THE EFFECT OF LENDING INTEREST RATES ON FINANCIAL
PERFORMANCE OF COMMERCIAL BANKS IN KENYA

BY

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DECLARATION

This research project is my unique work and has not been submitted for honor of degree in any other University

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This research project has been submitted for examination with my endorsement as the university supervisor

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I would like to appreciate all those who made this research project a success. God bless you all.
DEDICATION

This project is dedicated to my family especially my dad, Gabriel Wanga and Mum, Sofia Nafula for the love, patience and faith they had in me throughout the study period and the entire course.

I also dedicate this research project to my many friends who have supported me throughout the process. I will always appreciate all they have done.
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<tr>
<td>CBK</td>
<td>Central Bank of Kenya</td>
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<tr>
<td>CLA</td>
<td>Cost per Loan Asset</td>
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<td>DMB</td>
<td>Deposit Money Banks</td>
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<td>DTM</td>
<td>Deposit Taking Micro Finance Institutions</td>
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<tr>
<td>MFIs</td>
<td>Micro finance institutions</td>
</tr>
<tr>
<td>ROA</td>
<td>Return on Assets</td>
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ABSTRACT
Accepting deposits, advancing loans and providing investment products are among the functions commercial banks are tasked to provide in its operations. However, lending is the main practice that sustains the banking sector. Through lending practices, commercial banks are able to achieve its main objective which is to realize profits. Given that this practice is the backbone of banking operation, banks need to understand the sensitivity of lending practices and its impact since any imperfection in administering the service can harm its financial performance. The objective of his research was to determine the effect of lending interest rates on financial performance of Commercial Banks in Kenya. This study employed descriptive. Published statement of accounts which falls under secondary data was put to use. Statement of Financial Position of commercial banks from 2012 to 2016 was used to collect the secondary data. Descriptive and inferential statistics were utilized particularly using correlation, chi-square tests, regression and ANOVA to ascertain the significance fitness of the model and also to establish the link between financial performances with lending interest rates in Commercial banks in Kenya. The research findings indicate that that improvement in all aspects of increase in lending interest rates enhances commercial bank’s financial performance in Kenya. The findings indicated a strong positive correlation between return on equity and the lending interest rate. This implies that an increase in the interest charged on loan results in a proportional increase on return on equity in commercial banks in Kenya. There was strong negative correlation between operating expenses and interest rate charged. This therefore implies that an increase in interest charged results in improved financial performance due to increase in operating income. The findings indicate that there was a strong positive correlation between management efficiency and the lending interest rate. This implies that an increase in the interest charged on loan results in increase on management efficiency in commercial banks in Kenya.
CHAPTER ONE

INTRODUCTION

1.1 Background of Study

Accepting deposits, advancing loans and providing investment products are among the functions commercial banks are tasked to provide in its operations. However, lending is the main practice that sustains the banking sector. Through lending practices, commercial banks are able to achieve its main objective which is to realize profits. Given that this practice is the backbone of banking operation, banks need to understand the sensitivity of lending practices and its impact since any imperfection in administering the service can harm its financial performance.

This study was anchored on three theories namely: market segmentation theory, expectations theory and financial performance theory. Market segmentation theory explains that short term and long term security are independent of each other hence securities of different maturities are poor substitutes (Culbertson 1957). The theory therefore implies that there is an existence of separate market segment whereby each segment’s supply and demand determines its own interest rates. Expectation theory was developed by Lutz (1940). The theory concludes long term rate will constantly move in similar direction short term rates moves (Bekaert, 1998) and assumes that investors normally have perfect knowledge on various factors like taxes. Financial performance preference theory which was first developed by Keynes (1936) views interest rates from demand and supply of money stock in financial system.
Given the competitive nature in the banking sector, interest rates are normally used by commercial banks rate as one of their pricing strategy in order to attract clients. The Central Bank of Kenya over the years has regulated the interest rates through setting interest rate ceiling and floor and restricting how much is lent out. This has led to outcry by commercial banks necessitating the need to understand how the lending interest rates impacts on their financial performance.

