

**THE EFFECT OF INTEREST RATE CAPPING ON THE AMOUNT
OF CREDIT ISSUED BY COMMERCIAL BANKS IN KENYA**

TITUS KYALO KISEU

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DECLARATION

This research project is my original work and has not been presented in any examination body for any award.

Signature..... Date.....

Titus Kyalo Kiseu

D63/72316/2014

This research project has been submitted for examination with my approval as the University Supervisor.

Signature..... Date.....

Dr. Herick Ochieng Ondigo

Lecturer, Department of Finance and Accounting

School of Business, University of Nairobi.

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DEDICATION

I dedicate this work to my lovely wife Milanoi and our son Leshan for being supportive and understanding throughout the course of my studies. To my grandfather and grandmother for believing in my ability when nobody believed in me, thank you. You remain to be the most inspirational figures in my life to date. To my late father and mother I am thankful for giving me the best for the short time I knew you. God bless you all.

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LIST OF ABBREVIATIONS

ABC	African Banking Corporation
BOA	Bank of Africa
CBA	Commercial Bank of Africa
CBK	Central Bank of Kenya
DTB	Diamond Trust Bank
ECB	Equatorial Commercial Bank
GTB	Guaranty Trust Bank (K) Ltd
IMF	International Monetary Fund
IR	Interest Rate
KBA	Kenya Bankers Association
KCB	Kenya Commercial Bank
KNBS	Kenya National Bureau of Statistics
NPL	Non-Performing Loans
USA	United States of America
WAEMU	West African Economic Union

ABSTRACT

This research project is aimed at establishing the effect of interest rate capping on the amount of credit issued by commercial banks in Kenya. The capping law aimed at restricting the amount of interest rate charged on loans by commercial banks in Kenya came into effect in September, 2016 amidst much protest from the industry players and other organizations including the IMF. The aim of the government was to increase the financial inclusion among individuals and businesses and also increase the amount of loans disbursed in the economy drastically on the wake of high and uncontrolled interest rate charged by commercial banks. The argument was that the banks were charging very high interest rate such that the credit was not affordable and/or had increased the financial indebtedness among the businesses thus the government could not achieve its growth targets at such rates. In order to reverse this trend, the government through its legislative arm introduced a bill in the parliament to control the interest rate to no more than four percent the CBR. There being opposing literature on the effect of such control on interest rate, the study sought to study the effect of the control on Kenyan scenario. The study period covered three quarters before and after the capping law came into effect. Descriptive and inferential statistics was employed in the study. The findings were that the interest rate control did not significantly affect how the commercial banks issued their loans. Although the study did find that some banks contracted their loans books after the law came into effect, such were not enough to shift the ground for the whole industry. However, it was also found that the growth of the credit was not drastic as the policy makers would have projected and only grew by 0.2% more as compared to pre-capping period.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The functions of commercial banks in any economy cannot be overemphasized. The banks mobilize funds from depositors and disseminate the funds to the borrowers who in the end invest them in strategic areas of the economy. Generally speaking, banks act as linkage between borrowers and depositors. It is for this reason that banks' financial performance affects the economic wellbeing of a country directly (Wainaina, 2003).

Interest rate is the amount above the principal paid by borrowers for staying with the lenders funds for certain amount of time. Howard (2013), recognized four components of banks' interest rate as cost of funds, overheads, non-performing loans and profits. Interest rate is the main revenue stream of the banking institution and the same have a lot of importance on how the economy performs. Interest rate remains one of the major and strategic tool at the disposal of central banks across the globe to influence and manipulate the economy. It is the mostly used macroeconomic tool by policy makers in the government to influence employment and inflation.

Interest rate cap on the other hand is limit set on the interest rate to be charged on money lend by the providers of finance to the borrowers. Howard, (2013) noted that interest rate capping was usually a government intervention by legislation when it deemed that the interest rate is too high and the market forces have failed. The measure is taken to ensure that the credit facilities are available even to the poor as the move reduces the cost of funds. The argument has been that the financial institutions make abnormal profits by charging exploitative interest rate and the government has not been able to achieve the desired effects in the economy. Interest rate caps have been widely used in different economies and to different levels as governments seek to achieve certain political and economic targets. Developed economies as well as developing ones have adopted interest rate cap or added more restrictions more so after the 2008 economic crunch (Maimbo &

Gallegos, 2014). Government adopt interest rate cap to stop usury like rates which have worsened financial inclusion but current research have shown that such moves only exacerbate the situation.

Ngwatu (2016), indicated that interest rate are one of the determinants of credit uptake. The interaction of demand and supply for funds brings the equilibrium point which will be the prevailing interest rate. The central bank rate, as it is known in Kenya is the minimum rate which it charges banks for loans extended. The Monetary policy committee has the responsibility of setting the interest rate which affects unemployment and inflation of our country. Higher interests means higher cost of credit which means decline in affordability and the vice versa is true.

1.1.1 Interest Rate Capping

Interest rate cap can be simply defined as the control of interest rate charged by banks on loans extended to borrowers. Interest rate capping and ceiling are synonymous and will be used interchangeably in our research. According to Maimbo & Henriquez (2014), interest rate cap limit the tendency of some financial service providers to increase their interest yields especially in markets where there is minimal transparency, limited disclosure requirements and low levels of financial literacy. Governments have used various methods of interest rate control far and widely for a long time to ease access and affordability of credit in the market to the most vulnerable in the economy, that is, the poor, youths, women and other minority and underprivileged groups. Interest rate cap is not a preserve for the poor nations but even major economies like the USA, European Nations, Asian countries and the Americas practice interest rate cap to some extent (Maimbo & Gallegos, 2014).

Through its legislative arm the government reintroduced the interest rate capping in Kenya ‘at no more than four percent, the base rate set and published by CBK’, (Banking Act, 2016). Currently the monetary policy committee has set the Central Bank rate at ten percent (CBK Press Release, 2017). The law went ahead and stated that the banks will make known any loan fees to the borrower before granting the loan probably to deter exorbitant fees to cover the lost revenue in interest rate. The main argument for the introduction was that the interest charges were too high leaving businesses overburdened

by cost of credit and also locking out other businesses and people accessing credit as they could not afford it.

The legislators were looking into how they could control what looked like rogue banks which could not control themselves through market forces but needed legislative intervention to tame their predatory interest rate which gave them abnormal profits at the detriment of other economic sectors. The argument in support of interest rate cap is that it protects the consumers from exploitative and predatory lending rates by making them affordable and reasonable. The policy makers in this case intervene in form of interest rate cap to correct what they perceive as failure by market forces to keep the interest rate at reasonable levels (Howell, 2009). The policy makers also argue that introduction of the caps will bring in more financial inclusivity in that the groups which were initially locked out from accessing funds due to their high cost can now afford such services from financial providers.

Just like any other market, the price of credit should be determined by forces of demand and supply according to critics of interest rate cap (Howard, 2013). The normal demand and supply relationship will still apply when explaining how interest rates are charged. High demand for credit means scrambling for the little available credit hence driving up the prices of the credit and vice versa. Distortion of these forces will bring in unwanted effects like selective credit allocation, minimum limit on credit allocation and other forms of credit rationing. The interest rate capping will affect market driven interest rate if it is set below the prevailing equilibrium rate otherwise setting them above the market rate may not have much effects since market forces are not directly related to the controls according to research done by Federal Bank of Chicago. The report notes that when the caps are below the prevailing rates, the regulation will affect the market outcome. The banks will respond to the caps accordingly and it is such reactions which will ultimately determine whether the policy makers intended results will be achieved.

In the USA the states operate differently in the way they control business operations including the banking sector. However the Federal Reserve Bank does have some sort of control on the banking institutions as well. The caps do exist in some states but varying in application and limits. The states of Arkansas and Connecticut have the lowest interest

rate cap at 17% and Illinois with 99% according to Maimbo & Gallegos (2014). Only eight states do not have any form of interest rate control in their financial sector. This is an indication that interest rate cap is still popular tool among many government policy makers. A World Bank study in 2014 found that 24 countries in Sub-Saharan African had some form of interest rate controls, eight of them coming from WAEMU. The effective interest rate cap for WAEMU was initially set at 18% in 1997 and later dropped to 15% in 2013 for banks (Mbengue, 2013). South Africa had initially abolished usury laws on small loans in 1993 but afterwards in 2007 reintroduced a cap on short term loan at 5% per month. Zambia introduced its interest rate cap in 2013 and set it at 9% above the policy rate set by its central bank.

Japan has had interest rate controls for long compared to its peers in Asia which have been place since 1954. It had initially set the cap at 20% on its usury law and then revised it to 29.2 percent on consumer loans (Maimbo & Gallegos, 2014). Other countries in the region imposing caps are Thailand, Myanmar and China which abolished the laws in 2013 to liberalize its economy. A study by iff/ZEW (2010) found that 11 European countries have interest rate control measures in play within the financial institutions. France, Germany, Ireland, Belgium and Netherlands are some of the countries which have interest rate cap. Most of these countries have put caps on short term loans of consumer credit type.

1.1.2 Credit Issued by Commercial Banks

Credit in the economy can be simply defined as the availability of funds by borrowers from the providers of funds. Commercial banks mobilize funds for borrowers from the deposits collected. In this way they act as linkage between those who seek funds (borrowers) and those who have excess cash (depositors). The performance of any economy in the world is highly influenced by flow and availability of credit. In his research Levine (1992), did state that access to credit allowed financial leverage which in the end created wealth. Banks play a very key role in intermediating credit distribution in the economy at large. The bank evaluates the borrowers using different parameters and extends credit to those it views less risky depending on ability to repay. The banks must be able to create credit for the borrowers and charge reasonable interest rate to keep itself

afloat. Lack of funds on the part of the banks will automatically lead to its collapse as it will not be able to deliver on its core business.

1.1.3 Interest Rate Capping and Credit Issued by Commercial Banks

It is without that doubts that interest rate capping affect the way banks allocate credit in the market from previous studies. The interest rate ceilings will affect the bottom line of the banks since interest income is the major source of revenue for these banks. The proponents of interest rate capping suggest that such moves will make credit less expensive and in the end open it up to the marginalized in the economy hence more financial inclusivity as a result of the credit growth. For instance when Zambia was introducing its cap at 9% above the policy rate in 2013 the policy makers reasons were that the rates charged at that time were too high, provision of credit to the underprivileged was low and debt trap amongst the citizens had worsened (Happy, Gerhard & William, 2002).

