EFFECT OF CORPORATE GOVERNANCE ON BOARD OF DIRECTORS DISCLOSURE IN COMMERCIAL BANKING SECTOR IN KENYA

BY

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DECLARATION

This Research Project is my own original work and has not been presented for a Degree qualification in any other University or Institution of learning.

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DEDICATION

I dedicate this project to the Kabugu senior family, my dear parents for their love, my sister Sylviah and brother Jonam for their encouragement. I also dedicate this project to all who supported me throughout the entire process, especially Eliud who helped me kick start the proposal. Finally a special thanks to Martha and Denis for encouraging me to forge forward when it was tough, the two of you have been my best cheer leaders.

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LIST OF ABBREVIATIONS

AML: Anti Money Laundering

ANOVA: Analysis of Variance

BOD: Board of Directors

CAMEL: Capital Adequacy, Asset Quality Management, Earnings and Liquidity

CBK: Central Bank of Kenya

CEO: Chief Executive Officer

KES: Kenya Shilling

ROA: Return on Asset

UK: United Kingdom

USA: United States of America

USD: United States Dollar

ABSTRACT

The objective of this study was to develop the effect of corporate organization and top administrative staff disclosure in business sparing cash zone in Kenya. The Causal research design was used to carry out the study. The population of this study comprised of all commercial banks licensed and operating in Kenya as listed on CBK website. Therefore, a census survey was carried out. This study relied on secondary data which was obtained from annual reports published by the Central Bank of Kenya; which is also the regulator of the banking sector. The period covered by the study was between years 2013 to 2015. Quantitative information gathered was dissected by the utilization of spellbinding measurements utilizing SPSS (Version 22) and exhibited through means, standard deviations and frequencies. The concentrate additionally utilized ANOVA to test the level of huge of the factors on the needy variable at 95% level of centrality. Also, the study led a various relapse examination. This study concluded that financial institutions do not have self-managed codes of conduct to disclosed board decisions, financial situations and facilities provided to board members and executives. Attempts to upgrade corporate organization should focus on the estimation of the stock duty regarding people, since it is conversely related to overseeing body presentation. They should be a set rooftop on the stocks a lone official can assert in the midst of the sheets residency. In order to have fitting seeing by free boss, bank authoritative bodies should require additional disclosure of cash related or individual ties between administrators (or the affiliations they work for) and the association or its CEO. By so doing, they will be more absolutely free. Steps should similarly be carried for required consistence with the code of corporate organization and unyielding disclosure. In like manner, a convincing legal structure should be created that demonstrates the rights and duties of a bank, its boss, shareholders, specific disclosure necessities and oblige effective execution of the law. Finally, there is the need to set up a bound together corporate body saddled with the commitment of social occasion and gathering corporate organization related data and building up the apropos records to energize corporate organization.

CHAPTER ONE: INTRODUCTION

1.1 Background to the Study

Leading body of chief is the representing body of a consolidated firm. Its individuals are chosen typically by the stockholders of the firm by and large at a yearly broad meeting to oversee the firm and nurture the shareholder's favorable circumstances. The board has a definitive basic leadership power and as a rule has the ability to set the organization approaches, targets and general course, embrace standing rules, name individuals from the consultative, official, back and different advisory groups, contract, screen, assess and fire the overseeing chief and senior administrators, decide and pay the profit and issue extra shares.

Despite the fact that not all board individuals might be occupied with the everyday running of the organization, the whole board is held subject for the results of the organizations' arrangements, activities and inability to act. Individuals from the board generally incorporate senior most officials (inside chiefs or official chiefs) and in addition specialists or regarded people looked over the more extensive group (outside executives or non-official chiefs).

The board settles on choices for shareholder's sake as a guardian and pays special mind to the monetary prosperity of the organization. Body is in charge of helping an organization set expansive objectives; bolster administrators in their obligations, while additionally guaranteeing the organization has satisfactory assets available to its and that those assets are very much overseen.

1.1.1 Corporate Governance

Corporate governance refers to conducting business inside adequate moral gauges. Straightforwardness, responsibility and openness in reporting and revelation of data, both operational and monetary, are globally acknowledged to be fundamental to the act of good corporate administration (Almazan, Hartzell and Starks, 2014). The question of good corporate administration is achieved when establishments exhibit open responsibility and lead their business inside adequate moral models.

Corporate administration improves financial specialist security and supports venture. This showing will appear as successful monetary reporting, both inside and remotely. Firms' level of corporate governance influences firms' decision to make voluntary disclosures in that, as many studies argue, sound corporate governance mechanisms are treated as a sign that the firm in question has strong management and better monitoring in place, which in turn leads to more voluntary disclosures.

Parties in the financial industry have reiterated the need for stronger governance to establish a more stable banking environment and support economic growth. There has been great emphasis on the responsibilities of directors, auditors, compliance bodies and other regulatory authorities to enforce close oversight. Bank directors have a fiduciary responsibility and legal obligation to ensure that, above all, depositors' funds are safe and banks risk management oversight ensures customer confidence and contributes to the growth and stability of the banking industry. Reputation risk should be placed high on bank directors' agendas to ensure client loyalty and obligation. Risk management policies should be up-to-date with internal controls as well as AML practices that insulate the bank against possible frauds or collusions.

1.1.2 Board Composition

Okpara (2009) described the board as a gathering of people that rose as a consequence of the stewardship part allowed by the shareholders of the firm to this gathering of people in charge of undertaking the everyday operations of the association. These individuals are tasked with promoting corporate governance, which is anticipated to have a huge relationship with deliberate divulgence.

The creation of board individuals likewise decreases the office issue (Weisbach, 1988). Not at all like inside chiefs, outside executives are better ready to challenge the CEOs. It is maybe in acknowledgment of the part of outside executives that in the UK at least three outside chiefs is required on the board; and in the USA, the control requires that they constitute no less than 66% of the board (Bhagat and Black, 2000). The nearness of outside executives, less adjusted to administration, may urge firms to unveil more data to outside speculators. In this way, it is normal that organizations that have more outside executives on the board will have more deliberate revelations.

In a corporate governance context, Fama (1983) recommend that sheets that incorporate a higher extent of outside chiefs will have more noteworthy checking capacity over administration. Forker (1992) contends that the nearness of non-official chiefs on corporate sheets would support the checking of the nature of the money related revelations and diminish the propensity of withholding data by official executives consequently enhancing the level of BOD divulgence.

1.1.3 Role Duality

Role duality refers to the situation where a single person serves as both the company overall and chair of the board with the objective of making a brought together authority structure. As indicated by office hypothesis, the joined capacities can altogether weaken the board's observing, teaching and remunerating of senior overseers (Molz, 1988). It in like manner engages the CEO to participate in entrepreneurial lead, because of his/her quality over the board. Persons that hold both positions are balanced more to organization than with stakeholders and hence tend to withhold unfavorable information from stakeholders.

Forker (1992) declares that an overwhelming identity in both parts represents a risk to observing and is unfavorable to divulgence. With a specific end goal to avoid undue centralization of force in the hand of one individual in the board, corporate administration prescribes that diverse individual ought to hold the position of overseer and chairperson and in the event that is unavoidable a strong non-official team should be put in place. This leads to more BOD disclosure.

1.1.4 Managerial Ownership

Administrative possession alludes to the extent of an association's shares claimed by board individuals and other administration staff. A high grouping of shares particularly by administrators has a tendency to make a road for them to carry on in ways that are esteem amplifying. Proficient supervisors have a solid freedom and cross motivations through extra shares installments (Sanda, Mikail and Tukur, 2005). This infers they have motivations to reveal data when an organization's ventures succeed yet they additionally tend to shroud data when there are huge misfortunes.