1.1.1 Lending Interest Rates

Lending interest rate constitutes the interest a borrower pays for usage of borrowed funds (Crowley, 2007). In other words, it entails the price one is charged for borrowed funds, it’s quoted as a percentage of principal amounts which is paid at a considerable amount of times in a specific period of time. Commercial banks normally grant loans and advances to governments, organizations and individuals so as to aid their growth in turn contributing toward a country’s economic development (Kadri, 2012). Proper functioning of this role enables a bank to achieve its objectives too.

Commercial bank’s lending operation is normally guided by three main principles: financial performance, solvency and profitability. The decision to lend out loans is however dependent on various factors, for instance, economic fluctuations, prevailing interest rates, deposits volume, balance of payment, the financial performance ratio of a bank and ability of client to repay the loan among other.

In the world, lending practices is traced to industrial revolution period whereby projects needed large capital outlays due to the fast growing commercial and production activities. Being unable to meet this huge financial demand, many industry captains turned to banks
for help. With the emergence of banks in the colonial period, Kenya saw the beginning of bank lending practices.

According to Benstein (1996), many developing countries like Kenya have liberalized interest rates through permitting market forces to establish interest rates. This results to uncompetitive banking system. Naude (1995) study established that interest rates are normally kept below market rates. Kenya’s interest spread is among the highest in the world. The government has however made attempts to regulate it. This saw the establishment of Central bank of Kenya (Amendment) Act 2001 also termed as Donde act. This act was aimed at linking interest and deposit rate to the 91 day Treasury bill rate. The CBK was to ensure the bank loan interest is not more than 4% above the Treasury bill. This act was however challenged and court declared it illegal. In 2012 the public finance bill was also unsuccessful. In 2016, the Banking amendment act 2016 became successful where by the floor for deposits and ceiling for interest rates were set. In addition to that banks are required to disclose their terms and conditions before granting of loan.

1.1.2 Financial Performance

Financial performance entails the degree at which financial objectives are attained. The firm’s policies and results are measured in monetary terms. Through financial performance, the general financial health of a firm in a specified period of time is normally established. One can also establish comparison between firms in similar or different industry. Financial position of firms can be determined through analyzing financial statement for instance balance sheet and income statement.
A commercial bank’s financial health is not only significant to depositors but also to employees, shareholders and the country’s economy. In the last two decades there has been an improvement in the banking industry but this does not mean that all firms in the industry are profitable; some are still struggling to survive (Oloo, 2009). A bank’s performance is affected by microeconomic and macroeconomic factors (Flamini et al, 2009). Besides achieving social and economic goals, profitability is the main goal banks strive to achieve.

According to Mosaa and Bhatti (2010), there are three measures of performance: Market, accounting and hybrid. Accounting measures majorly uses analysis of various ratios. There are various ratios which are used to measure bank’s performance. Murthy and Sree, 2003 concluded that the main measures were Net margin Return on Equity and Return on Asset. A ratio shows the quantitative relation between two amounts whereby the number of times one value holds or is hold in another. Financial ratio computation is classified into five categories: leverage, financial performance, profitability, turnover and valuation ratios (Winfred and Curry, 1994).

Since banks are required to publish their accounting data as a requirement by the government, it’s advantageous to use them. They are also subjected to internal control thus enhancing their credibility (Beck, Randa and Trandafir, 2010).

1.1.3 Lending Interest Rates and Financial Performance

The effect of interest rate on banks’ financial performance functions through two major ways. Firstly, income level earned through acquiring assets is normally increased by increase in interest rates. Secondly, According to Were and Wambua (2013) the amount
of loans and securities held is impacted by the said interest rates. Large sized financial institutions have a wider access to deposits hence making them have a greater power in controlling deposit and lending interest rates. These competitive advantage accompanied with cost efficiency can translate into a positive financial performance.