The thinking behind interest rate control is to curtail the usury like interest rate among financial institution, to alleviate the burdensome nature of high credit prices among businesses and open up the credit facility to the poor to uplift their standards of living. However, research has shown that interest rate capping will hurt the poor more than the other groups as banks will stop lending to high risk individuals since the interest rate cannot cover the risk involved (Howard, 2013). Although the bigger banks can still remain profitable at low interest rate, the smaller one may fail to survive the caps and hence driving them out of the market hence squeezing the space of credit provision. New entrants may also not be attracted to markets with interest rate control which further creates space for illegal lenders. Empirical evidence on effects of interest rate capping does return negative impacts more often than not.

Capera, et al. (2011), study on Latin America indicated that some of the effects of interest rate cap were reduced access to funds by the low income earners. Colombia long history of interest rate cap had brought adverse economic effects which were felt longer even after reducing the controls. A 2009 report by French Ministry of Finance on showed indicated that sharp interest rate restrictions explained the low development of consumer credit in the country then.

1.1.4 Commercial Banks in Kenya

Commercial banks are considered one of the largest and most important types of financial institution and the most efficient in practicing the role of financial intermediation; they are considered the lifeblood of the economy (Banga, 2013). The banks redirects resources to the economy through reallocation of funds mobilized from the deposits. Levine (1997), in his research noted that countries that possess an advanced banking system grew faster than those with weak banking sector. All this underlines the critical role the banking industry plays in an economy and its well being

Commercial banks are regulated by their respective central banks all over the world. The CBK regulates all commercial banks and other non-banking financial institution in Kenya as stipulated in Banking Act, Cap 488. There are thirty nine commercial banks in Kenya (Appendix I); two are under receivership and another one in statutory management (CBK, 2016). The commercial banks have formed a Kenya Bankers Association to lobby for their interests under one umbrella (Central Bank, 2013). The market however dominated by a few banks and majority share less than 50% of the market.

The commercial banks act as a link between the people who are looking for funds for investment or other purposes to those who keep their money in the banks for future use. In simpler language we can state that the banks mobilize and reallocate funds according to the demand and supply of finances in the economy. The performance of the general economy to some extent depends on the wellbeing of the banking sector and their ability to operate efficiently. Panayiotis et al. (2006), notes that banking failure caused by poor financial performance leads to negative consequences on economic development. The banks generate their revenue majorly from the interest rate charged on loans extended to customers. Interest rate expense is the amount paid to the depositors of funds in the banks and the difference between the interest income and expense is commonly known as interest rate spread. Interest rate spread is one of the key determinants of banks profitability; the bigger the margins the higher their profitability. Currently according to the banking act of 2016, theoretically the interest rate spread is currently at seven percent at the current Central Bank base rate of 10%. The banks have in the recent time after the capping interest rate reduced their operations through branch closures, downsizing their

labor and adopting modern technology to reduce operational cases. Generally speaking, the commercial banks have been hit by the law and most of them reported reduced profits. However, there is no documented bank which has exited the Kenyan market as a direct result of this law as most of them have remained fairly profitable.

1.2 Research Problem

Interest rate capping is one of the oldest and mostly recurring government intervention methods in the financial market. Usury laws, which is currently replicated in interest rate control was in practice even in ancient Egyptian government. Aristotle, one of the early advocates of interest rate control argued that money was sterile and thus should not earn interest (Hester & Benjamin, 2016). Milton Friedman in his argument was against all form of control by government. He stated that any form of control would bring shortage and he gave an example of price fixing on tomatoes which he went ahead and concluded that such move would cause shortage. Government intervention on any form of control distorts market forces and the results are not very much predictable. The prevailing average interest rate in 2016 was 18.5% and the law set it at no more than 4% of the CBK rate. This meant that the capping slashed the interest rate by 4.5% a big hit on the banks revenue. The government intervenes in the market when it perceives that the interest rate being charged is excessive and may not foster its growth target. Interest rate capping is perceived as welfare enhancing in that individuals will get access to credit at lower and less burdensome rate and will be able to improve their lives cheaply (Hester & Benjamin, 2016).

On the wake of high interest rate charged by commercial banks in Kenya, the legislature wanted to reign on the banks by limiting them on interest rate chargeable. The parliament successfully passed the bill and president assented on the bill to become law which came into force in September, 2016. The move was widely condemned by banks, the IMF and the Central Bank governor was against the law from the onset of it. He argued that, while it was very clear that the interest rate at the time were high, there were other tools available which could better cure the problem other than legislation which could bring other shocks to the economy. The legislators and the executive arm of the government

were adamant that only legislation was going to instill discipline among the commercial banks by reducing the interest rate to socially acceptable level. The proponents of interest rate capping cited other countries Zambia, South Africa, North African countries and other bigger economies like Germany and USA who had some form of interest rate controls and were still doing well economically (Maimbo & Gallegos, 2014).

The policy makers hoped that the reduction in interest rate would open up credit facilities to the poor and the other vulnerable groups by making it affordable. This would spur growth across the economy as the cost of capital would be lower and liquidity issues among companies would be reduced significantly. Consequently, indebtedness and the vicious circles of poverty among the households and companies were going to be reduced as funds could be cheaply accessed (Happy, Gerhard & William, 2002). The positive performance of businesses forecasted as a result of availability of affordable credit would bring more employment opportunities and hence better living standards.

There are mixed results on effects of interest rate capping on availability of credit from researches already done. Bekaert, Harvey & Lundblad (2001) indicated that governments had been letting go interest rate capping to liberalize their financial policies so as to make financial markets more accessible and have positive growth, productivity and reduce poverty levels. This is to suggest that there were more benefits from opening up business control from the government intervention.

According to Demetriades & Luintel (2001) interest rate caps were successful in Republic of Korea between 1956 and 1994 and financial liberalization afterwards did not significantly increase the financial inclusion. Howard (2013), found that interest rate caps was a good policy for government where insufficient credit is being provided to a particular industry that is of strategic importance to the economy, but only as a short term measure. He went further to state that as far as the caps were high enough to ensure profitable banking industry, the interest rate control ensured fairness and protected consumers from usury.

Galindo, Schiantarelli & Weiss (2007) advised that liberalizing the financial functioning of an economy like reduction of interest rate control improved efficiency in investment most of the times. Introduction of interest rate caps has also seen some banks exiting the

markets or rationing credit by extending such services to less risk borrowers. A study done by the World Bank in 2014 on effectiveness of interest rate caps returned negative results on its ability to ensure financial inclusivity and availability of credit save for some instances in the USA.

In the wake of these conflicting findings on the relationship between interest rate caps and availability of credit, it is worth examining what the Kenyan economy has taught us so far. The study will return results on whether the government has achieved its objectives of ensuring availability of affordable credit in the economy. Having examined the experiences in other countries across the globe, a study of Kenyan scenario will corroborate or contradict findings of those other researches. This research paper will examine the effect of interest rate capping on availability of credit among commercial banks in Kenya.

1.3 Objectives of the study

The effects of interest rate capping on the amount of credit issued by commercial banks in Kenya.

1.4 Value of the study

The findings from the study will help the government policy makers evaluate the effects of the capping law on availability of credit in the economy and which areas of economy is adversely affected by the law. It will go further to clearly show whether the law has achieved its main purpose and if there is any need to review the law. The study will go ahead to suggest other possible ways the government can intervene to make sure the interest rate charged by banks are within acceptable range able to influence the economy positively and more so the most strategic industries of concern by the government. By the end of the study we will learn whether the move is sustainable one which will continue to make banking industry innovative, competitive and profitable.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

In this chapter we will analyze available theories of interest rate and also examine the effects of interest rate capping in other economies across the globe where such regulation exists. Previous studies on the interest control will be discussed and the findings discussed.

2.2 Theoretical Review

This section will seek to explore different theories of interest rate and how they relate with interest rate controls and effects on availability of credit.

2.2.1 Theory of Rational Expectation

This theory was first propagated by Muth in 1960 and later used by Pigou, Keynes and Hicks to explain business phenomena. The theory goes that a future economic occurrence can be determined by the current situation. For instance, we can forecast future interest rate by using current one and our expectations will ultimately drive them to expected value. Market perceptions remains to be one of the key determinants of actual outcome, say the case of bonds and shares for instance. Keynes refers to this as “waves of optimism and pessimism” that helped to determine level of business activities. Participants will behave in a way currently because of their perception in the future and such actions will validate the outcome of their expectations. Gorder (2009) in his study notes that unexpected changes in economic factors will lead to change in the future interest rate.

Interest rate cap does away with speculation on the expected level of interest rate in future. However, if the banks expect the issuance of loans to certain individuals to be adversely affected by interest rate cap, introduction of such controls will make banks to reevaluate loans issued to those groups perceived to be risky. The pessimism among

commercial banks on the impact of interest rate cap to their profitability usually makes them to initiate cost cutting techniques like retrenching, closing down branches and reducing amount of unsecured loans hence curtailing availability of credit in the market.

2.2.2 Liquidity Preference Theory

The theory was developed by Keynes in 1891 in his book *General Theory of Employment*. Keynes argued that individuals value money for the transaction of current business and its use as store of value. Keynes highlighted three reasons for holding money; the transaction motive, precautionary motive and speculative motive. The transaction motive is whereby individuals keep money so as to have enough money for transaction purposes. The wealthy will obviously keep more money for this motive as their needs are more than their poor counterparts.

The precautionary motive is for the purposes unforeseen events which will need considerable cash to take care of such occurrences. However, if the profit on interest is high enough, individuals will be unwilling to hold the money (Keynes, 1936). Speculative motive on the hand is holding cash on the hope that the bond prices may go down significantly and present an opportunity for good investment with lucrative returns. The investors will not want to tie up all their cash on in investments now because they fear in future better opportunities may be coming. (Carpenter & Lange, 2002) noted that while transaction motive was a stable function of income, speculative motive was not.

The theory suggest that investors demand high interest rate for long term securities because they carry higher risk in that they cannot be changed into cash quickly when other well rewarding investment opportunities are available. In this scenario the investors demand premium for the risk taken. The short term securities on the other hand have lower interest rate because the sacrifice for liquidity is less than the long term securities.

In relation to our study, if banks perceive the interest rate control as short run measure they will ration credit issued in the hope in the long run the market driven approach will be rolled back. The caps on interest rate means the cost of capital is low and so investors are likely to be more liquid for the three reasons raised above than when the interest rate are high.