Numerous specialists examined whether corporate administration could accomplish willful revelation among which Mckinnon and Dalimunthe (1993) opine that firms with high managerial possession have abnormal state of intentional exposure and are more worried with the advantages of shareholders. Accordingly, a capital structure with high administrative proprietorship diminishes office costs and increases BOD voluntary disclosure.

Exorbitant administration possession could be counter-beneficial to the company's long haul esteem, as administration could viably employ outside dangers. This dispute is found in the entrenchment hypothesis which predicts that high administration intrigue prompts bring down willful divulgence. Encourage, the controlling proprietor of the firm successfully chooses "the bookkeeping reporting approaches" (Fan &Wong, 2002). It is foreseen that this prompts a low level of disclosure, driven basically dictated by the controlling proprietor's goal to hold up minority shareholder's control is accomplished by restricting the measure of revelation in the yearly reports.

1.1.5 Ownership Concentration

Possession focus alludes to the extent of a company's shares claimed by a given number of the biggest shareholders. A high convergence of shares has a tendency to make more weight on directors to carry on in ways that are esteem augmenting. In support of this contention, Gorton and Schmid (1996) recommend that at low levels of proprietorship focus, an expansion in fixation will be connected with an expansion in firm esteem, however that past certain level of focus, the relationship may be negative. The present writing on corporate administration structure has focused on the office issue where proprietorship is scattered and shareholders have a uninvolved part.

So also, Shleifer and Vishny (1997) contend that possession fixation and legitimate assurance are the two key determinants of corporate administration. Substantial shareholders can profit more than minority shareholders since they have the power and impetus to counteract seizure or resource stripping by directors. In this vein, possession fixation can be seen as a productive corporate administration component. Then again, huge shareholders can connive with supervisors to seize minority shareholders' advantage. Additionally, controlling shareholders may seek after destinations that are inconsistent with those of minority shareholders decreasing the measure of data willfully unveiled**.**

1.1.6 Board of Directors Disclosure

Lately some BOD have moved center from considering their trustee obligation involving viewing after simply the money related prosperity of the enterprise to a more expansive objective of attempting to advance the accomplishment of the organization for the advantage of its individuals overall. Body are accountable for ensuring that honest to good books of record are kept, despite business and cash related issues, they ought to oversee challenges and issues relating to corporate organization, corporate social obligation and corporate ethics.

Bosses look after the endeavors of the association and are in a place of trust. They may mistreat their position remembering the ultimate objective to profit to the burden of their association, and, thusly, to the weakness of the shareholders of the association. Consequently, the law strengths different commitments, weights and obligations upon bosses to hinder maul. The board is direct mindful to the shareholders and consistently the association will hold a yearly wide meeting, at which the boss must give a response to shareholders on the execution of the association, what its attainable courses of action and strategies are. This helps the shareholders realize what has been going ahead in the organization and how well their advantage are been spoken to.

The yearly report contains obligatory and deliberate revelations. Deliberate divulgence alludes to the yearly data that a firm makes open, through the yearly reports, to its partners. It is included data in yearly reports which is in overabundance of compulsory necessities and identifies with opportunity of chiefs to uncover such in the yearly reports with no impulse. Berndt and Leidfried (2007) contended that the requirement for deliberate divulgences radiates from the way that money related reports must be fit for addressing the necessities of the different classifications of clients furthermore serves as a reason for venture choices by speculators and partners. One among a large number of the deliberate revelations that an organization may make is distributed data relating to its executives as operationalized in table 3.1.

1.1.7 Commercial Banks of Kenya

Commercial Banks are authorized and directed according to the arrangements of the banking act and the regulations and prudential guidelines issued there under. They are the predominant players in the Kenyan banking framework and nearer consideration is paid to them while directing off-site and on location observation to guarantee that they are in consistence with the laws and controls. As of now there are 43 authorized business banks in Kenya. Out of the 43 organizations, 40 are exclusive while the Kenya government holds controlling stakes in the rest of the 3 business banks. 26 of the 40 exclusive banks are privately possessed (i.e. their controlling stakeholders are domiciled in Kenya while 14 are remote claimed. (CBK, 2016).

Kenyan business banks are ordered into three associate gatherings utilizing a weighted composite file that contains resources, stores, capital, number of store records and credit accounts. A save money with a weighted composite list of 5 percent or more is delegated a vast bank, a medium bank has a weighted composite file of between 1 percent and 5 percent while a little bank has a weighted composite file of under 1 percent. As at August 2016, there were 6 huge banks, 15 medium banks and 22 little banks as appeared in Appendix II (CBK, 2016).

One of the CBK's commands is cultivating the liquidity, dissolvability and legitimate working of a market based money related framework which is accomplished through creating fitting laws, directions and rules that oversee the players in the saving money area. Straightforwardness is a key component of a successfully directed, protected and sound managing an account framework and banks ought to give opportune data which encourages market members' appraisal of banks. Satisfactory open divulgence encourages a more proficient distribution of capital between banks, since it assists the public to precisely evaluate and look at the hazard and return prospects of individual banks.

1.2 Research Problem

Disclosure simply means uncovering of money related and non-monetary data about an organization in the yearly budgetary report. While compulsory revelation alludes to that data which is required by statutes, administrative and proficient declarations to be distributed in the yearly report, then again intentional exposure alludes to free decisions in the arrival of data with respect to directors to clients of the yearly reports. The basis behind exposure of bookkeeping data is to address data issues of different partners of budgetary statements.

Recent years have witnessed emotional changes in the amount and nature of firms required divulgence. Data in yearly reports is more bottomless and broadened these days than any other time in recent memory. Notwithstanding money related data, firms distribute in their yearly reports administration, chance, key, natural, and social data.

Regardless of this propensity to more prominent straightforwardness, considerably less consideration has been paid to intentional revelation. The sudden disappointment of a few renowned and vast banks in Kenya has thrown questions on partner's certainty on data uncovered by the business banks. This boundless disappointment of banks coming about because of poor divulgences has required the requirement for development in money related data disclosures by setting up great corporate administration structures. To illustrate the severity of these governance issues, for instance, Chase Bank made a staggeringly large amount of loans to its directors, an average of KES 1.35 billion per director (USD 13.5 million). Mwangi (2015) noticed that the corporate disappointments in banks which had before delighted in great notoriety, has been severally condemned and seen just like a result of poor corporate administration, calling attention to that for all intents and purposes all the reported instances of corporate disappointment both locally and universally has been followed to poor corporate administration rehearses.

The late fall of prominent organizations, for example, Dubai Bank Ltd, Imperial Bank Ltd and all the more as of late Chase Bank (K) Ltd also National Bank profit warning and dismissal of its CEO have received significant attention from regulators, investors, academics and the general public. Therefore, studying corporate governance with BOD disclosure has become imperative for a company to improve information quality (Hongxia & Ainian, 2008). Also, it became a constituent of governance as it discourages managers from non-exposure of pertinent data in the yearly report. Consequently, this study was intended to give an answer to the question: what is the relationship between corporate governance and board of directors' disclosure in commercial banks in Kenya?

1.3 Research Objective

The objective of this study was to establish the effect of corporate governance and board of directors' disclosure in commercial banking sector in Kenya.

1.4 Value of the Study

The study has implications for; Academicians and researchers: The results of the study should serve as appoint of departure for further investigation in governance structures and systems for academics and researchers in general. This study will be an eye-opener for research in the developing markets. The study findings will assist regulators in the financial markets and especially banks in identify the crucial aspects of corporate governance that should be emphasized in the governance matrix. Given the many scams and financial frauds reported in many corporation and the vast sums of wealth of shareholders destroyed thereby, findings of the study should help regulators play their role effectively. Management and boards of corporate bodies will be guided on the key value adding aspects of governance and will be prepared to provide the assistance that would facilitate good governance and disclosure practices. Boards act on behave of shareholders, endeavoring always to report comprehensively, accurately and on a timely basis. The study would go some way in helping them play their oversight role.

