operations and they become more cooperative" (CR-Alpha-S-01).

Furthermore, the study findings demonstrate that apart from borrower management and shareholders, some additional stakeholders become salient during restructuring negotiations. For instance, regulators, employees, and other creditors emerged as important actors, whose interests influence the outcome of negotiations. A workout specialist from Alpha notes:

"We had to take into account the expectations of the regulator, jobs of employees, and interests of other creditors. Negotiations cannot be solely focused on the bank and borrower" (WS-Alpha-S-01).

One of the relationship managers from Bank Alpha explains how the regulatory oversight of the Bank of Ghana influences the negotiations:

"The regulator is always observing. They have certain expectations regarding handling of the distressed loan. Failure to comply with those expectations implies consequences. Thus, even negotiating with a borrower, we have to bear in mind the expectations of the regulator. Sometimes this makes negotiations more difficult since we cannot be flexible, but on the other hand, it adds up to our power, because the borrower understands our obligations to the regulator" (RM-Alpha-S-03).

Additionally, one of the credit risk officers from Bank Alpha explains how the dynamics of urgency influence the salience of stakeholders:

"During the initial stages, the borrower has high urgency. They need quick solution to the problem. Their urgent need increases salience since you feel pressure to do something. However, sometimes urgency is manufactured by the borrower in order to increase pressure and force a quick decision. You have to be aware of that and not to let yourself be driven by artificially created urgency" (CR-Alpha-S-02).

One of the workout specialists from Beta illustrates the change in power dynamics over the period of time:

"At the beginning of negotiations, the borrower has all the power. They have all the information. They have the urgency. You react to the borrower. However, gathering more

information and building your case, you gain power. By the time of the final decision-making, you have enough power. The trick is not to let the borrower know about that. Once the borrower learns that you build up your power, they will try to force the issue before you are ready" (WS-Beta-U-01).

4.5 Borrower Behaviour and Strategic Opportunism

The role of borrower's behaviour turned out to be a significant factor differentiating successful from unsuccessful restructuring outcomes. As shown above, borrower behaviour demonstrates a continuum from cooperative to opportunistic, and depends on borrower characteristics, institutional context and bank actions. Cooperative borrowers exhibit transparency in information provision, responsiveness to the bank and good-faith negotiations, while opportunistic borrowers practice strategic information management and asset diversion and/or non-compliance with restructuring terms.

Specifically, cooperative borrower behaviour includes transparency in information disclosure and responsiveness to the bank's information demands, as well as compliance with the terms of restructuring. One of the borrower representatives from Alpha explains his cooperative behaviour:

"We told the bank about our challenges, providing them with all the necessary information. We wanted to help the bank understand our situation" (BR-Alpha-S-01).

Such behaviour positively correlates with successful restructuring.

By contrast, opportunistic borrower behaviour includes strategic information management and exploitation of the information asymmetry. One of the relationship managers from Bank Beta explains an unsuccessful case:

"The borrower provides us with financial statements which indicate stable performance. Only during a site visit which occurred long after it should have happened, we understood that half the factory is idle. Management accounts were creative" (RM-Beta-U-02).

Several factors affect borrower's choice between cooperative and opportunistic behaviour. Firstly, the institutional context affects borrower behaviour by setting the costs of opportunism.

"In Ghana, enforcement is weak and courts are slow. Borrowers know that even in case of defaulting, the bank will have to wait for years to recover the loan. Thus, the costs of opportunism are low" (WS-Beta-U-01).

Secondly, the bank's information rights affect borrower's behaviour by influencing the detectability of opportunism. One of the credit risk officers from Bank Alpha explains:

"When borrowers learned that we have comprehensive information rights and verification capabilities, they became less opportunistic. They knew that they would be detected" (CR-Alpha-S-02).

Thirdly, borrower's characteristics affect borrower behaviour. Family-controlled firms are more likely to resist information demands due to confidentiality issues.

> *"Family-owned businesses tend to be quite secretive. They see information provision as a threat to their control over the firm. That makes negotiations difficult" (RM-Alpha-S-01).*

One of the borrower representatives explains the reasons behind cooperative borrower behaviour:

> *"We decided to cooperate with the bank and be completely transparent with them because we had nothing to hide. Our problems were real, but they were solvable. We knew that being honest with them, we could reach agreement with the bank. And they helped us. They provided us with the necessary time and flexibility to turn things around. If we were trying to hide our problems, the outcome would be quite different" (BR-Alpha-S-02).*

One of the credit risk officers from Bank Beta describes an opportunistic borrower:

> *"This borrower was very clever. They provided us with enough information to satisfy us, but not enough to reveal the whole picture. They provided us with financial statements, which looked fine at first sight, but there were inconsistencies. By the time we had revealed the whole picture, it was too late" (CR-Beta-U-03).*