2.2.3 Loanable Funds Theory

This theory was first advanced by Swedish economist Wicksell (1851-1926). Other economists including Myrdal, Lindahl, Ohlin, Robertson & Viner in 1930s added on theory. The theory states that the rate of interest rate is determined by the demand for and supply of loanable funds. There are three factors affecting demand for loanable funds; investment, hoarding and dissaving. On the other hand supply for loanable funds is determined by four factors namely savings, dishoarding, disinvestment, bank money. The prevailing interest rate according to the theory is the point of equilibrium between demand for and supply of money. At this point the demand and supply of loanable funds are equal.

The theory has however been criticized by some scholars like Keynes who questioned its assumption of full employment just like classical theory. The assumption that savings and income are independent is also deficient. It has also been criticized because of the assumption that investment is only related to interest rate while marginal efficiency of capital is also a factor. The theory also assumes that the level of national income remains unchanged which is not practical since change in investment affects the income.

However, this theory is considered superior to classical theory because of the following three factors; the linking of liquidity preference, quantity of money, savings and investment, the inclusion of bank credit as source of loanable funds and considering hoarding as factor affecting interest rate.

Introduction of the interest rate cap will distort the market forces of supply and demand as the latter will suppress the prevailing supply and the banks will not be able to give funds to all parties who need them. This will result to credit rationing as banks treat the prevailing interest rate low for the kind of existing demand. They will selectively give credit to those persons deemed less risk and avoid risky lending they may have been doing as the returns may not be able to cover the non-performing loans.

2.3 Empirical Review

It is evident that interest rate capping influences the commercial banks' lending behaviors and most of the times lead to credit rationing. Maimbo & Gallegos, (2014) found that the interest rate cap in Arkansas brought in positive outcomes evidence not found in any

other country. Earlier studies by Peterson & Falls (1981) had found that when the cap was initially introduced in Arkansas and Oregon small loans were not readily available, many consumer finance companies closed their operations, depository lenders stopped making small consumer loans and unregulated loan providers like pawnbrokers emerged. The study also found that the cap made commercial banks and credit union to ration credit by increasing the minimum size of personal loan to two and half times than other uncontrolled states.

Other studies by Laeven (2003) found that departure from interest rate control by some states to market based ones affected small business enterprises positively through access to finance and Ellison & Forster (2006) observed that some clients had moved to states with less control on interest rate. All this indicated that although the government had sought to ensure accessibility of more credit to the market, most of the times the reverse was true. After reintroduction of usury laws in South Africa in 2007 earlier abolished in 1993 to 5% per month on short term loans some institutions to beat the law had introduced illegal fees and commission. Introduction of caps among WAEMU block on microfinance loans reduced operations in poor neighborhoods to increase the loan size as the interest revenue was too low to sustain their businesses in such locations (Helms & Reille, 2004).

Japan has one of the longest history of interest rate control among the major economies and studies by Ellison & Forster (2006) and Porteous, Collins & Abrams (2010) found that capping of interest rate below the prevailing market rate reduced the supply of credit to borrowers, increased the level of illegal lending and few loans were accepted by the banks. All these are some of the indicators that the interest rate cap may have failed to cure the problems it was first meant to and only exacerbated the problems faced. In Europe, Ellison & Forster (2006) found that the interest rate capping affected the variety of loan facilities offered by the banks to low income households. Low income earners and the risky borrowers in Germany were excluded from credit, the study finds. Policy makers and regulators must be mindful that setting caps on fees or setting implied interest rate arbitrarily low could easily curtail or eliminate the flow of credit to the high-risk borrowers who need it most (Stegman, 2007). All the above findings indicate that the interest rate capping implementation was detrimental to the poor as they were locked out

of credit services from the banks as they were deemed risky for defaulting and interest income may not have been able to cover the risks involved.

Generally speaking, above experience supports the notion by the critics of interest rate control that it is only a populist and political move which is not backed by any positive results from research. The view by the Kenyan government to reintroduce interest rate control since liberalization of markets in 1992 may, according to research from other economies, in the long run may not yield the benefits they were supposed to bring to the economy. It is worth noting that the CBK was against the move as well the IMF in their commentaries leading up to the signing of the bill by the president. There is actually clamor by the banks, spearheaded by KBA to do away with the interest rate capping law and look in to other ways of containing the interest rate through market oriented intervention methods.

2.4 Determinants of Credit Issued by Commercial Banks

The factors determining ability of a bank to create credit affect how much funds are available to be extended to the borrowers. This section will discuss the external and internal factors which influence the ability of banks to create credit.

2.4.1 Interest Rate on Loans

Capping of interest rate below the prevailing market rate decreases the interest rate spread like in the case of Kenyan scenario. The reduction of interest rate by the capping law will definitely reduce the interest income among the banks. Chodechai (2004) advised that banks should be cautious when determining the interest rate on loans where the imposition of low interest rate will affect the returns achieved by the bank, which should be sufficient to cover the cost of deposits and general expenses and losses in the loan portfolio resulting from faltering by some customers. This variable will be measured by calculating its quarterly averages for the period under study. It is expected that interest rate cap will have a negative impact on the amounts of loans issued by the banks.

2.4.2 Supply of Funds

The funds must be available for them to be allocated efficiently and thus deposits from customer being the major source of funds inflow to the banks play a big role in creating

credit. High deposits have a positive impact on the rate of growth in the credit provided to the private sector (Imran & Nishatm, 2013). Olokoyo (2011) also indicated that the volume of deposits in banks has a significant impact on the volume of bank lending. A positive relationship is expected between this variable and level of credit in the bank.

2.4.3 Level of Non-Performing Loans

High number of non-performing loans in a financial institution affects negatively the loans being granted. It is for this reason that the non-performing loans are key ingredients in determining the interest rate charged on loans by the banks. A rise in the proportion of the non-performing debt leads to a decline in the strength of the banking sector and the volume of the credit granted (Guo & Stepanyan, 2011). It is expected that there exists a negative relationship between credit availability and amount of non-performing loans.

2.4.4 Inflation Rate

High inflations rates reduce the real value of loan granted and although there may be growth in the quantity of loans given it may be wiped out by the inflation. During inflationary times banks charge high interest rates which are likely to reduce the appetite for loans. Sharma & Gounder (2012) had argued that although the value of loans issued may increase among banks it may be due to inflation and not increase in real value of the loans. The relationship expected here between inflation and credit availability is negative.

2.4.5 Size of the Bank

Large banks have the financial capability to give out larger chunk of credit in an economy as compared to their counterparts. Their asset base, availability of funds, investment in human capital and ability to invest in state of the art systems to manage and reduce credit risks gives them an upper edge. Banks with more capital are able to navigate through tough economic times and losses occurrences which are likely to collapse small financial institutions. Chernykh & Theodossiou (2011) indicated that the big banks were more diversified, had large source of funds and more accessible by large borrowers as well as resource capability to develop advanced system to manage and assess credit risk. There exists a positive relationship between the size of the bank and credit availability.

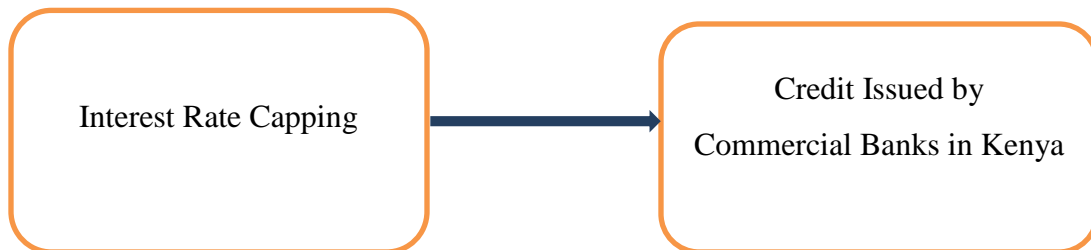
2.4.6 Legal Reserve Requirement

Central banks require all financial institutions under their supervision to keep certain amount of money with them. Higher legal reserve eats up on loanable funds hence decreasing the amount of credit available in the market. On the other hand, lower legal reserves are favorable to the commercial banks. Olokoyo (2011) in his research work indicated that legal reserve requirement was one of the major determinants of banks' lending behaviors in Nigeria. It is expected that there exists a negative relationship between credit availability and legal reserve requirement.

2.5 Conceptual Framework

In conceptual framework we define concepts relevant for the study and show the interrelationship between the variables. The researcher may adopt a model used in earlier studies but modify it to suit his current study. Interest rate capping was an event the conceptual framework was developed like for any other event study.

Fig 1: Conceptual Framework



Source: Researcher

2.6 Summary of the literature Review

Generally speaking, interest rate control though widely used has not yet proved to be efficient tool to ensure affordable and sufficient credit in an economy. The financial institutions have sometimes colluded to derail realization of objectives targeted by the government of interest rate cap. The proponents of interest rate control have sometimes backed up their claims on existence of such practices in major economies like USA and

European countries but failing to take into account other factors which make such economies operate efficiently and profitably. The competition among the banks and information symmetry on potential borrowers and lenders are some of the factors that have led to success of their banking industry.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the research design, the population, data collection and analysis methods to be used in the research. Trochim (2005) notes that research design provides the glue that holds the research project together. He tries to underline the importance of research design and how important it will be in coming up with the finding and solutions being sought in the research.

3.2 Research Design

Coopers & Schindler (2008) defined research design as a plan and structure of investigation so conceived to obtain answers to the research questions. Descriptive research design will be used in this study. Descriptive research is collection and analyzing of data to provide an account or describe individuals, groups or situations. There is no manipulation of data in this kind of research design. With the design it was possible to accurately predict the relationship between interest rate capping and availability of credit. The use of descriptive statistics made it possible to accurately define whether there was significant change in the amount of loans issued by banks after the capping of the interest rate. The aspects which were addressed in research design included sample size of the population, the independent and dependent variables, research approach and methods to be used in data collection.

3.3 Population

Coopers and Schindler (2008), defined population as the total collection of elements about which the researcher wishes to make inferences for the research. The study targeted all commercial banks with comparable data as published by Central banks in 2017. There were 40 commercial banks licensed in Kenya by Central Bank of Kenya as at 30th June, 2017(Appendix 1). The banks under receivership and those that were acquired in the

course of study period were not considered in the analysis as they did not reflect true state of affairs of their performance. The study was a census.