The exhibit ponder broadens past research endeavors by investigating the viability of certain corporate administration hones in influencing intentional revelation by Kenyan firms. Specifically, it concentrates on intentional revelation in yearly reports; since these are the fundamental records distributed by firms and are utilized by different gatherings to survey firms' execution amid the monetary year.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This part covers both hypothetical and exact writing on the effect of corporate administration on intentional exposure in commercial banking sector in Kenya. It concludes with an overview of the literature highlighting the research gap that the study sought to fill.

2.2 Theoretical Review

From the corporate governance and voluntary disclosure, several theories have been developed with regard to the role played by corporate governance in promoting voluntary disclosure. In this section the study discusses the main theories that relate to the area concerned.

2.2.1 Agency Cost Theory

Jensen and Meckling (1976) portray the association relationship as "an assention under which no less than one individuals (the principals) attract another person (the expert) to play out some organization for their advantage, which incorporates doling out some fundamental initiative energy to the administrator." Agents contrast with managers, however principals contrast with shareholders from an associations' perspective. Association costs originate from the assumption that the two social occasions, administrators and principals, have different interests. Checking costs are paid by the principals, shareholders, to oblige the specialists' exercises. Holding expenses are paid by the operators, chiefs, to ensure that no damage of the essential's advantages will come about because of their choices and activities. Lingering misfortune stems when choices of the operators separate from choices that would augment the key's welfare. As needs be, the workplace cost is the summation of the association cost, checking cost, and holding expenses (Jensen and Meckling, 1976).

The organization relationship prompts the data asymmetry issue because of the way that administrators can get to data more than shareholders (Jensen and Meckling, 1976). Intentional revelation is one method for alleviating the office issue, where directors uncover more deliberate data lessening the organization expenses furthermore to persuade the outer clients that chiefs are acting in an optimal way. Directions are another method for alleviating the office issue as they oblige chiefs to completely reveal private data. In any case, full divulgence is never ensured even within the sight of directions. The nonappearance of full introduction is cleared up by the conflict that exists between the interests of directors and shareholders. Likewise, corporate reporting directions are planned to give financial specialists the base amount of data that aides in the basic leadership prepare.

2.2.2 Stewardship Theory

In spite of office hypothesis' cynical presumptions about the self-intrigued and self-serving intentions of officials, stewardship hypothesis recommends the potential for what it calls the 'genius authoritative' thought processes of executives. What drives execution here is not the balanced covetousness of an authority, rather their own association with the focuses and inspirations driving the affiliation. Stewardship theory discredits the supposition that official focuses and points of view are against those of the shareholder; both, it requests, have an eagerness for boosting the whole deal stewardship of an association and are thusly adequately particularly balanced. From this stewardship theory prescribes the possibly negative impact of a division of obligations between a chief and CEO. The parts, it proposes, ought to stay consolidated keeping in mind the end goal to ensure a key part of superior; the quality and power of official administration. Apparently the key commitment of stewardship hypothesis lies in its scrutinizing of office hypothesis' skeptical presumptions about human instinct. Like Douglas

Macgregor's difference between hypothesis X and hypothesis Y directors, it recommends that the issue of administration may lie not in the self-enthusiasm of the official but instead in the suspicions that far off others - outstandingly financial specialists and controllers - make as to their self-intrigued intentions. The risk it highlights is that negative theorist suppositions may unintentionally bend or incapacitate the power of an association.

2.2.3 Stakeholder Theory

Partner hypothesis challenges association suspicions about the force of shareholder interests. Or maybe it battles that an association should be directed in light of a genuine sympathy toward each one of its accomplices. These interests consolidate those of the shareholder and an extent of other quick and circumlocutory interests. The representative is clearly a key partner and there have been long-running contentions among administration scholastics, for example, Margaret Blair, that worker the same amount of as shareholder may be 'leftover daring person' in a firm. A worker's interest in firm-particular abilities implies that they too ought to have a voice in the administration of the firm. Be that as it may, partner hypothesis would likewise demand that different gatherings - providers and clients - have solid direct interests in organization execution while nearby groups, nature and in addition society everywhere have true blue backhanded interests.

The conflict that is again and again raised against an accomplice point of view of the firm is that it is hard to operationalize by virtue of the inconveniences of picking what weight should be given to different accomplice interests. To the extent corporate organization, it is battled that, were authorities to be made capable to the greater part of an association's accomplices they would, subsequently, be at risk to none. Illuminated partner hypothesis subsequently recommends the useful estimation of responsibility to shareholders regardless of the possibility that a board considers different interests in its lead of a firm.

2.3 Review of Empirical Studies

Several empirical studies have been carried out on the four variables of corporate administration to the specific board organization, part duality, administrative proprietorship and possession concentration and various conclusions were reached.

2.3.1 Board Composition

Beasley (1996) discovered less probability of misrepresentation in budgetary explanation created by organizations with sheets with higher extents of outside chiefs. Other experimental studies have discovered critical effect on which firms that have higher extent of outside executives in their sheets. Supporting a reciprocal relationship, Adams and Hossain (1998) reported that there is a noteworthy positive relationship between the extent of autonomous executives on the board and willful revelation. Chen and Jaggi (2000) reported a huge positive relationship between the comprehensiveness of budgetary revelation and the extent of free executives in organizations working in Hong Kong.

Xiangyu and Xiuming (2004) investigated the relationship among constitution of the overseeing body and the level of ponder introduction, and the result exhibited that the extent of self-ruling officials had no prominent relationship with the record of purposeful disclosure. Additionally, affirmation of outside administrators' parts in budgetary reporting in Malaysia for the most part infers that their impact is immaterial (Abdullah and Mohd-Nasir, 2004).

Observational verification on the relationship between the degree of non-authority boss and the level of headstrong disclosure in China organizations reasoned that with a higher degree of non-authority administrators there was a bigger measure of deliberate disclosure in China (Xiao and Yuan, 2007).

2.3.2 Role Duality

Past experimental studies on this relationship offer some proof that organizations with duality unveil less data. Thusly, remembering the true objective to balance undue centralization of constrain in the hand of one individual in the board, code of corporate organization recommends that differing individual should hold the position of chair and CEO and in the event that is unavoidable a strong non-official autonomous chief ought to be put in place (Eng and Mak (2003).

2.3.3 Managerial Ownership

The degree of shareholding by official executives is connected with office hypothesis (Jensen & Meckling, 1976). They further contend that significant shareholdings by outside executives give more noteworthy impetuses to them to screen beat administration. Shareholdings by non-official executives and by outside block holders are associated with higher monitoring incentives. In this way, these outside piece holders are anticipated to request more data to be revealed in the yearly reports to diminish information asymmetry among the little shareholders. Fama and Jensen (1983) suggest that when there is spread under lock and key, the potential for conflicts between the essential and the administrator is more prominent.

Many researchers investigated whether corporate administration could accomplish willful exposure among which Mckinnon and Dalimunthe (1993) check up sparing motivating force of intentional revelation of portion data among Australian differentiated organizations, and found that the degree of possession fixation was an element influencing deliberate divulgence. In contrast, In Switzerland it was found out that the degree of possession decentralization has a negative connection with deliberate divulgence through the examination of the determinants of intentional budgetary revelation by Swiss listed companies. In the same vein, a similar consider on the effect of corporate administration on intentional divulgence utilizing 100 recorded organizations was done in Shangai and Shenzheu Stock Exchanges and a similar result of positive relationship. Warfield, Wild and Wild (1995) found that the degree of shareholding by administration is emphatically connected with the measure of data given about income.