Profitability measures like ROA and ROE summarizes firms’ performance in all areas. Margarida (2000) established that net interest margin impacts positively to operating cost. Adjusting market condition impacts market interest rate in turn having a direct impact on profit. High interest rates are desired by banks since they increase return on investments and increase profit margin on loans.

1.1.4 Commercial Banks in Kenya

The Banking sector in Kenya can be termed as being overbanked whereby there are 42 commercial banks in Kenya with two banks: imperial bank and chase bank under receivership. The view of Kenya being overbanked is from the high ratio of banks to the total population. South Africa’s 55 million people are served by 19 banks compared to 44 million people in Kenya being served by 42 commercial banks. Kenya’s banking sector is experiencing consolidation and increase in mergers and acquisition due to this. Tanzania’s Bank M was allowed to acquire 51% of Oriental commercial bank, Fina being acquired by GT bank, Equatorial bank being acquired by Mwalimu Holdings and Giro bank being acquired by I&M over the past recent years.

All commercial banks are regulated by the CBK, the Capital Markets Authority also oversees listed banks. The CBK was established by an act of parliament of March 24, 1966. The CBK is mandated to formulate and implement monetary policy with the goal
of promoting price stability, financial performance, solvency and ensuring the banking sector is stable among other functions. The Kenya Bankers Association brings banks together in order to protect their interest while addressing issues affecting them.

Over the years, the government has continually asked commercial banks to lower their lending rates to no avail. Different Acts have been put in place to lower the rates but the Banking (Amendment) Act, 2016 became successful with the President signing it. There are a number of change that were made: Banks are expected to disclose all loan information for instance charges before granting a loan, ceiling for lending interest was set not exceeding the 4% base rate and floor for deposit rate was set to at least 70% base rate. Banks and other financial institutions are required to abide to these rules.

Capping of interest rates in Kenya will definitely have a significant impact on Commercial banks financial performance. They have to therefore to look at other ways to gain competitive advantage by implementing other strategies. Through adopting implicit strategies, organization performance and market competitiveness was enhanced through quality (CBK, 2012).

1.2 Research problem

A country’s economy depends on the banking system as the main financial intermediary. While performing this role they are often faced with a number risks like financial performance risk, foreign exchange risk, Operational hazard, credit hazard and loan rate hazard among others. Mitigation of this risk is important since it impacts on its financial performance. According to the Benstein (1996) losses that arise from an individual loan or a breakdown in control can completely remove gains on many other transactions.
The lending interest rate largely affects bank’s profitability. Variation in these interest rates negatively impacts on financial performance of commercial banks. Hence achieving profits as banks main objective proves to be a challenge to bank managers (Gregory et al., 2005) Given the position banks plays in the economy, there have been several studies that tries to link lending interest rates and its financial performance. Most of the international studies have focused on determinants of financial performance. Morgan (2008) study on interest rates determinants in Europe found out that financial performance is the main problem affecting banking lending interest rates. Enyioko (2012) study on financial performance of banks in Nigeria basing on interest rates found out that interest rate policies have insignificantly improves banks overall performance. Real interest rate, financial approach, inflation and foreign exchange administration are positively identified with banks ROA. Short (1979) found size of bank and its capital adequacy have close relationship, whereby, large banks raise less expensive capital thus registering more profitability. However, (Berger et al. 1987) disagrees arguing that increasing size of bank will result to less cost saving thus signifying less profitability.

In Kenya studies have been made too. Kipngetich (2011) study on effect of interest rate on commercial banks in Kenya found interest rate and financial performance has positive relationship. Okech (2013) study on the effect of lending rates on the financial performance of commercial banks in Kenya established that lending rates and commercial bank’s performance have positive relationship.

Many international studies have considered several variables in their studies like size of bank, risk level among other factors while local studies barely consider them. In addition, both local and international studies do not show to what extent changes in
lending interest rates impacts on financial performance. Due to these reason it’s therefore important to determine the impact lending rates has on financial performance of commercial banks in Kenya. This research will therefore strive to give answer to the question: what is the effect of lending interest rates on financial performance of Commercial Banks in Kenya?