3.5 Data Collection

Data collection is very critical because conclusion were made from the data collected. If the wrong data is collected the conclusions and findings drawn will be misleading. Secondary data as represented on the banks' financial statement was used to investigate the relationship between interest rate capping and credit issued. The study mainly focused on the changes in loan book of the commercial banks as shown in their published financial statements. The data analyzed was for three quarters before and after the capping of the interest rate.

3.6 Data Analysis

The data analysis was quantitative in nature and also used descriptive analysis. Tables, charts, graphs, percentages and frequencies were used to fully analyze the data (Mugenda & Mugenda, 2008). Since interest rate capping was being treated as an event some aspects of event methodology study was used. The event day was when the interest rate cap came into effect and was denoted by $t=0$. The loans book changes for each individual bank as shown in financial statements in the three quarters before and after the interest rate capping were analyzed and grouped according to those which contracted or grew their loan book and their means computed separately. The means of the two groups were statistically tested by using t-test at 5% significant level.

Pre-Capping Period

Post-Capping Period

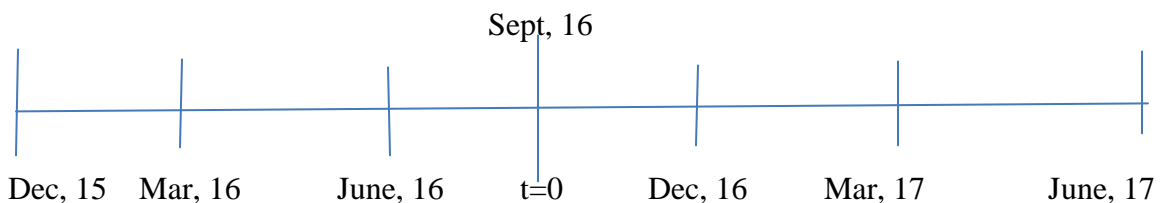


Fig 3.1: Data Analysis

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

In this chapter we analyzed the data obtained from the banking institutions and presented the findings from the analyzed data. The objective of the study was to evaluate the effect of interest rate capping on the amount of loans issued by commercial banks in Kenya. The loan book amount of the banks for three quarters before and after the capping was extracted from their financial statements.

4.2 Response rate

The study targeted all commercial banks in Kenya excluding those under receivership and those acquired during the period under the study. In total the banks targeted banks were 37 in number. The data acquired for the purpose of the study was that of 32 banks making it 86.5% response rate. Mugenda & Mugenda (2003) indicated that 50% response rate is adequate, 60% is good and 70% is very good. This means that the 86.5% response rate in this study is good.

Table 4.1: Response rate

Responsive	32	86.5%
Unresponsive	5	13.5%
Total	37	100.0%

Source: Research Findings

4.3 Data Analysis and Findings

In data analysis descriptive and inferential statistics was used specifically testing the significance of difference in means of loans issued before and after the capping of interest rate.

4.3.1 Descriptive statistics

The table below shows the statistical summary of means, minimum, maximum and standard deviation of the loan book value before and after interest rate capping for the industry.

Table 4.2: Descriptive statistics

	N	Min(000)	Max(000)	Mean(000)	Std Dev(000)
Pre-cap period	32	2591236	315326989	1998284110	75374304.68
Post-cap period	32	3058201	373809146	2094883991	83413095.83

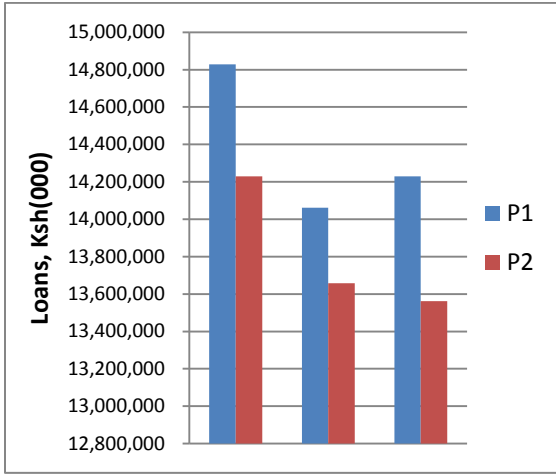
Source: Research Findings

The mean of the loan book for the pre-cap period stood at 1.9 trillion while for the post-cap period was 2.09 trillion translating to 4.8% growth for the whole industry. The mean of the loan book before the capping of interest rate deviated from the mean by 75.37 billion while that after the capping deviated from the mean by 83.41 billion shillings.

4.3.2 Variables Trend

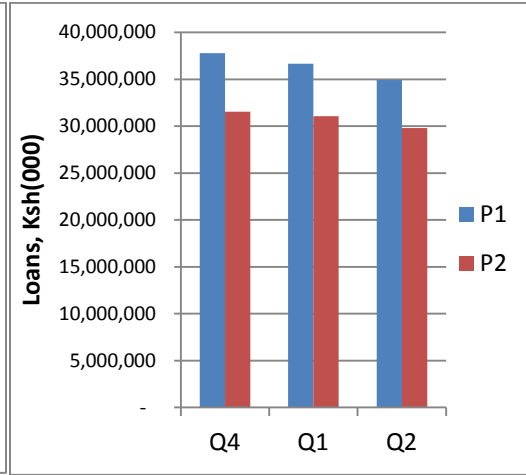
A graphical representation comparing like for like quarters before and after the capping of interest rate for every bank was developed as shown in below figures. The graphs indicate that 10 banks contracted their loan books for the three consecutive quarters after the capping law came into effect as compared to quarters before the capping of interest rate. On average, the loan book value for 13 banks contracted while 19 banks on average grew theirs as compared to pre-cap quarters. This contributed to 40.6% of the banks which on average reduced the value of their loan book. The graphs below for each bank shows the loan book value for pre-cap period, that is, quarter 4 (2015) and quarters 1 and 2 (2016) against post-cap period, that is, quarter 4 (2016) and quarters 1 and 2 (2017). Period, P1 is the pre-cap period while period, P2 is the post cap period.