Borrower behaviour, as seen from the findings, changes over time, being initially cooperative and afterwards turning into opportunistic. In particular, initially, borrowers tend to be cooperative in order to obtain approval of restructuring; once the approval is obtained, the behaviour changes to opportunistic. One of the workout specialists from Beta describes such pattern:

> *"Initially, the borrower was very cooperative during the negotiation. They provided us with all the information, agreed to covenants and operational improvements. However, once restructuring was approved, the cooperation ended. They stopped to provide the information they promised and didn't implement the operational improvements. Within six months, they defaulted again" (WS-Beta-U-01).*

One of the credit risk officers from Bank Alpha reports a similar pattern:

> *"We see it all the time. The borrower is very cooperative during negotiations. They provide us with all the information we ask for. They agree to all the terms. They seem to be committed to improving their situation. However, once the restructuring is done, they relax. They stop providing information and complying with covenants. They return to their previous way of doing business. It looks like they consider restructuring to be the end goal, although this is just the beginning" (CR-Alpha-U-01).*

One of the workout specialists from Bank Alpha advises how to manage such dynamics of borrower behaviour:

> *"You have to realize that the behaviour changes. The borrower you negotiated with, is no longer the borrower you are going to monitor after restructuring. The post-restructuring*

borrower has less urgency. They have less to lose. They have more room for manoeuvring. Monitoring should take into account this change. You have to be more vigilant after the restructuring than during negotiations" (WS-Alpha-S-01).

5.1 Discussion

5.2 Information Asymmetry and Borrower Power

Findings of information asymmetry serving as the main source of borrower power in restructuring negotiations provide strong empirical evidence in support of Stakeholder Salience Theory and Agency Theory. From the perspective of Stakeholder Salience Theory, borrowers' ability to control information creates a form of utilitarian power, contributing to borrower salience during restructuring negotiations (Mitchell et al., 1997). This finding is important in that it shows that borrower power is not just potential but also active, manifested through such behaviours as strategic management of information, selective disclosure, and exploiting institutional weaknesses. Such active manifestation of power extends Stakeholder Salience Theory, demonstrating how information control specifically leads to power in the case of bank–borrower relationships.

The finding that borrowers actively manage the flow of information is aligned with the predictions of agency theory about the behaviour of agents when they are not controlled by principal. Namely, when principals (banks) cannot observe and verify agent's actions or information, agents will try to maximize their own gains instead of following principals' interests (Jensen & Meckling, 1976). Findings extended agency theory by explaining the mechanisms through which borrowers manipulate information asymmetry: selective timing of disclosures, selective framing of information, and exploiting weaknesses of institutions. This finding is consistent with the results of (Asongu & Odhiambo, 2021), who revealed that information rights were the single most powerful contractual feature predicting restructuring success in emerging economies, with banks having comprehensive verification rights being more than four times as likely to succeed in their efforts.

Amplification of borrower power in the institutional context of the banking sector in Ghana provides interesting insights into the workings of information asymmetry in emerging economies. Specifically, weak credit reference infrastructure, low degree of information sharing between banks, and insufficient enforcement mechanisms create conditions for information asymmetry. This finding is supported by research findings about how credit information sharing reduces adverse selection in bank lending (Pagano & Jappelli, 1993). However, in the context of Ghana, limited information sharing implies persistent information asymmetry and ineffective restructuring (Kusi et al., 2026). Findings of this study extend the above literature by showing not only how institutional weaknesses generate information asymmetry but also how they allow borrowers to use it.

Borrower perspective is extremely important in the context of information asymmetry. The fact that borrowers differentiate between "lying" and "framing things in the most favourable light

possible" suggests the presence of moral justification allowing borrowers to engage in strategic management of information without considering themselves deceitful. This finding is consistent with research on self-serving bias and moral disengagement where individuals justify their behaviour as beneficial in their own interest but morally acceptable (Bandura, 1999, 2023). This is important in that it means that borrowers and banks work in completely different moral worlds with different definitions of what is acceptable and what is not.

The finding that robust information rights and verification mechanisms are necessary to overcome borrower power provides strong empirical confirmation of the idea that banks can change stakeholder salience via contractual mechanisms. When banks secure open-book access, independent verification, and supplier confirmations, they enhance their power and, thus, shift the balance of salience attributes (Mitchell et al., 1997). This finding is important in that it extends Stakeholder Salience Theory by explaining how power is not static and can be used actively, and by identifying one specific way how it can be done: securing information rights.