1.3 Research Objective
To determine the effect of lending interest rates on financial performance of Commercial Banks in Kenya.

1.4 Value of the study
The findings will act as a source of knowledge to academicians. The findings were used as reference and prompt interest among researchers to further research on how lending interest rates impacts on organization performance.

Findings from this research were helpful to commercial bank regulators i.e. the Central Bank of Kenya. The CBK is tasked to ensure proper functioning of financial institutions, therefore understanding relationship between lending interest rates and performance of commercial banks will ensure they set up rules that favor both the public and commercial banks. Commercial bank managers will also benefit from this study whereby they were equipped with competitive management skills. This will enable them come up with lending practices which are in line with their Bank’s main objective which is to earn profits.
CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Different studies on the effect of lending interest rate on commercial banks are examined in this chapter while disclosing the existing knowledge gap in the same area.

2.2 Theoretical review

Different theories that have been suggested by different authors in relation to this study research problem are shown in this section.

2.2.1 Market Segmentation Theory

A market segment entails potential or present customers group with similar characteristics relevant in accounting for their response to market stimuli. This theory was first introduced by Culbertson (1957) whereby it assumes that investors normally have a strict preference for maturity. It explains that short term and long term security are independent of each other hence securities of different maturities are poor substitutes. The theory implies that there is an existence of separate market segment; each segment’s supply and demand determines its own interest rates. Under this hypothesis, the yield curves are not likely to be continuous over different maturities. Through connecting equilibrium points, yield curve is usually constructed (Auerbach, 1988).
Lasher (2008) stated there are independent set of forces that pushes the yield curve back and forth. This is seen since every market segment has its own demand and supply. This is therefore in line with the theory whereby market interest rates are independently determined in each segment.

According to Kinyura (2011), this theory is being practiced by microfinance institutions, insurance companies, investment trust and commercial banks. Commercial banks being able to segment their customers for instance in terms of demography, they are able to price their interest rates differently and also provide different maturity periods.

2.2.2 Expectations Theory

This theory was developed by Lutz (1940). It is built on concept people have in future conditions. Investors normally like to hold short term securities when future interest rates are expected to decrease and will prefer to hold long term securities when future interest rates are expected to be high. Macro-economic environment for instance economic and political conditions influences securities demand too. According to Auerbach (1988), investors who are expecting high term interest rate are highly likely to buy long term debt since they was able to make high interest.

The expectation theory assumes that investors normally have perfect knowledge on various factors. These are: taxes, short term interest rates and investors are able to maximize profit among others. The theory concludes long term rate will constantly move in similar direction short term rates moves (Bekaert, 1998).
Using this theory, many people will shy from borrowing in turn affecting bank performance if it’s expected for the interest rates to increase. The vice versa is true in that when future interest rates are expected to fall, people was attracted to borrow hence bank earning on interest rises thus improving their performance (Bekaert, 1998).

2.2.3 Financial performance Preference Theory

Keynes (1936) first developed this theory; it views interest rates from demand and supply of money stock in financial system. Money demand is stated to be a function of income and interest rate level. The theory continues to explain that money is demanded for three distinct motives: precautionary, speculative and transaction motive. The theory also states that investors constantly go for short term securities than long term one therefore in order for investors to hold long term securities, higher interest must be yield from the long term securities compared to one yield from short term securities. According to the theory what is demanded as premium normally increases when the term for getting back the cash increases.

Reilly and Norton (2006), agree on this theory concept. They stated that long term securities must produce greater returns compared to short term securities. The rationale for this being that investors are normally ready to sacrifice some yields in order to invest in short maturity obligations.

According to Howels and Bain (2007), increase financial performance preference is equal to increase money demand. Demand for money will therefore increase when people assume interest rates are highly likely to increase than decreasing. From this theory,
borrowers invest only when the return on their investment surpasses the rate of borrowing.