Fig 4.1: ABC Bank



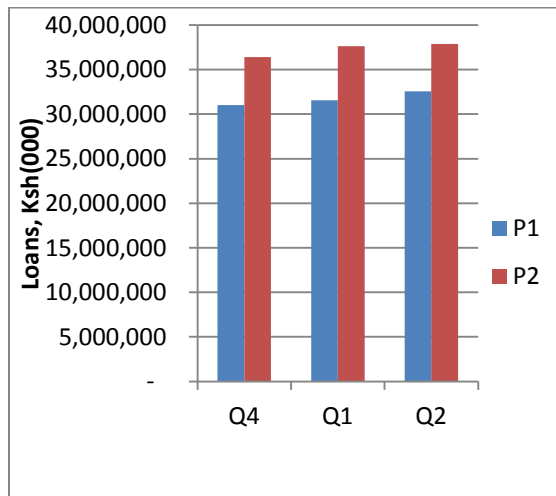
Source: Research Findings

Fig 4.2: BOA



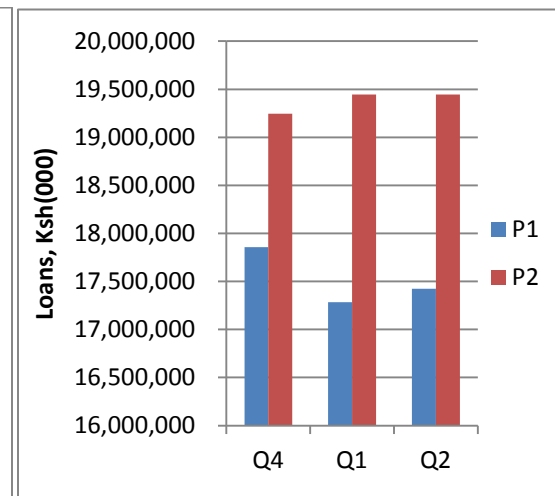
Source: Research Findings

Fig 4.3: Bank of Baroda



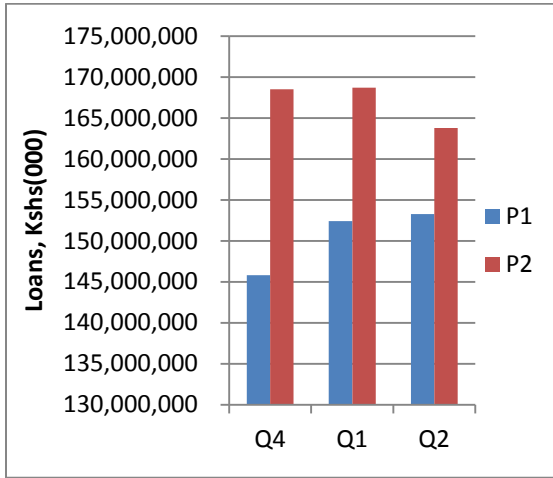
Source: Research Findings

Fig 4.4: Bank of India



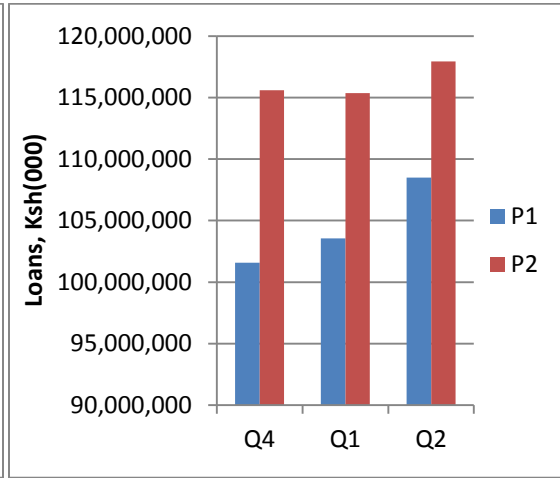
Source: Research Findings

Fig 4.5: Barclays Bank



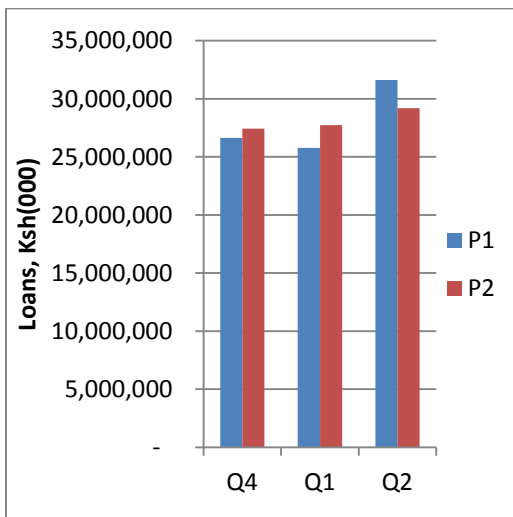
Source: Research Findings

Fig 4.6: CfC Stanbic



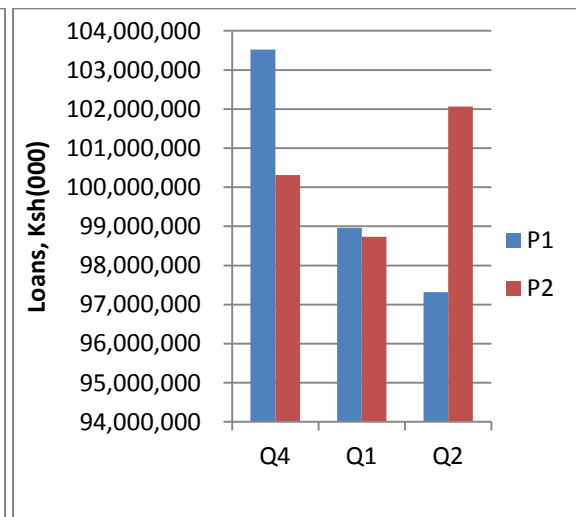
Source: Research Findings

Fig 4.7: Citibank



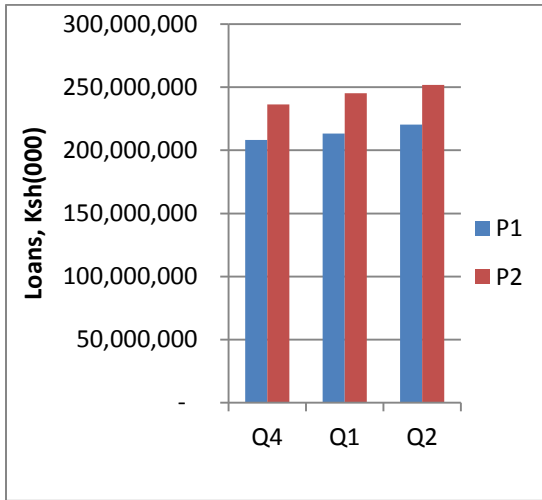
Source: Research Findings

Fig 4.8: CBA



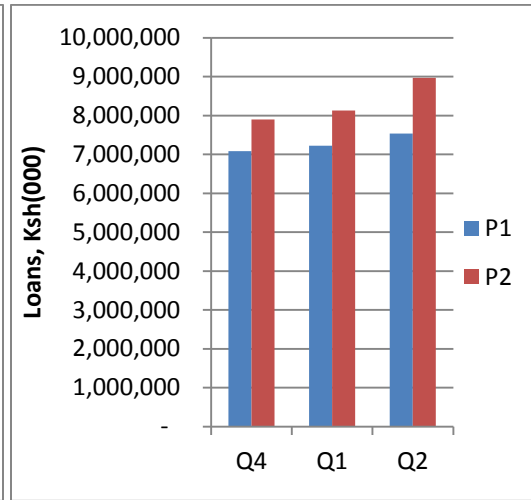
Source: Research Findings

Fig 4.9: Cooperative Bank



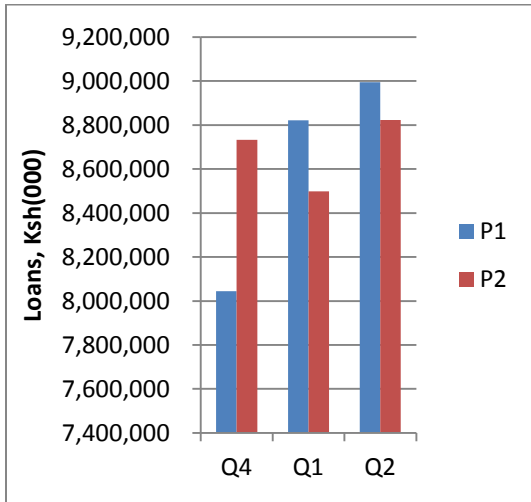
Source: Research Findings

Fig 4.10: Credit Bank



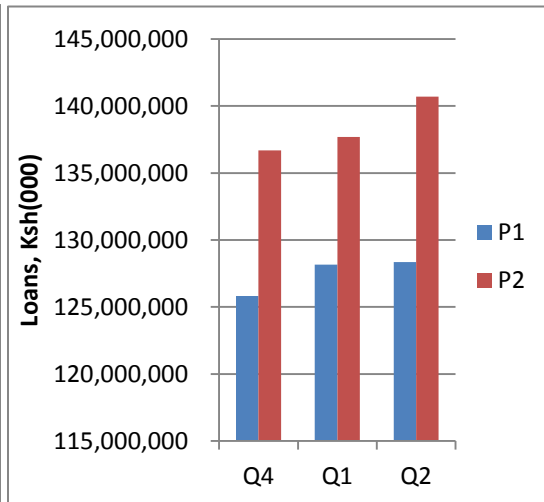
Source: Research Findings

Fig 4.11: Development Bank



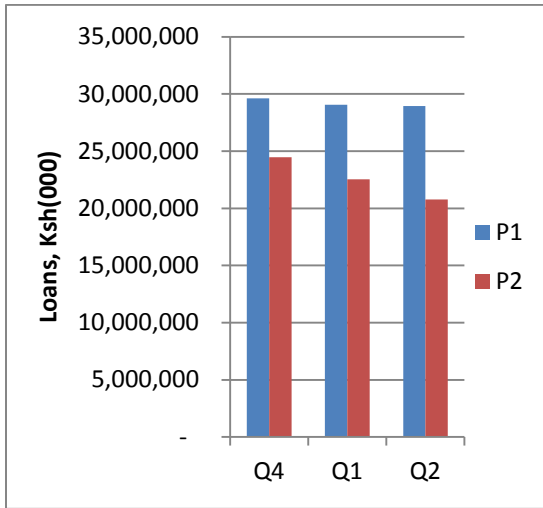
Source: Research Findings

Fig 4.12: DTB



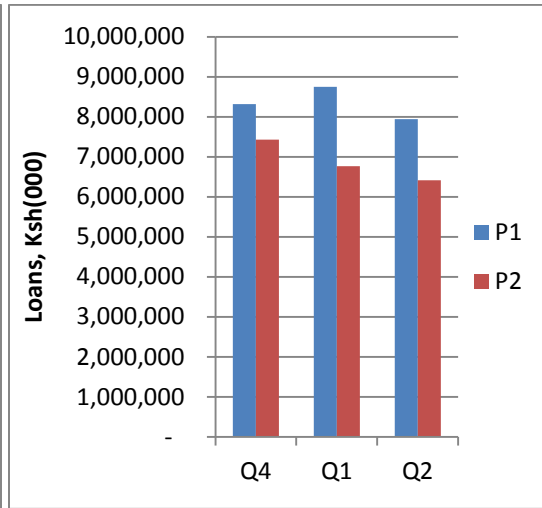
Source: Research Findings

Fig 4.13: Ecobank



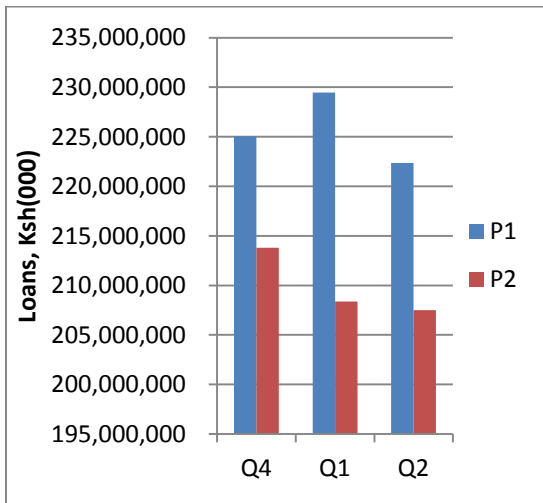
Source: Research Findings

Fig 4.14: ECB



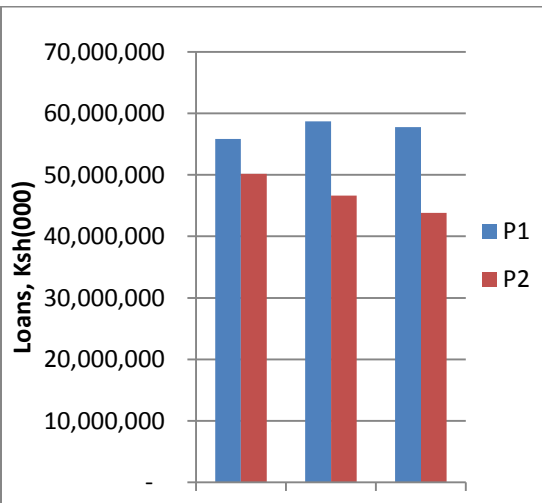
Source: Research Findings

Fig 4.15: Equity Bank



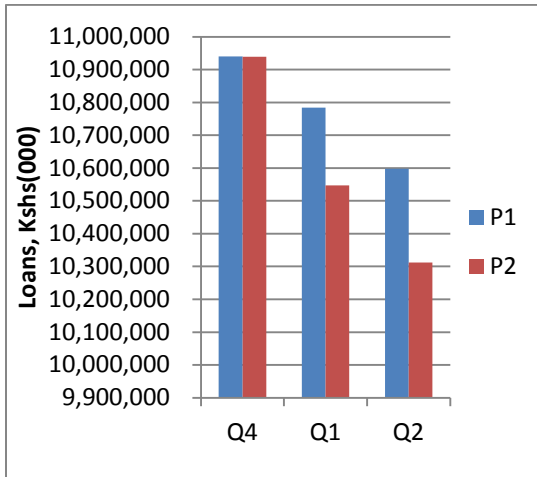
Source: Research Findings

Fig 4.16: Family Bank



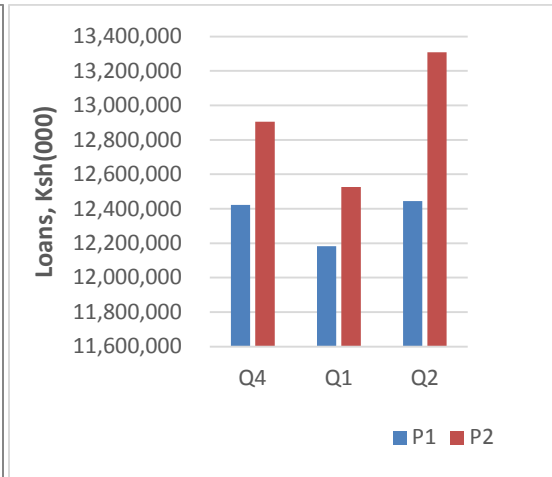
Source: Research Findings

Fig 4.17: First Community Bank



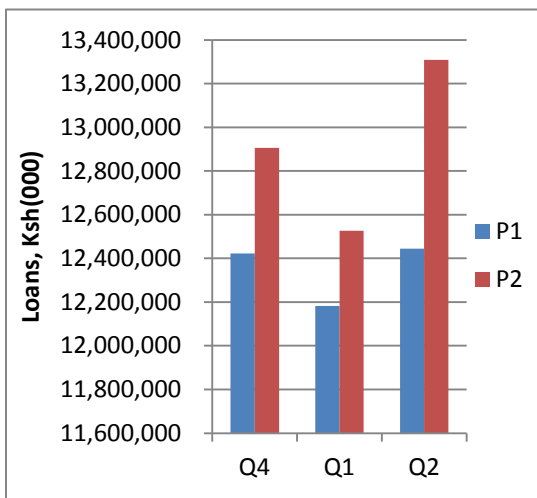
Source: Research Findings

Fig 4.18: GTB



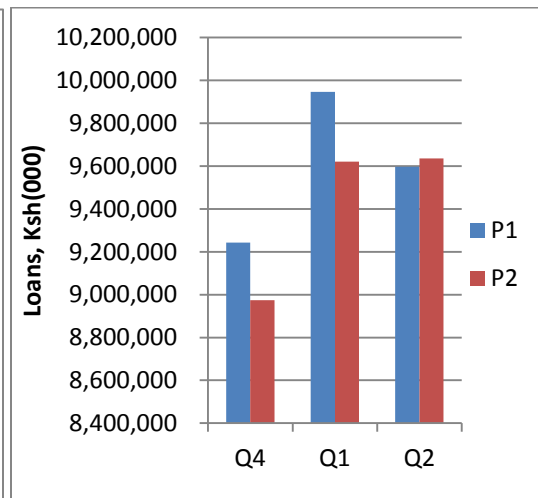
Source: Research Findings

Fig 4.19: Guardian Bank



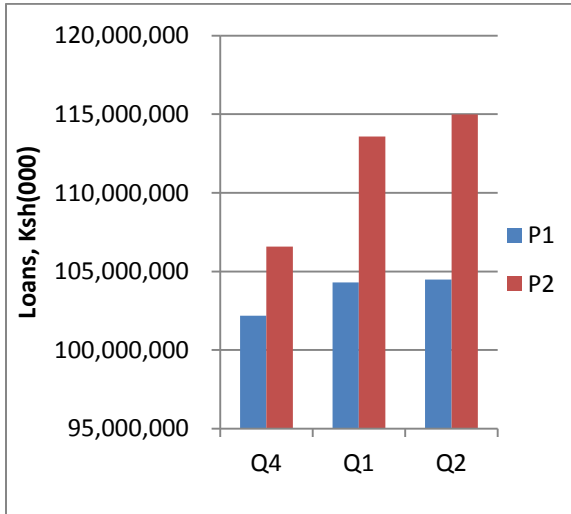
Source: Research Findings

Fig 4.20: Gulf African Bank



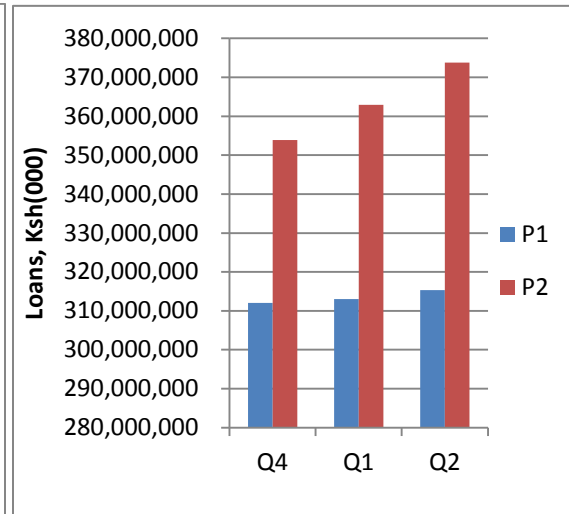
Source: Research Findings

Fig 4.21: I&M



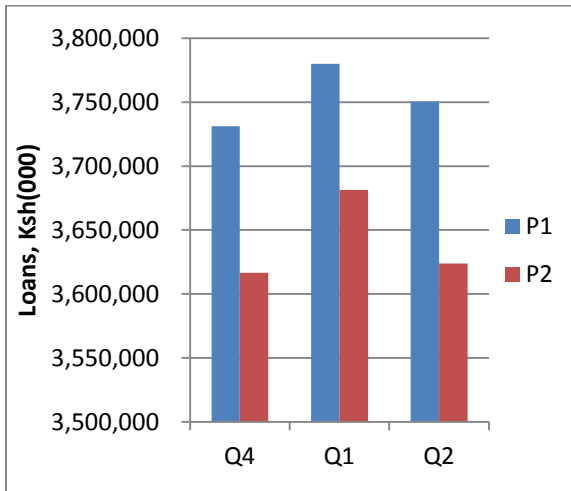
Source: Research Findings

Fig 4.22: KCB



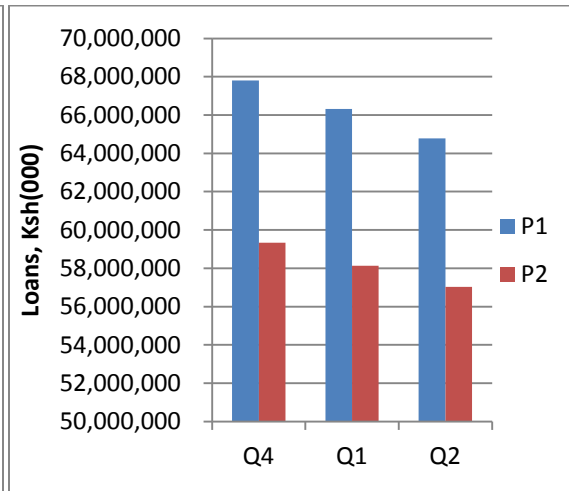
Source: Research Findings

Fig 4.23: Middle East Bank



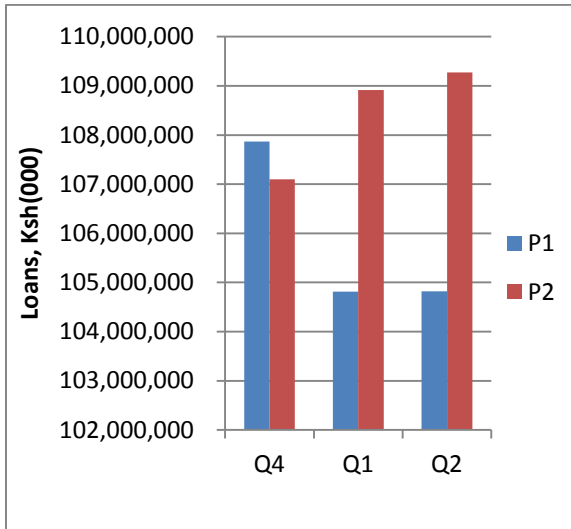
Source: Research Findings

Fig 4.24: National Bank of Kenya



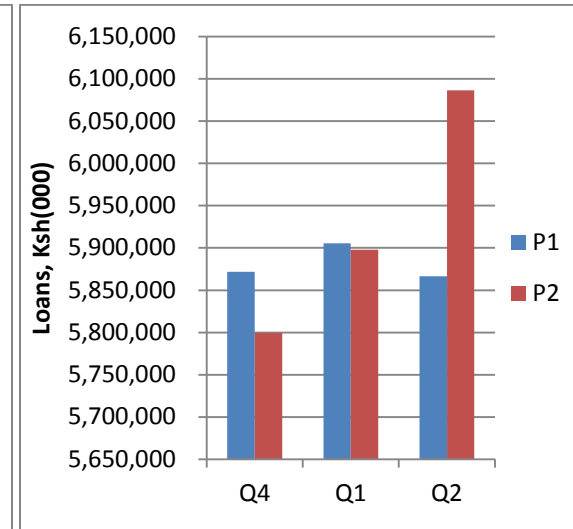
Source: Research Findings

Fig 4.25: NIC Bank



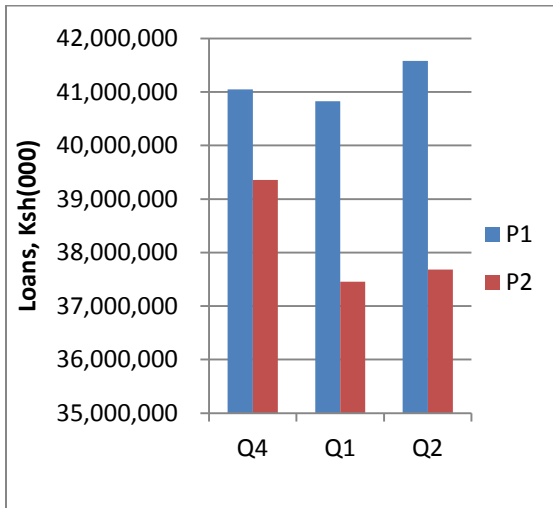
Source: Research Findings

Fig 4.26: Paramount Bank



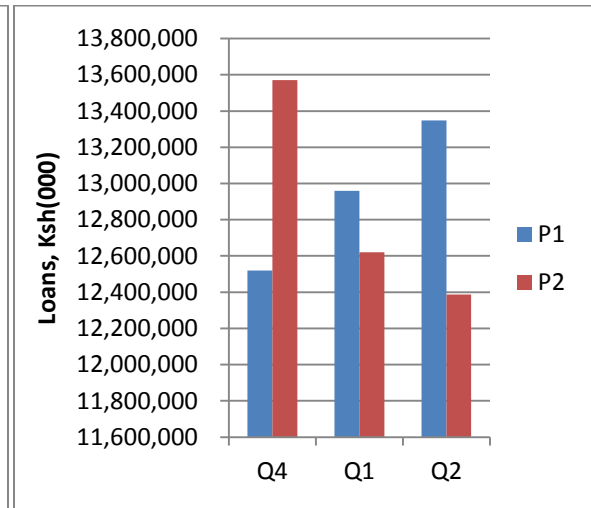
Source: Research Findings

Fig 4.27: Prime Bank



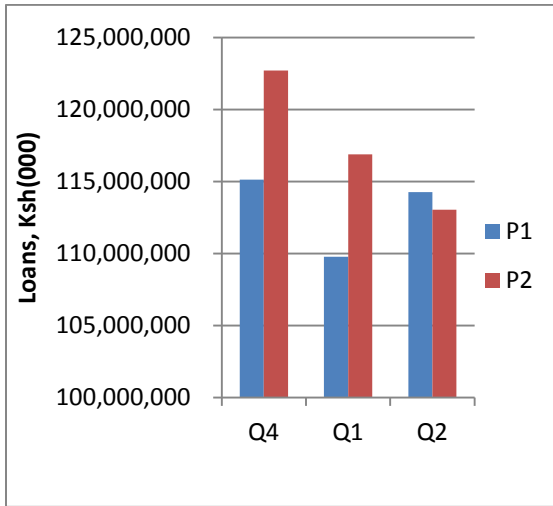
Source: Research Findings

Fig 4.28: Sidian Bank



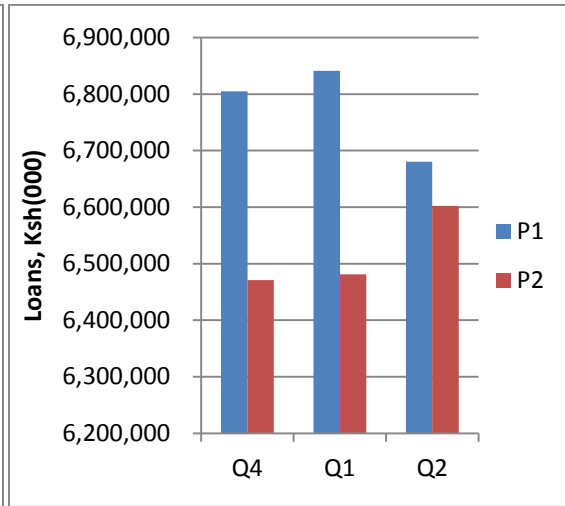
Source: Research Findings

Fig 4.29: Standard Chartered Bank



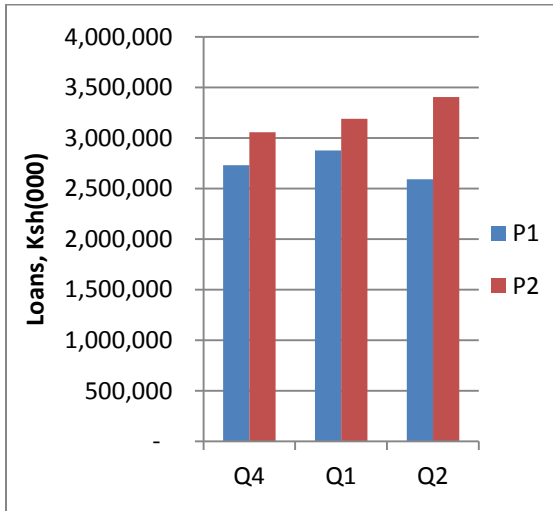