However, the extents of official executives' shareholdings additionally have a positive impact to the intentional divulgences level. Additionally, non-official executives' advantage is not associated with voluntary disclosures. Furthermore, willful exposure is one of the methods for the principals (shareholders) to screen their financial advantages, and the specialists (supervisors and executives) can flag that they demonstration to the greatest advantage of the proprietors. Chau and Gray (2002) offer support to this debate where they uncovered a relationship between the proprietorship structure and the level of information purposely uncovered by the recorded Singapore firms, respectively.

2.3.4 Ownership Concentration

Fama and Jensen (1983) prescribe that when there is scattering in proprietorship, the potential for conflicts between the principal and the administrator is more noteworthy. Organization issues, is contended that it can be alleviated through the contribution of substantial shareholders in observing or controlling exercises that possibly prompt these issues. Huge shareholders are relied upon to have more prominent motivating forces to screen administration as their riches is attached to the company's money related execution.

Confirm by Bethel, Liebeskind and Opler (1998) is dependable with above conjecture, where they find that the execution of a firm enhances taking after a securing of a square of shares by a lobbyist financial specialist. Hence, these outside square holders are anticipated to request more data to be revealed in the yearly reports to reduce information asymmetry among the little shareholders. Chau and Gray (2002) offer support to this contention where they reveal a relationship between the ownership level and the level of information persistently divulged by the recorded Singapore firms.

2.3.5 Local empirical studies

Lishenga and Mbaka (2002) studied on compliance with corporate disclosure and firm performance for Kenyan firms a sample of 35 listed companies was taken. The target of the study was to set up a connection between corporate administration list and execution of recorded organization. The hypotheses expressed in the paper were: Organization hypothesis, exchange cost financial matters, partner hypothesis, stewardship hypothesis, class administration hypothesis, and administrative dominion hypothesis. Firm execution was measured utilizing Tobin Q and ROA while corporate organization was measured by corporate organization document and disclosure was 12 measured by firm size, board size, benefit and age of a firm. The study presumed that firm size and age were adversely identified with execution while board estimate demonstrated inconsequential relationship and corporate administration index showed a positive relationship with performance.

Barako (2007) studied the determinants of deliberate exposure in Kenya organizations' yearly reports. The study investigated segments associated with think presentation of four sorts of information: general &strategic, budgetary, forward looking and social and board information in yearly reports for Kenya from the year 1992-2001. The main theory outlined in the study was the agency theory. A disclosure index was constructed and ordinary least square method used. The findings were that board authority structure, remote possession, institutional proprietorship and firm size fundamentally influence the level of divulgence.

Matengo (2008) studied the relationship between corporate administration rehearses and monetary execution of managing an account industry in Kenya. The goal of the study was to decide the relationship between corporate administration practices and execution among business banks. A sample of 45 banks was taken and corporate governance determinants were measured using a questionnaire while financial performance was measured using the CAMEL model. The findings were that transparency significantly affected firm performance while disclosure and trust did not show a significant relationship.

2.4 Conceptual Framework

Independent Variable **Dependent Variable**

Corporate Governance **Board of Directors Disclosure**

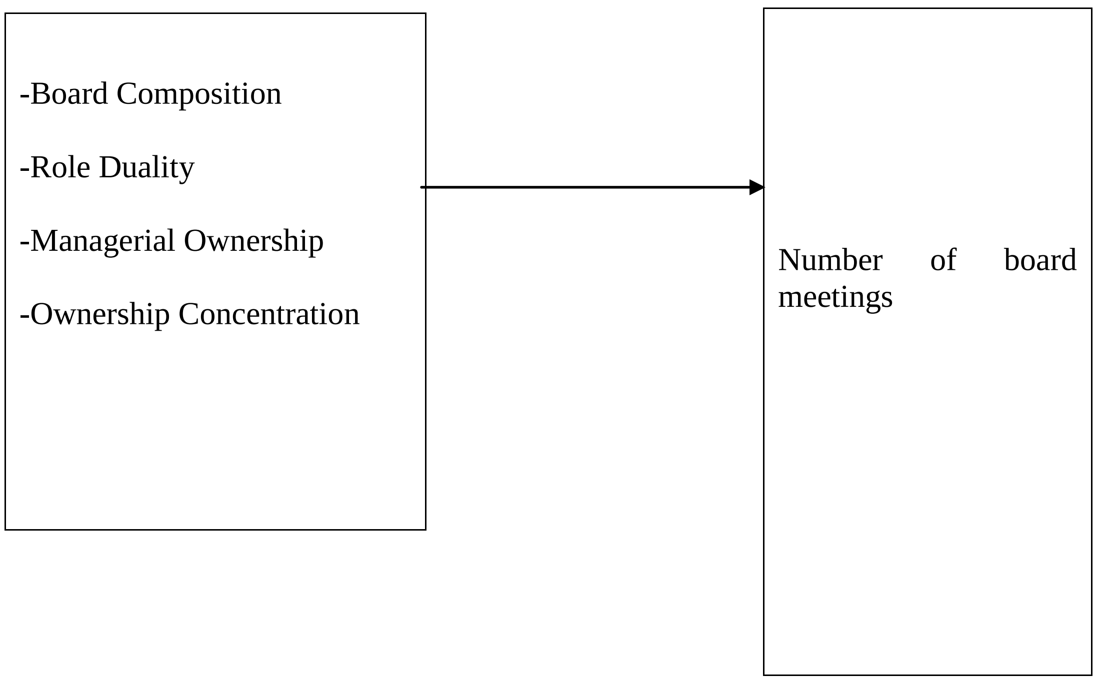

Figure 2.1: Conceptual Framework

Source, Author (2016)

2.5 Summary of Literature Review

This chapter has reviewed relevant empirical literature on the impact of corporate governance on voluntary disclosure in commercial banking sector. The survey demonstrates that there were various observational studies which explored the degree of corporate intentional divulgence and its association with certain corporate characteristics in an assortment of various nations, which incorporate both the created and creating nations. Be that as it may, most by far of these studies have centered essential on willful data revelations in non-keeping money organization's yearly reports in those nations. Amazingly, the greater part of the exact divulgence ponders inspected in the segment have recommended to prohibit the managing an account area and other monetary foundations from the example because of their diverse reporting prerequisites and exposure controls and their business enacts being novel from other financial areas.

An extensive number of surveyed studies measured the deliberate divulgence hones for a solitary nation and a solitary year, while a little number of these studies endeavored to gauge the level of willful revelation rehearses cross broadly. Past scientists who have endeavored to quantify the degree of willful revelation in the yearly reports have likewise looked to research its relationship with certain organization characteristics, for example, age, organization estimate, posting status, productivity, liquidity, creator sort, industry sort, proprietorship structure, et cetera.

The audit of writing has likewise demonstrated the greater part of earlier research found a relationship (positive/or negative) between certain corporate particular attributes and the degree of deliberate exposure of different sorts of data. The greater part of exact deliberate exposure contemplates surveyed in this section have utilized various straight relapse strategy to test the relationship between the degree of intentional divulgence rehearses (subordinate variable) and corporate properties. Be that as it may, earlier exact studies have given blended discoveries in various nations in such connections. Specifically, as found in area there is a little number of correct studies that exploration the impact of corporate organization on willful exposure in business keeping money division. Thusly, the momentum look into endeavored to fill the current crevice in the divulgence considers writing and add to continuous research tending to willful revelation through a longitudinal examination of the effect of corporate administration on deliberate exposure in business saving money division in Kenya

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter is a diagram of the procedure that the scientist used to answer the exploration questions. This incorporates the examination plan, populace, investigate test, information gathering and information investigation of the exploration contemplate.