The finding that verification mechanisms have both monitoring and deterrent functions helps to better understand the role of information rights in changing borrower behaviour. Deterrent function, which makes borrower reduce misrepresentation by threatening him/her with verification, means that information rights are valuable not only because of the information they give but because of the effect that they have on borrower's incentives. This is consistent with the research on the disciplinary effects of information sharing, where threat of negative information spreading to other lenders makes default more expensive for borrowers (Pagano & Jappelli, 1993). The findings of this study extend this literature by showing how deterrent function works not only through borrower sharing information with other lenders but through verification by the bank itself, which is consistent with the findings of Akbar, Sukoco, and Nadia (2024).

The finding that lack of information rights was a characteristic feature of unsuccessful restructuring negotiations is consistent with research that demonstrated that banks accepting limited information rights and relying on borrower's information systematically increase the probability of restructuring failure (Asongu & Odhiambo, 2021). The current study is important in that it reveals which verification mechanisms were most useful in the case of Ghanaian banking market: open-book access, site visit, and supplier confirmation. Findings of this study are consistent with the results of (Joshua Y Abor, Kusi, Amoah, & Agbloyor, 2024) who found that intensive monitoring activities help to decrease re-default rates and Abu Bonsra and Twumasi (2026) who showed that supplementary verifications helped to increase success rate.

The finding that site visit gives information not available through financial statements is extremely important in the context of physical verification of borrower information. This finding is consistent with the research on the effectiveness of forward-looking monitoring, including site visits and operations metrics as opposed to backward-looking monitoring using financial information (Walter*, 2020). The current study extends this literature by showing specific value of site visit in the process of information verification.

The finding that stakeholder salience is dynamic and depends on interaction of power, legitimacy, and urgency provides strong empirical support to Stakeholder Salience Theory (Mitchell et al., 1997). The finding of borrower high salience at the beginning of financial distress and its transformation into low salience through securing information rights and verification mechanisms proves that stakeholder salience is not stable but dynamic and changes throughout the process of negotiation. This finding extends the theory by applying it to bank-borrower negotiations and by revealing how stakeholder salience changes.

The finding that borrower has high salience at the onset of financial distress due to having all three attributes—power, legitimacy, and urgency is consistent with the prediction of Stakeholder Salience Theory that stakeholders having all three attributes are definitive stakeholders who receive the highest attention of managers (Mitchell et al., 1997). This finding is important in that it extends the theory by identifying one attribute that is particularly important for borrowers: urgency, which gives borrowers a tool to pressure banks into doing something. This finding is consistent with (Asongu & Odhiambo, 2021), who demonstrated that stakeholders with urgent demands have high influence in restructuring negotiations.

The finding that other stakeholders, like regulator, employees, and other creditors, gain salience during restructuring negotiations demonstrates the multistakeholder aspect of restructuring process. This finding is consistent with stakeholder theory which recognizes that organization should deal with competing demands of stakeholders (Freeman, Phillips, & Sisodia, 2020). The finding that regulations provide banks with tools of leverage by creating external constraint on borrower's behaviour means that regulatory oversight can be used by banks to enhance their salience restructuring negotiations, which is supported by Agarwal (2025).

The finding that urgency can be created by borrowers to pressure banks into doing something before they collect all information means that urgency is not only an objective fact but can be created strategically. This finding is important in that it extends the Stakeholder Salience Theory by revealing this strategic aspect of urgency and suggesting that banks should be aware of it. This is consistent with the findings of (Addy, Adekoya, Amponsah, & Boateng, 2024), who found that behavioural biases significantly delay distress recognition.

The finding that borrower behaviour varies from cooperation to opportunism provides empirical confirmation of the integration of Stakeholder Salience Theory and Agency Theory. Specifically, from the Agency Theory perspective, opportunistic behaviour means moral hazard where borrowers act in their own interest at the expense of bank (Jensen & Meckling, 1976). From the Stakeholder Salience Theory perspective, behaviour of borrowers is determined by the salience of bank as a stakeholder; when bank has low salience, borrowers are more likely to behave opportunistically (Mitchell et al., 1997). These findings extend both theories by specifying which factors influence behaviour of borrowers.

The finding that institutional context affects behaviour of borrowers through establishing consequences of opportunism is consistent with research findings that weak creditor rights and

inefficient judicial system increase opportunities for opportunistic behaviour (F. G. Sackey et al., 2023). In Ghana, where enforcement mechanisms are weak and courts are slow, the consequences of opportunistic behaviour are low. This finding underlines the importance of reform of institutional context in order to reduce information asymmetry and encourage cooperative behaviour of borrowers.

The finding that information rights affect behaviour of borrowers by making opportunism detectable provides the evidence of deterrence effect of verification. This is consistent with research findings on information rights generating deterrence effect (Yang, 2024). This finding is important in that it identifies the mechanism through which deterrence effect operates: increasing probability of detection.