Source: Research Findings

Fig 4.30: Transnational Bank



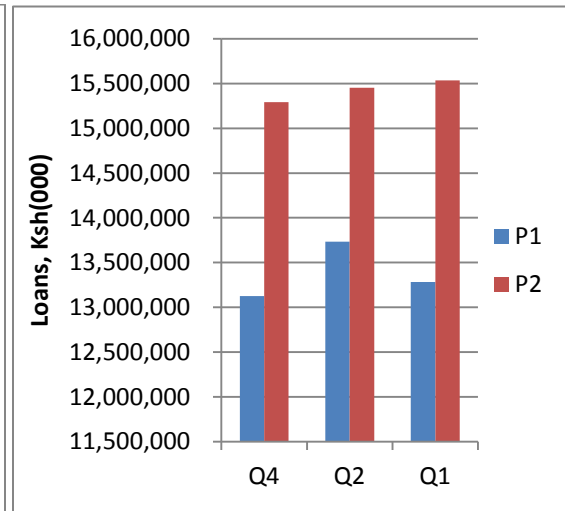
Source: Research Findings

Fig 4.31: UBA



Source: Research Findings

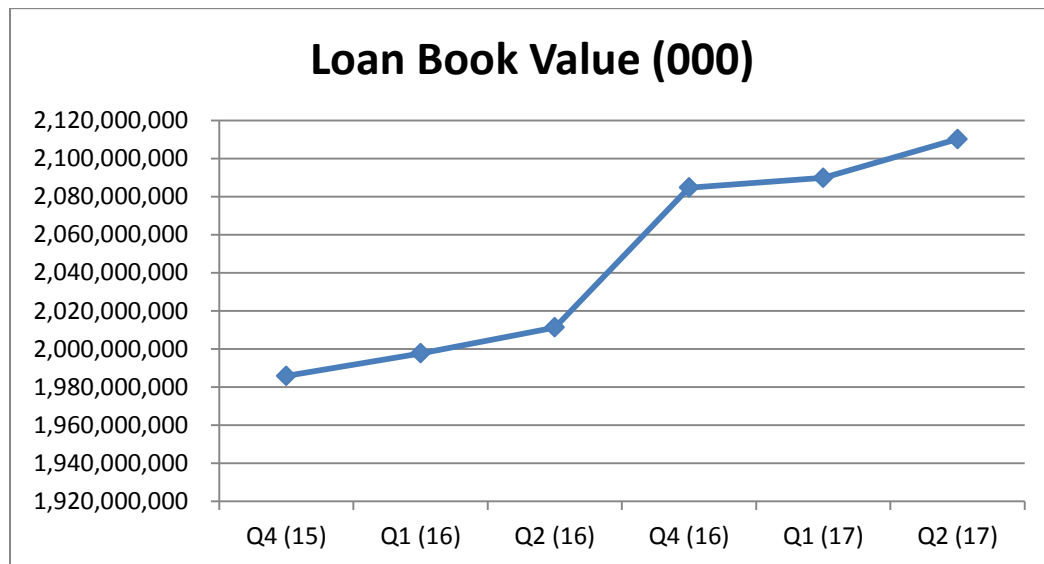
Fig 4.32: Victoria Commercial Bank



Source: Research Findings

On the other hand, the figure below shows graphical representation of how the loan book value for the 32 banks moved in the three quarters before and after the capping of interest rate. The average loan book growth for the 32 banks before the capping of interest rate was 0.8% while after the capping grew by 1% on average.

Fig 4.33: Total Banks' Loan book trend



Source: Research Findings

4.4 Inferential statistics

On this section we will establish whether the observed difference in descriptive statistics on loans issued by banks is dependable one or may have happened by chance. We will establish whether the reduction of value of the loan book by some banks was significant one across the industry.

The table below shows paired sample tests of the loans after first converting them to their natural logs.

Table 4.3: Paired Samples Test

	Paired Differences					t	df	Sig Value. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Pair1 Q4 Pre-cap - Q4 Post-cap	-.0181805	.0969948	.0171464	-.0531509	.0167899	-1.060	31	.297
Pair2 Q1Pre-cap - Q1Post-cap	-.0007575	.1169851	.0206802	-.0429351	.0414201	-.037	31	.971
Pair3 Q2Pre-cap - Q2Post-cap	-.0119327	.1441079	.0254749	-.0638892	.0400237	-.468	31	.643

Source: Research Findings

The mean tend to be negative because the natural logarithms of the loans after the capping of interest rate was subtracted from those before the capping. This implies that more loans were issued after the capping law came into effect. On the other hand, the positive standard deviations imply that, loans before the capping of interest rate deviated more from the mean than after the capping. The small value of the standard error mean indicates that there is less movement in the mean before and after the capping of interest rate.

The results on the last column of the table show that the banks did not significantly change the way they disbursed their loans even after introduction of the capping law. Ordinarily for the change to be significant the significance value should be less than 0.05 and absolute values of t should be greater than 1.96.

4.5 Interpretation of the Findings