3.2 Research Design

The Causal inquire about outline was utilized to complete the study. As indicated by Cooper and Schindler (2006), a causal study is intended to build up the impact of one variable(s) on another variable(s) which portrays causation. Causal research is normally organized with a plainly expressed goal of finding affiliations and causal connections among various factors. This plan was seen to be suited to this study in that it included gathering, check and combination of proof to set up realities that guard or discredit the theory. This design involved use of secondary sources of data such as official records, report and financial statements.

3.3 Population

Ngechu (2006) defined a populace as a total arrangement of people, cases, or questions with some basic discernible attributes. A particular population has some characteristics that differentiate it from other population. He further indicated that a target population is a group of individuals, events or objects which a researcher wants to generalise the findings. The number of inhabitants in this study involved every business bank authorized and working in Kenya as listed on CBK website (See Appendix 1). Therefore, a census survey was carried out.

3.4 Data Collection

This study depended on auxiliary information which was gotten from yearly reports distributed by the Central Bank of Kenya; which is likewise the controller of the managing an account area. The period covered by the study was between years 2013 to 2015.

3.5 Data Analysis

Information examination normally included diminishing gathered information to reasonable levels, creating rundowns, searching for examples and applying factual systems. (Cooper and Schindler,(2002). Quantitative information gathered was examined by the utilization of elucidating insights utilizing SPSS (Version 22) and introduced through means, standard deviations and frequencies. The study also used ANOVA to test the level of significant of the variables on the dependent variable at 95% level of significance. In addition, the study conducted a multiple regression analysis.

The regression model was:

$$\mathbf{Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4+\varepsilon}$$

Y=Board of Directors disclosure

Where;

$x1$ = Board Composition

$x2$ = Role Duality

$x3$ = Managerial Ownership

$x4$ = Ownership Concentration

$\beta_{1,}\ \beta_{2,}\ \beta_{3,}\ \beta_{4,}$ = Coefficients of determination

ε = Error term

Table 3.1 Operationalization of Variables

Independent variables	**Operational definitions**	**Sources of data**
Board composition	Percentage of independent directors to the total number of directors on the board.	Company annual reports
Role duality	Whether CEO chairs the board.	Company annual reports
Managerial Ownership	Percentage of shares owned by members of the board of directors to the total issued shares.	Company annual reports
Ownership concentration	Percentage of shares owned by top 20 shareholders to the total issued shares.	Company annual reports
Dependent variable	**Operational definitions**	**Sources of data**
Board of director's information disclosure	Number of board meetings	Company annual reports

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Introduction

This area presents examination and revelations of the study as set out in the examination framework. The study disclosures are displayed on the impact of corporate administration and top managerial staff disclosure in commercial banking sector in Kenya. The data was gathered exclusively from from annual reports published by the Central Bank of Kenya; which is also the regulator of the banking sector. The period covered by the study is between years 2013 to 2015.

4.1 Descriptive Analysis

The study sought to establish the effect of corporate governance and board of directors' disclosure in commercial banking sector in Kenya.

Table 4.2 Descriptive analysis

Study Variables	N	Minimum	Maximum	Mean	Std. Deviation
Board of Directors disclosure	3	4.21	4.36	4.2636	.08101
Board Composition	3	29.88	35.15	32.3275	2.65125
Role Duality	3	.33	.43	.3759	.04841
Managerial Ownership	3	.01	2.42	.8298	1.37430
Ownership Concentration	3	86.48	87.12	86.6914	.37283
Valid N (listwise)	3				

Mean, maximum, minimum and standard deviations of all the variables were established. From the findings, Board of Directors disclosure had a mean of 4.26 and a standard deviation of 0.81. Board composition had a mean of 32.3 and a standard deviation of 2.6, Role Duality had a mean of 0.37 and a standard deviation of 0.048. Managerial Ownership had a mean of .82 and a standard deviation of 1. 37. Ownership Concentration had a mean of 86.6 and a standard deviation of 0.37.

4.2 Requisite Analysis

4.2.1 Multicollinearity Test

The study sought to find out the collinearity among the independent variables using tolerance and variation inflation factor (VIF) statistics of the predictor constructs.

Table 4.3: Tolerance and VIF Measures

Collinearity Measures	Tolerance	VIF
Board Composition	0.785	1.227
Role Duality	0.847	1.248
Managerial Ownership	0.811	1.322
Ownership Concentration	0.794	1.211

a. Dependent Variable: Board of Directors disclosure

The study adopted a threshold value of variance inflation factor of 4.0 to represent high multicollinearity status. The findings show that all the independent variables attained a high tolerance value, which is a clear indication that the beta values of the regression equation of the independent variable would be stable with low standard error terms. Tolerance is regarded as part of the denominator in calculating the confidence limits on the partial regression coefficient. According to the literature by Porter and Gujarat (2009), the VIF of independent variables that exceed 10 as a rule of thumb is regarded as collinear. Therefore, benchmarking on this rule of thumb implies that there was no collinearity among the independent constructs.

4.2.2 Normality Test

This test sought to find out the normal distribution for the Board of Directors disclosure which was tested for Gaussian distribution using numerical and graphical methods. According to Indiana (2011) many data analysis methods such as t-test, ANOVA and regression analysis relies on the assumption that data were sampled from a Gaussian distribution.

Table 4.4: Kolmogorov-Smirnov and Shapiro-Wilk tests for Board of Directors disclosure

	Kolmogorov-Smirnov[a]		**Shapiro-Wilk**		
	Df	**Stats Sig**	**Dif**	**Sig**	**Statistics**
Board of Directors disclosure	3	0.088	3	.200*	.956