From this theory, the study will seek to explain the relationship between the supply of money supply in form of loans by commercial banks when lending rate rises and falls. This will further explain the financial position of the lender.

2.3 Determinants of Financial Performance

Banks play a major role in any given economy since they are the main financiers. In line of its operation they are normally faced with factors that threaten their survival. For this reason, many researchers have studied on determinants that impact on bank performance. According to Rustam et al, (2011) they are classified in two: micro and macro determinants. Micro determinants result from Banks accounts, they are mainly influenced by policy objectives and decisions made by management. Macro determinates are non-related to management of bank, they focus on macroeconomic and industry related variables that are reflected in legal and economic environment affecting financial institution performance.

2.3.1 Micro Determinants

ROE and ROA are mostly used by researchers in measurement of financial performance. Studies on micro-specific factors have employed variables like risk, capital adequacy, size and financial performance and testing relationship with ROE or ROA. Felix and Claudine (2008) in their study found out that profitability in ROA and ROE show negative association with non-performing loan to total loan ratio.
Short (1979) argued that size of banks and capital adequacy have close relationship. The basis for this is that large banks raise less expensive capital thus registering more profitability. Other studies however do not agree with this concept. Berger et al. (1987) argued that by increasing size of bank, there was less cost saving hence suggesting that large firm will eventually face scale inefficiencies. This negative relationship is attributed to management cost for instance agency cost.

Lending rates has been considered as the major risk affecting bank profit. (Maudos & De Guevara, 2004). According to Bourke (1989), lending rates and profitability have negative relationship. This is based on the fact that many commercial bank are faced with high risk loans hence accumulation of loans that are unpaid. Therefore, commercial banks register lower return due to these loan losses (Miller & Noulas, 1997).

More operational efficient banks are theoretically expected to be more profitable. Efficiency in loan distribution to customer is measured by cost per loan asset (CLA) ratio which is found through dividing total operating cost with loan amount. Researchers have conflicting arguments on financial performance and profitability. (Athansaglou et al, 2008) found negative relationship while other finding positive relationship (Molyneux and Thornton 1992)

2.3.2 Macro determinants
There are several factors in the external environment that affect financial performance: inflation, interest rates and other variables representing market characteristics like market concentration, ownership status and size of the industry (Athanasoglou et al 2005)
Market risk entails risk of asset value related with systematic factor. Though market risk can’t be completely diversified, they can be hedged out (Santomero, 1997). Interest rate and relatively currency value are the major market risk for concern since they greatly impact on bank performance.

2.4 Empirical review

Through the use of descriptive and analytical research design, Nduwayo (2015) sought to analyze the impact of loan management on Kigali Bank’s financial performance from 2010 to 2013. The study used 25 employees working in credit department as its population. It was revealed that loan management and financial performance in Kigali Banks has a significant close relationship. Credit quality, credit sufficiency, documentation of collateral and compliance with laws were also concluded as factors that were considered in loan management. As a recommendation the employees were required to be trained so as to improve performance of the loan.

Bhattarai (2015) investigated the determinants of lending rate of Nepalese commercial banks. The study analyzed six commercial banks from 2010-2015 using multiple regression models. It was established that profitability (ROA), operating cost to total asset and default risk have positive relationship to commercial banks while the deposit rate had no significant effect on lending interest rates. From this study: lending rates should be maintained at a prudent level, the management practices need to be improved and government needs to provide the necessary support to both lenders and borrowers. Several recommendations were made.
Kar and Swain (2014) carried out a study in 71 countries whereby 379 MFIs were investigated to determine if the high interest rates charged increase profitability, decrease repayment rates and if it leads to mission drift. The study was conducted in a period of 6 years i.e. from 2003 to 2008. It was concluded from the study that the yield on loan portfolio, MFIs financial performance and loan repayment rates have significant. The loan delivery method was found to have a significant impact on financial performance. It was also proven that the individual-based lenders were seen to be highly likely to mission drift compared to village banks.