The finding that family-controlled businesses are less willing to share information highlights the borrower's characteristic determining behaviour of borrower. This finding is consistent with research of the context of banking in Ghana, which found that family businesses may prefer to avoid transparency due to fear of disclosing sensitive information (J. Abor & Biekpe, 2009). The implication is that banks should apply different approach when dealing with family-controlled borrowers.

The finding that borrower behaviour is dynamic, with borrower cooperation giving way to opportunism after restructuring approval, means that there are temporal dynamics of moral hazard. This finding is consistent with research findings indicating that borrowers have reduced incentives to repay after restructuring approval (Iqbal, Rao, & Akram, 2026). This means that banks should be cautious not only before but also after approval and should monitor borrower activity.

The conceptual framework is refined on the basis of the findings and discussion. Specifically, the refined framework retains the core elements but also contains some new elements. First, it takes into account the dynamic nature of stakeholder salience that changes over time as power shifts. Second, it identifies monitoring and deterrent effects of information rights. Third, it takes into account institutional context as a moderating variable. Fourth, it considers temporal dynamics of borrower behaviour before and after restructuring approval. Finally, it includes borrower characteristics as a factor determining borrower behaviour.

The refined framework is important in that it extends Stakeholder Salience Theory by demonstrating how power shifts during restructuring negotiations and how information rights influence stakeholder salience. It also extends Agency Theory by revealing how information asymmetry generates moral hazard and how information rights mitigate it. Moreover, it illustrates how the two perspectives integrate by showing how stakeholder salience dynamics and agency problems affect restructuring outcome.

The refined framework has practical implications. For banks, it serves as a diagnostic tool for assessment of information asymmetry and design of appropriate information rights. For regulators,

it is a tool for understanding how institutional context affects restructuring outcome. For borrowers, it provides guidance in the matters of transparency and cooperation.

6.1 Conclusion

This study investigated the effects of information asymmetry and borrower behaviour on loan restructuring negotiations in Ghanaian commercial banks, which is a rather understudied area in the literature regarding how power dynamics and information management influence the process of restructuring in the emerging economy environment. Based on Stakeholder Salience Theory (Mitchell et al., 1997) and Agency Theory (Jensen & Meckling, 1976), the research applied a qualitative comparative case study approach using 17 interviews conducted among the two selected banks and the borrowers' representatives.

First and foremost, the results of the research provide the following insights. Information asymmetry serves as a primary source of borrower power allowing strategic information management, selective disclosure, and exploiting weak institutional arrangements to obtain a positive restructuring outcome. The borrowers actively manage the information flows by tailoring the disclosures according to the bank's needs while hiding the underlying issues, and use their informational advantage in order to extract some concessions from the banks such as long moratoriums, low-interest rates, and less strict covenants. In addition, the institutional environment characterized by a weak credit-reference infrastructure and lack of information exchange in Ghana's banking industry facilitates the power inequality between the banks and borrowers.

Secondly, effective information rights and verification mechanisms become vital tools to balance the borrower power. In successful cases, the banks had the access to all financial reports ("open books") of the borrowers, were able to independently verify the information with site visits and supplier confirmation. Such practices served as a tool for monitoring and deterrence and decreased the level of opportunism by making the misrepresentations more identifiable. Specifically, the deterrence effect when the anticipation of verification decreases the misrepresentation implies that information rights are valuable not only for information itself but also for the influence on borrower incentives.

Thirdly, stakeholder salience is not static and depends on the power, legitimacy, and urgency interaction. The salience of the borrowers is high at the beginning of the financial troubles but changes once the banks obtain information rights and verification mechanisms. At the same time, other stakeholders including regulators, employees, and fellow creditors become salient in the process of the restructuring negotiation. The urgency is a manipulable tool for borrowers and banks need to separate the real from artificial urgency.

Fourthly, the borrower behaviour ranges from the cooperative to opportunistic and depends on the institutional environment, banks' information rights, and borrower's properties. The cooperative behaviour is associated with success while the opportunistic one with failures. Ghana's poor institutional environment makes the chances of opportunistic behaviour higher. Moreover, the

borrower behaviour is dynamic and usually, after the approval of the restructuring, the cooperation turns into opportunism. The family-controlled businesses face a problem of information withholding.

The improved conceptual framework will contribute to the theory by showing the power shift during the negotiation process and the way how information rights change the stakeholder salience. From a practical point of view, the results will provide a diagnostic tool for banks that allows assessing the level of information asymmetry and designing the information rights and verification mechanisms accordingly. As far as the policy recommendations are concerned, the findings will highlight the necessity of improvement in the credit-reference infrastructure and enforcement mechanisms.

The future directions of the research include the quantitative testing of the improved conceptual framework, cross-country comparison, longitudinal analysis of the borrower's side, and investigating the role of the technological advances for information rights and verification mechanisms.

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