a. Lillierfors Significance Correction
**** Lower bound of true significance***

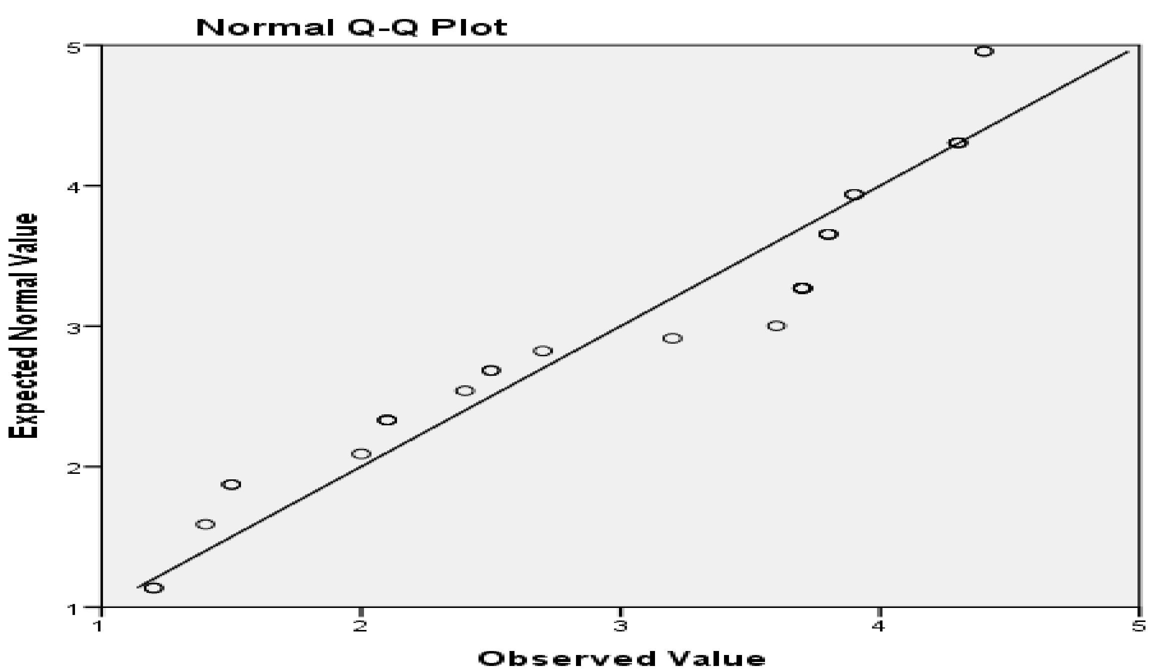

Figure 4.2: Normal Curve Plot

The computed values of Kolmogorov-Smirnov and Shapiro-Wilk test indicate insignificant statistics with p-value of 0.200 which implies that Board of Directors disclosure is normally distributed. Further, the figure 4.2 shows the visualized distribution of random variables of difference between an empirical distribution and theoretical distribution of Board of Directors disclosure. At very low values of the variable, some minimal deviation from normality is regarded as normal. Nevertheless, on the overall, the distribution appears normally distributed. More so, on the basis of the calculated insignificant test statistics, normality of the dependent variable was maintained. According to the findings by Shelvin & Miles (2010), the significance test result for such data is regarded as fairly accurate.

4.2.3 Test for Heteroscedasticity

Table 4.5: Breusch-Pagan/Cook-Weisberg test Results

Breusch-Pagan / Cook-Weisberg test for heteroscedasticity
Ho: Constant variance
Variables: fitted values of board of director's disclosure
Chi2 (1) = 0.22
Prob > chi2 = 0.7134

The study used Breusch-Pagan/Cook-Weisberg test for heteroscedasticity. From the findings, the chi-square value was small, indicating heteroscedasticity was not a problem (or at least that if it was a problem, it wasn't a multiplicative function of the predicted values). Also it was revealed that the p value of 0.7134 was greater than 0.05 significant levels implying that there was no violation of homoscedasticity.

4.3 Correlation Analysis

A connection is a solitary number that depicts the level of relationship between two factors. In this study relationship, will be utilized to survey a conceivable two-way straight relationship between two consistent factors of the study. Connection is measured by a measurement called the relationship coefficient, which speaks to the quality of the putative direct relationship between the factors being referred to.

Table 4.6: Correlations Coefficient

Correlation		**Board of Directors Disclosure**	**Board Composition**	**Role Duality**	**Managerial Ownership**	**Ownership Concentration**
Board of Directors disclosure	Pearson Correlation	1	0.920	-0.952	-0.999*	0.472
	Sig. (2-tailed)		0.000	0.000	0.000	0.000
	N	3	3	3	3	3
Board Composition	Pearson Correlation	0.920	1	0.218	0.139	0.921
	Sig. (2-tailed)	0.000		0.00	0.000	0.000
	N	3	3	3	3	3
Role Duality	Pearson Correlation	-0.952	0.218	1	0.936	-0.18
	Sig. (2-tailed)	0.000	0.000		0.000	0.000
	N	3	3	3	3	3
Managerial Ownership	Pearson Correlation	-0.999	-0.139	0.936	1	-0.514
	Sig. (2-tailed)	0.000	0.000	0.000		0.000
	N	3	3	3	3	3
Ownership Concentration	Pearson Correlation	0.472	0.921	0.18	0.514	1
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	
	N	3	3	3	3	3

Source: Research Data (2016)

On the connection of the study factors, the scientist led a Pearson Product Moment relationship. From the discoveries on the connection examination between the study factors, the study found that there was positive correlation coefficient between board of directors disclosure and board composition as shown by correlation factor of 0.920, the study found a negative correlation between board of directors disclosure and role duality as shown by correlation coefficient of 0.952, association between board of directors disclosure and managerial ownership was found to have negative relationship as shown by correlation coefficient of 0.999. Finally, it was established that board of director's disclosure had a positive relationship with ownership concentration as shown by a coefficient of 0.472.

4.4 Regression Model

This area displays the outcomes on the consolidated impacts of all the free factors which were board organization, part duality, administrative proprietorship and possession focus. A straight relapse model was utilized to test the centrality of the impact of the autonomous factors on the needy variable. Therefore, the overall model for the study was; The overall regression model was as follows;

Table 4.7: Overall Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.803[a]	.795	.755	3.45101

Table 4.7 shows the analysis of the fitness of the model used in the study. The results indicate that the overall model was satisfactory as it is supported by coefficient of determination also

known as the R-square of 0.755. This means that all the independent variables explain 75.5% of the variations in the dependent variable.

Table 4.8: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	147.79	1	147.79	12.409	.000[b]
	Residual	11.90	1	11.909		
	Total	**159.69**	**3**			

Table 4.8 provides the results on the analysis of the variance (ANOVA). The outcomes show that the general model was measurably noteworthy. This was upheld by a F measurement of 12.409 and the reported p esteem (0.000) which was not exactly the traditional likelihood of 0.05 hugeness level. These outcomes infer that the autonomous factors are great indicators of board of director's disclosure

Table 4.9: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	43.257	8.950		4.833	.000
	Board Composition	.312	.057	.064	5.474	.003
	Role Duality	-.259	.039	-.086	6.641	.001
	Managerial Ownership	-.234	.114	-.017	2.056	.001
	Ownership Concentration	0.550	.215	.145	2.557	.000

$$Y = 43.25 + 0.312\,X_1 - 0.259\,X_2 - 0.234\,X_3 + 0.550\,X_4$$

Regression of coefficients results in Table 4.9 shows that there is a positive relationship between board of director's disclosure and board composition and ownership concentration. These were supported by beta coefficients of 0.312, and 0.550 respectively. Further there was a negative relationship between board of director's disclosure and board duality and managerial ownership. These were supported by coefficients of -.259 and -.234 respectively.

A unit increment in board creation would bring about an expansion in leading body of chief's exposure by a component of 0.312. A unit increment in part duality would bring about abatement in leading body of chief's revelation by a component of 0.259, additionally a unit increment in administrative possession would bring about a lessening in leading group of executive's exposure by a variable of 0.234. Finally, a unit increase in ownership concentration would cause an increase in board of director's disclosure by a factor of 0.550.

These results show that a change in either of the variables will definitely lead to a positive or a negative change in board of director's disclosure. Additionally, the results also indicate that all the variables had a significant relationship with board of director's disclosure which was supported by significant values less than 0.05.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMENDATIONS

5.1 Introduction

The chapter outlines the discoveries of previous chapter, it additionally gives the conclusions and suggestions of the study in light to goals of the study. The target of this study was to break down impact of corporate governance and board of directors' disclosure in commercial banking sector in Kenya.

5.2 Summary

This study conducted an analysis based on secondary data obtained from annual published reports by the Central Bank of Kenya for all the commercial banks from 2013 to 2015.The data analysed revealed that the effectiveness of the board influences better disclosure largely due to the higher number of independent non-executive directors, lower ownership of shares by the directors and chairing of board meeting by the board chairman among others. From the analysis above, revealed that there is no uniformity in the disclosure by board of directors in banks in Kenya. Despite the fact that they all reveal their corporate administration norms, yet what is uncovered does not fit in with a specific standard.

The banks don't uncover all in all how their obligations are performing, by giving an announcement that communicates extraordinary obligations as far as their ages and due dates. Exposures on chiefs' share proprietorship don't give adequate subtle elements that would warrant any significant examination. This makes it troublesome for anybody to gauge the ampleness of chiefs' shares possession. In spite of the prerequisites of stock market and government controllers, certain bank sheets still reveal specifically, particularly when the observing and implementation of exposure necessities have not been so strict before. Moreover, the study uncovered that a negative relationship exists between leading group of chief's divulgence and board duality and administrative proprietorship.