The t-statistic results show that the interest rate capping did not significantly influence how the banks issued their loans. This is likely due to the fact that some banks significantly grew their loan book which countered the decrease by their counterparts. Although in descriptive analysis showed that 40.6% of the banks did contract their loan book, the amounts involved were not large enough to shift ground in favor of arguing that the policy change to controlling the banking industry reduced the amount of loans issued. The top tier banks save Equity Bank (K) all grew their loan book which partially explains how their grip of the market share still ensured that the whole industry did not significantly shrink their loan book. Majority of the banks which did not grow their loan book were the small and a few second tier banks. This can mean that the target customers for the small and medium bank may have been adversely affected by the controls as compared to those customers targeted by major banks. Empirical literature has shown that small and community banks have a comparative advantage in relationship banking which is usually associated with SMEs, (Augusto, Maria, Sergio & Victoria, 2008). This will imply that is the small credit seekers who may have been affected by the interest rate control.

The mixed findings on how the banks reacted to the interest rate control is a clear indication that the whole banking industry did not adopt a similar approach on how they were to operate after the government started controlling the interest rate chargeable on loans.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECCOMENDATIONS

5.1 Introduction

This chapter will discuss the findings, summary of the study, conclusions, the policy implications and recommendations for further studies.

5.2 Summary

The study sought to examine the effect of interest rate capping on the amount of credit issued by commercial banks in Kenya. This was done by examining how the 32 commercial banks under the study managed their loan book after the introduction of the capping law. Descriptive statistics showed that 13 banks out of the 32 reduced the value of their loan book on average for the three quarters after the capping law as compared to similar quarters before the law came into effect. Ten banks on the other hand reduced their loan book value for the three consecutive quarters preceding the interest rate capping as compared to corresponding quarters before the law came into effect. The average growth of the loan for the three quarters before the capping for the whole industry stood at 0.8% and then changed to 1% after the capping law came into effect. The mean of the loan book for the 32 banks grew from 1.9 trillion to 2.09 trillion after the capping law came into effect translating to 4.8% growth for the whole industry.