5.3 Conclusion

Despite of numbers of improvement of governance practices seen in the Kenya commercial banks, to strengthen the governance system, the board should move forward to set the vision, mission, core values, strategies and well-designed organizational structure. The laws and regulation needs reform to come with more stringent governance system including properly defining authority and responsibilities of board directors, qualification of directors, board governance system, oversight function of independent director, transparent reporting and disclosures practices in an ethical manner.

There are several lapses in corporate governance in most of the banks, despite issuing directives to strengthen corporate governance. Further, financial institutions do not have self-managed codes of conduct to disclosed board decisions, financial situations and facilities provided to board members and executives.

5.4 Recommendations

In light of the discoveries of this exploration, the concentrate hence shows the following suggestions which will be valuable to partners.

Endeavors to enhance corporate administration ought to concentrate on the estimation of the stock amounts for individuals' board member, since it is adversely identified with board of directors' disclosure. There should be a set ceiling on the stocks a single director can own during the boards tenure.

In order to have legitimate observing by free chiefs, bank supervisory bodies ought to require extra exposure of monetary or individual ties between executives, the organization and CEO. By so doing, they will be all the more totally autonomous.

Steps ought to likewise be brought for compulsory consistence with the code of corporate administration and intentional exposure. Likewise, a successful lawful system need to be legislated that indicates the obligations and commitments of a bank, its chiefs, stakeholders, particular divulgence necessities and include powerful implementation of the law.

At long last, there is need to set up a bound up corporate body saddled with the obligation of gathering corporate administration related information and developing the applicable guidelines to encourage corporate administration inquire about in Kenya

5.5 Suggestion for Further Studies

This study analysed the effect of corporate governance and board of directors' disclosure in commercial banking sector in Kenya. Further research can also be done to build up the divulgence challenges confronting recorded organizations. Similar study ought to be completed in different divisions not recorded in Nairobi Security Exchange for example microfinance organizations to discover if similar results will be acquired.

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APPENDICES

Appendix i: List of Commercial Banks in Kenya

1. African Banking Corporation Limited
2. Bank of Africa Kenya Limited
3. Bank of Baroda (K) Limited
4. Bank of India
5. Barclays Bank of Kenya Limited
6. CfC Stanbic Bank Limited
7. Charterhouse Bank Limited –Under statutory management
8. Chase Bank (K) Limited- In receivership
9. Citibank N.A Kenya
10. Commercial Bank of Africa Limited
11. Consolidated Bank of Kenya Limited
12. Co-operative Bank of Kenya Limited
13. Credit Bank Limited
14. Development Bank of Kenya Limited
15. Diamond Trust Bank Kenya Limited
16. Dubai Bank Limited- In receivership
17. Eco bank Kenya Limited
18. Equatorial Commercial Bank Limited
19. Equity Bank Kenya Limited
20. Family Bank Limited
21. Fidelity Commercial Bank Limited
22. First Community Bank Limited
23. Guaranty Trust Bank (K) Ltd
24. Giro Commercial Bank Limited
25. Guardian Bank Limited
26. Gulf African Bank Limited
27. Habib Bank A.G Zurich
28. Habib Bank Limited

29. Imperial Bank Limited- In receivership
30. I & M Bank Limited
31. Jamii Bora Bank Limited
32. KCB Bank Kenya Limited
33. Middle East Bank (K) Limited
34. National Bank of Kenya Limited
35. NIC Bank Limited
36. Oriental Commercial Bank Limited
37. Paramount Bank Limited
38. Prime Bank Limited
39. Sidian Bank Limited
40. Standard Chartered Bank Kenya Limited
41. Trans-National Bank Limited
42. UBA Kenya Bank Limited
43. Victoria Commercial Bank Limited

Source: Central Bank of Kenya (2016).

Appendix ii: Directors Disclosure Data

YEAR 2013

2013	Disclosure; Measured by the number of board meetings	% of independent director to total directors	CEO sharing the board	% of shares owned by board members	% of shares used by top 20 share holders
African Banking Corporation Limited	4	50%	0	100%	100%
Bank of Africa Kenya Limited	6	44%	0	0.03%	100%
Bank of Baroda (K) Limited	4	22%	1	0.25%	100%
Bank of India	4	14%	0	0.012	100%
Barclays Bank of Kenya Limited	4	30%	0	0.00002	71%
CfC Stanbic Bank Limited	5	40%	1	0.0033	60%
Chase Bank (K) Limited	4	40%	1	0.0004	100%
Citibank N.A Kenya	5	17%	0	0.0003	100%
Commercial Bank of Africa Limited	4	34%	0	0.03	90%
Consolidated Bank of Kenya Limited	4	32%	0	0.0056	95%
Co-operative Bank of Kenya Limited	4	22%	2	0.027553	80%
Credit Bank Limited	5	28%	0	0.0003	100%
Development Bank of Kenya Limited	4	10%	0	0.032	100%
Diamond Trust Bank Kenya Limited	4	25%	0	0.0042	71%

Dubai Bank Limited-IN RECEIVERSHIP	4	23%	0	0.028	60%
Eco bank Kenya Limited	6	27%	1	0.0134	100%
Equatorial Commercial Bank Limited	5	17%	0	0.0333	100%
Equity Bank Kenya Limited	4	44	0	0.0279	68%
Family Bank Limited	4	38%	0	0.0786	95%
Fidelity Commercial Bank Limited	4	32%	2	0.0098	80%
First Community Bank Limited	5	27%	0	0.068	100%
Guaranty Trust Bank (K) Ltd	5	24%	0	0.0234	100%
Giro Commercial Bank Limited	4	18%	1	0.063	65%
Guardian Bank Limited	4	23%	0	0.0128	60%
Gulf African Bank Limited	4	34%	1	0.0064	100%
Habib Bank A.G Zurich	5	33%	0	0.0876	100%
Habib Bank Limited	4	37%	1	0.0234	100%
Imperial Bank Limited- IN RECEIVERSHIP	4	45%	0	0.0045	100%
I & M Bank Limited	4	37%	1	0.0086	54%
Jamii Bora Bank Limited	4	25%	0	0.0035	100%
KCB Bank Kenya Limited	5	60	1	0.0003	42
Middle East Bank (K) Limited	4	28%	0	0.0003	100%
National Bank of Kenya Limited	4	40%	0	0.032	100%
NIC Bank Limited	4	45%	1	0.0003	71%
Oriental Commercial Bank Limited	4	34%	0	0.0061	60%
Paramount Bank Limited	4	33%	1	0.0007	100%
Prime Bank Limited	5	17%	0	0.0005	100%
Sidian Bank Limited	6	54	1	0.0073	68%

Standard Chartered Bank Kenya Limited	4	27%	0	0.00056	67%
Trans-National Bank Limited	4	37%	1	0.547	75%
UBA Kenya Bank Limited	4	35%	0	0.0056	100%
Victoria Commercial Bank Limited	4	40%	1	0.0045	100%

YEAR 2014

2014	Disclosure; Measured by the number of board meetings	% of independent director to total directors	Ceo sharing the board	% of shares owned by board members	% of shares used by top 20 share holders
African Banking Corporation Limited	4	50%	0	1%	100%
Bank of Africa Kenya Limited	4	42%	0	0.03%	100%
Bank of Baroda (K) Limited	4	22%	0	0.25%	100%
Bank of India	5	18%	0	0.012	100%
Barclays Bank of Kenya Limited	4	30%	0	0.00002	71%
CfC Stanbic Bank Limited	4	45%	1	0.0033	60%
Chase Bank (K) Limited	5	40%	1	0.0004	100%
Citibank N.A Kenya	4	22%	0	0.0003	100%
Commercial Bank of Africa Limited	4	34%	0	0.03	90%
Consolidated Bank of Kenya Limited	4	34%	0	0.0056	95%
Co-operative Bank of Kenya	4	22%	1	0.027553	80%