Inferential statistics was used to test significance at 95% confidence level and did find that the capping law did not significantly affect the way the commercial banks disbursed their loans. Quarter four of 2015 and 2016 comparison is the only one coming close to what would have significant difference between the means of loan book for the commercial banks with an absolute t-value of 1.06 while the significance level was at t-value greater than 1.96. The statistical test was carried for the whole industry and the fact that most of the banks which did not grow their loan book came from medium and small tier caliber meant that their reduction was insignificant to influence the whole industry.

5.3 Conclusion

The inferential study findings have shown that the interest rate capping did not significantly influence how the banks issued credit to their customers. The difference of the means was tested at 95% confidence level and the results returned by the test thereof were negative in that there was statistically insignificant change in the way banks allocated their credit in the economy. Although the empirical studies did indicate that commercial banks issuance loans was influenced by interest rate control in other economies around the globe this was not the case in Kenya especially for the majority of the banks. Majority of the banks grew their loan significantly and those which did not grow theirs did not have much influence on how the whole industry behaved after the law came into effect last year. As earlier stated, the majority of the 13 banks which reduced the credit issued were mostly the small ones and a few mid-tier banks which could not swing the whole industry into their side. The growth of the loan book for the period under study remained almost constant with only a difference of 0.2% growth after the capping of the interest rate. The idea of interest rate capping being new phenomena in Kenyan banks made some of them adopting wait and see approach. The banks are on a learning curve on how they can best navigate the policy change and remain afloat the market while still making reasonable profits. Most of the banks may have issued more loans to cushion themselves from low interest revenues and to remain profitable in the short term.

5.4 Recommendations for Policy and Practice

Having concluded that there was no significant change on the amount of loans issued by commercial banks after the introduction of interest rate, the government should continue with the measure unless negative effects are felt in the economy in the long run. However, the fact that the smaller banks were the majorly affected by the law means that a certain section of the market may have been affected and will need to be investigated further. Equity bank, National bank and Family bank being major player in the banking industry and having shrunk their loan book should also be concern to policy makers and more examination may be needed to evaluate the section of the market which may have been affected by such actions. It is also worth noting that the government had projected higher growth of credit after the interest rate capping, such growth may not have been

achieved so far and the revelation that nearly half of the banks reduced the value of their loan book is a point of concern for policy makers.

The policy makers will need to keep a closer eye on the whole industry and how it continues to operate in the controlled environment. The fact that there has been clamor by the same banks to repeal banking act which brought into force the interest rate control may mean that the anticipation that this may have been a short term measure may have led to the decision by some banks not to change their business strategy. The CBK hinted that the law may be reversed sooner than later may mean that the banks may not reduce the loans issued as they wait and see what will happen in the long run. On the wake of such uncertainties on the operational time of the law by the industry players, the government will need to continue to evaluate how each sector is being allocated credit and whether some sectors are having credit rationed and such allocated to other sectors. The government will also need to evaluate whether the law has helped it achieve its target growth because from the study we have only seen an increase of growth of 0.2% which may not have been the ideal growth target by the policy makers.

5.5 Limitations of the Study

In course of this study, incomplete records from the commercial banks' financial statements were experienced. The incomplete records did not make it possible to study all the banks as per the target population managing only 86.5% of the banks. The commercial banks behavior to withhold some information meant that the information used was the publicly available one while more accurate and precise information was available but could not share such information as the treated it as competitive tool. There are no regulations from the industry regulators to enforce more disclosure by the commercial banks to the public. This behavior affected the quality and quantity of data obtained in this study.

The period of the study was also a limiting factor in the study. Three quarters before and after the capping of interest rate was considered for the purpose of this study and may not have been sufficient to conclusively give true implications of the interest rate capping law on amount of credit issues by the banks. Longer period may have yielded enough and

reliable data to authoritatively compare and contrast the changes in the industry. The banks may have adopted short term measures which may not be true reflection of the business long term strategy.

5.6 Suggestions for Further Study

The findings of the study necessitate the need for more studies to be done in this area. For instance a researcher can study the effect of interest rate capping on the amount of loans issued by medium and small sized banks. This will exclude the top tier banks which seems not have adopted a different approach on loan issuance save for Equity bank. The study can also be done on how the interest rate control affected loans issued to SMEs and individuals by all banks and locking out bigger corporate from the study which have a different risk profile. This will accurately predict the nature of businesses affected by the introduction of the law. Additionally, the study can be done at a later time when more data may be available to evaluate whether any significant change may have occurred.

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APPENDICES

Appendix 1: List of Commercial Banks in Kenya as at 30th June, 2017

1. African Banking Corporation Ltd
2. Bank of Africa Kenya Ltd
3. Bank of Baroda (K) Ltd
4. Bank of India
5. Barclays Bank of Kenya Ltd
6. Chase Bank*
7. CfCStanbic Bank Ltd
8. Citibank N.A Kenya
9. Commercial Bank of Africa Ltd
10. Consolidated Bank of Kenya Ltd
11. Credit Bank Ltd
12. Cooperative Bank of Kenya Ltd
13. Development Bank of Kenya Ltd
14. Diamond Trust Bank (K) Ltd
15. Ecobank Kenya Ltd
16. Equatorial Commercial Bank Ltd
17. Equity Bank Ltd
18. Family Bank Ltd
19. Fidelity Commercial Bank Ltd**
20. Guaranty Trust Bank (Kenya) Ltd
21. First Community Bank Ltd
22. Giro Commercial Bank Ltd**
23. Guardian Bank Ltd
24. Gulf African Bank Limited
25. Habib Bank A.G Zurich
26. Habib Bank Ltd
27. I&M Bank Ltd
28. Jamii Bora Bank

29. KCB Bank Kenya Ltd
30. Sidian Bank Ltd
31. Middle East Bank (K) Ltd
32. National Bank of Kenya Ltd
33. NIC Bank Ltd
34. Oriental Commercial Bank Ltd
35. Paramount Bank Ltd
36. Prime Bank Ltd
37. Standard Chartered Bank (K) Ltd
38. Trans National Bank Ltd
39. Victoria Commercial Bank Ltd
40. UBA Kenya Bank Ltd

*Bank under receivership

**Bank acquired in the course of study period

Source: CBK Credit Survey Report April-June 2017

Appendix II: Research Data

Banks	Loan Book Value (Kshs. 000)					
	Pre-Capping Period			Post-Capping Period		
	Dec, 15	Mar, 16	June, 16	Dec, 16	Mar, 17	June, 17
African Banking Corporation Ltd	14,828,522	14,062,190	14,228,599	14,228,599	13,656,946	13,560,930
Bank of Africa Kenya Ltd	37,798,691	36,664,739	34,935,112	31,541,959	31,085,990	29,803,804
Bank of Baroda (K) Ltd	31,018,373	31,561,049	32,571,800	36,400,900	37,641,524	37,871,458
Bank of India	17,857,613	17,284,400	17,424,940	19,246,080	19,445,225	24,018,211
Barclays Bank of Kenya Ltd	145,838,000	152,442,482	153,304,211	168,509,529	168,701,793	163,782,554
CfC Stanbic Bank Ltd	101,576,227	103,560,807	108,486,104	115,587,723	115,365,303	117,944,960
Citibank N.A Kenya	26,628,660	25,779,239	31,629,084	27,436,980	27,721,481	29,192,406
Commercial Bank of Africa Ltd	103,519,861	98,957,882	97,319,291	100,314,461	98,728,990	102,066,307
Cooperative Bank of Kenya Ltd	208,074,513	213,234,193	220,425,621	236,398,405	245,288,658	251,722,643
Credit Bank Ltd	7,087,728	7,227,207	7,536,175	7,899,394	8,130,585	8,969,812
Development Bank of Kenya Ltd	8,043,938	8,820,942	8,994,367	8,733,212	8,497,966	8,822,464
Diamond Trust Bank (K) Ltd	125,817,859	128,167,235	128,364,328	136,685,924	137,695,168	140,698,717
Ecobank Kenya Ltd	29,621,166	29,067,707	28,939,537	24,473,512	22,521,496	20,784,188
Equatorial Commercial Bank Ltd	8,321,620	8,748,256	7,945,818	7,433,605	6,767,311	6,411,120
Equity Bank Ltd	225,036,662	229,474,440	222,350,434	213,805,548	208,356,659	207,490,076
Family Bank Ltd	55,853,882	58,691,557	57,751,958	50,163,555	46,647,535	43,805,593

First Community Bank Ltd	10,940,003	10,784,529	10,597,421	10,939,122	10,547,631	10,312,449
Guaranty Trust Bank (Kenya) Ltd	12,422,326	12,181,966	12,444,979	12,906,196	12,526,076	13,309,077
Guardian Bank Ltd	9,242,735	9,946,721	9,596,736	8,974,527	9,620,175	9,634,943
Gulf African Bank Limited	15,427,705	15,850,662	15,683,019	16,193,046	15,669,349	16,499,568
I&M Bank Ltd	102,188,164	104,300,776	104,475,131	106,585,737	113,579,480	114,994,775
KCB Bank Kenya Ltd	312,079,984	313,053,740	315,326,989	353,900,051	362,922,411	373,809,146
Middle East Bank (K) Ltd	3,731,155	3,780,109	3,750,554	3,616,626	3,681,520	3,623,742
National Bank of Kenya Ltd	67,803,990	66,315,233	64,782,208	59,339,225	58,126,112	57,023,483
NIC Bank Ltd	107,867,710	104,816,520	104,821,272	107,097,133	108,913,109	109,274,084
Paramount Bank Ltd	5,871,717	5,905,413	5,866,468	5,799,443	5,897,991	6,086,414
Prime Bank Ltd	41,047,741	40,826,704	41,577,929	39,356,307	37,457,046	37,681,816
Sidian Bank Ltd	12,519,387	12,958,531	13,348,256	13,571,012	12,619,788	12,387,567
Standard Chartered Bank (K) Ltd	115,125,427	109,787,058	114,265,013	122,711,038	116,875,407	113,040,256
Trans National Bank Ltd	6,804,914	6,841,271	6,680,280	6,471,250	6,481,380	6,602,152
UBA Kenya Bank Ltd	2,733,280	2,876,324	2,591,236	3,058,201	3,192,039	3,406,997
Victoria Commercial Bank Ltd	13,124,420	13,731,749	13,281,855	15,292,829	15,453,895	15,533,093

Source: Research findings