Limited					
Credit Bank Limited	5	30%	0	0.0003	100%
Development Bank of Kenya Limited	4	10%	0	0.032	100%
Diamond Trust Bank Kenya Limited	4	25%	0	0.0042	71%
Dubai Bank Limited-IN RECEIVERSHIP	4	23%	0	0.028	60%
Eco bank Kenya Limited	4	27%	1	0.0134	100%
Equatorial Commercial Bank Limited	4	17%	0	0.0333	100%
Equity Bank Kenya Limited	5	44	0	0.0279	68%
Family Bank Limited	4	46%	0	0.0786	95%
Fidelity Commercial Bank Limited	4	32%	1	0.0098	80%
First Community Bank Limited	5	27%	0	0.068	100%
Guaranty Trust Bank (K) Ltd	4	24%	0	0.0234	100%
Giro Commercial Bank Limited	4	18%	1	0.063	65%
Guardian Bank Limited	4	23%	0	0.0128	60%
Gulf African Bank Limited	4	34%	1	0.0064	100%
Habib Bank A.G Zurich	4	33%	0	0.0876	100%
Habib Bank Limited	4	37%	1	0.0234	100%
Imperial Bank Limited- IN RECEIVERSHIP	4	45%	0	0.0045	100%
I & M Bank Limited	4	37%	0	0.0086	54%
Jamii Bora Bank Limited	5	25%	0	0.0035	100%
KCB Bank Kenya Limited	5	60	1	0.0003	42
Middle East Bank (K) Limited	4	28%	0	0.0003	100%
National Bank of Kenya Limited	4	40%	0	0.032	100%

NIC Bank Limited	5	45%	1	0.0003	71%
Oriental Commercial Bank Limited	5	34%	0	0.0061	60%
Paramount Bank Limited	4	33%	1	0.0007	100%
Prime Bank Limited	4	17%	0	0.0005	100%
Sidian Bank Limited	4	54	1	0.0073	68%
Standard Chartered Bank Kenya Limited	4	27%	0	0.00056	67%
Trans-National Bank Limited	4	37%	1	0.547	75%
UBA Kenya Bank Limited	4	35%	0	0.0056	100%
Victoria Commercial Bank Limited	4	40%	1	0.0045	100%

YEAR 2015

2015	Disclosure; Measured by the number of board meetings	% of independent director to total directors	CEO sharing the board	% of shares owned by board members	% of shares used by top 20 share holders
African Banking Corporation Limited	4	45%	0	0.02	100%
Bank of Africa Kenya Limited	4	40%	0	0.004	100%
Bank of Baroda (K) Limited	4	35%	0	0.0078	100%
Bank of India	4	20%	2	0.0086	100%
Barclays Bank of Kenya	4	35%	0	0.0054	71%

Limited					
CfC Stanbic Bank Limited	4	50%	1	0.0033	60%
Chase Bank (K) Limited	5	45%	1	0.0234	100%
Citibank N.A Kenya	4	25%	0	0.055	100%
Commercial Bank of Africa Limited	4	30%	0	0.03	90%
Consolidated Bank of Kenya Limited	4	30%	0	0.0056	95%
Co-operative Bank of Kenya Limited	4	25%	1	0.0276	80%
Credit Bank Limited	5	25%	0	0.0003	100%
Development Bank of Kenya Limited	4	20%	0	0.032	100%
Diamond Trust Bank Kenya Limited	4	25%	0	0.0042	71%
Dubai Bank Limited-IN RECEIVERSHIP					
Eco bank Kenya Limited	4	30%	1	0.0134	100%
Equatorial Commercial Bank Limited	4	20%	0	0.0333	100%
Equity Bank Kenya Limited	4	46	0	0.0279	68%
Family Bank Limited	4	46%	0	0.0077	95%
Fidelity Commercial Bank Limited	4	35%	1	0.0098	80%
First Community Bank Limited	5	30%	0	0.068	100%
Guaranty Trust Bank (K) Ltd	4	34%	0	0.0234	100%
Giro Commercial Bank Limited	4	22%	1	0.063	65%
Guardian Bank Limited	4	25%	0	0.0001	60%
Gulf African Bank Limited	4	34%	1	0.0064	100%

Habib Bank A.G Zurich	5	35%	0	0.0007	100%
Habib Bank Limited	4	37%	1	0.0234	100%
Imperial Bank Limited- IN RECEIVERSHIP	4	45%	0	0.0045	100%
I & M Bank Limited	4	40%	0	0.0054	54%
Jamii Bora Bank Limited	5	30%	0	0.0035	100%
KCB Bank Kenya Limited	5	60	1	0.0005	42
Middle East Bank (K) Limited	4	30%	0	0.0003	100%
National Bank of Kenya Limited	4	40%	0	0.0045	100%
NIC Bank Limited	5	50%	0	0.0003	71%
Oriental Commercial Bank Limited	5	34%	0	0.0087	60%
Paramount Bank Limited	4	35%	0	0.0007	100%
Prime Bank Limited	4	27%	0	0.004	100%
Sidian Bank Limited	4	54	1	0.0073	68%
Standard Chartered Bank Kenya Limited	5	30%	0	0.0043	67%
Trans-National Bank Limited	4	37%	2	0.003	75%
UBA Kenya Bank Limited	4	40%	0	0.0054	100%
Victoria Commercial Bank Limited	4	45%	1	0.0004	100%

Appendix iii: Classification of Commercial Banks in Kenya into Peer Groups

Large Peer Group>5%

1. Barclays Bank of Kenya Ltd
2. Commercial Bank of Africa Ltd
3. Co-operative Bank of Kenya Ltd
4. Equity Bank Ltd
5. Kenya Commercial Bank Ltd
6. Standard Chartered Bank (K) Ltd

Medium Peer Group> 1% & < 5%

1. Bank of Africa (K) Ltd
2. Bank of Baroda (K) Ltd
3. Bank of India
4. CFC Stanbic Bank Limited
5. Chase Bank Ltd
6. Citibank N.A. Kenya
7. Diamond Trust Bank (K) Ltd
8. Ecobank Kenya Limited
9. Family Bank Ltd
10. Guaranty Trust Bank Ltd
11. I&M Bank Ltd
12. Imperial Bank Ltd
13. National Bank of Kenya Ltd
14. NIC Bank Ltd
15. Prime Bank Ltd

Small Peer Group<1%

1. African Banking Corporation Ltd
2. Charterhouse Bank Limited

3. Consolidated Bank of Kenya Ltd
4. Credit Bank Ltd
5. Development Bank of Kenya Ltd
6. Dubai Bank Ltd
7. Equatorial Commercial Bank Ltd
8. Fidelity Commercial Bank Ltd
9. First Community Bank Ltd
10. Giro Commercial Bank Ltd
11. Guardian Bank Ltd
12. Gulf African Bank Ltd
13. Habib Bank A.G. Zurich
14. Habib Bank Ltd
15. Jamii Bora Bank Ltd
16. Sidian Bank Limited
17. Middle East Bank (K) Ltd
18. Oriental Commercial Bank Ltd
19. Paramount Universal Bank Ltd
20. Trans - National Bank Ltd
21. UBA Kenya Ltd
22. Victoria Commercial Bank Ltd

Source: Central Bank of Kenya (2016).