The impact of bank lending rate on the performance was examined by Okoye and Onyekachi (2013). This study was conducted from 2000 to 2010 involving the Nigerian Deposit Money Banks. Combination of several regression analysis was utilized. It was concluded that the monetary policy and the lending rate have positive significant impact on Nigeria’s DMB performance. The government should foster policies that result to the Nigerian DMB banks improve in their performance. The lending rate policy need to be strengthened as recommendation provided from the study.

Using explanatory research design and multiple regression model analysis, Wambari and Mwangi (2017) investigated on impact of interest rates on commercial banks’ financial performance. All 42 commercial banks in Kenya were used in the study. This study concluded that lending rate ratio has a positive influence on commercial banks performance while deposit interest ratio impacts negatively. Financial performance management and asset quality were concluded as having positive and negative impact on commercial banks performance respectively. As a recommendation from the study, Commercial banks in Kenya need to carefully monitor their deposit and lending interest
rates and deposit interest rates. To reduce number of non-performing loans the study recommended close monitoring of high risk borrowers through sharing of credit information and have a cross reference with credit bureaus.

Kirimi (2015) sought to determine the effect of lending interest rates on financial performance of Commercial Banks in Kenya. The examination used the descriptive research design and multiple regression analysis to analyze all the 42 registered commercial banks in Kenya. Lending interest rates were found to have positive impact on financial performance of commercial Banks. The management was also found to have a major role to play in financial performance. Commercial banks need to properly evaluate their lending interest rates and management efficiency needs to be increased as a recommendation from the study.

Mwangi (2014) strived to establish whether their existed relationship between lending interest rates and financial performance of Deposit Taking Micro Finance institutions in Kenya. Using regression analysis, nine DTM 5-year financial performance were analyzed. A strong positive relationship was established between the variables. Management of lending interest rates income source diversification were recommended.

Mang’eli (2012) studied on the relationship between interest rate spread and commercial banks financial performance. Using descriptive research, it was found that interest rate spread has an effect on commercial banks performance. Interest rate spread increases cost of loans borrowers are charged. The study also found out that regulations had effect on performance govern that is determines interest rates spread in banks.
Irungu (2013) analyzed the effect of interest rate spread on the commercial banks performance. According to the study, interest rate spread increases the cost of loans borrower is charged. The study also found out that regulation on interest rates had a significant impact on assets non-performance. As a recommendation from the study, interest rate should be regulated by the government to protect borrowers from commercial banks exploitation.

2.5 Conceptual Framework

Through assessing the literature review, conceptual framework aiding in understanding the connection between the examination variables can be developed. The independent variable was studied in terms of interest income rate. On the other side, the dependent variable was majorly discussed in terms of profitability. Operational efficiency and management efficiency of the commercial Banks were also viewed as a component of financial performance.

**Figure 2.1: Conceptual framework**

![Conceptual framework diagram]

**Source: Researcher 2017**
2.6 Summary of the Literature Review

Both theoretical and empirical reviews agree on the fact that Commercial Bank’s financial performance is affected by interest rates. The theoretical review concludes that supply and demand in the market are interest rates determinants. This supply and demand are seen to be affected by various variables in the environment that a Commercial bank operates in. Looking at empirical studies, the international studies did not focus on effect of lending interest rates on financial performance of commercial banks. Nduwayo (2015) focused on impact of loan management on Kigali Bank’s financial performance while Bhattarai( 2015) investigated the determinants of lending rate of Nepalese commercial banks. Looking at the local studies some though focused on factors affecting lending interest rates on financial performance of commercial banks, they failed to show the magnitude of the effect (Kirimi, 2015). Irungu (2013) and Mang’eli (2012) concentrated on effect of interest rate spread on the commercial banks performance.

There are various variables both in the internal and external environment that impacts on financial performance, therefore this study aims at factoring these variable in assess the impact it has on lending interest rate and financial performance. The variables to be considered are for instance: size of bank and management among others. Since the empirical reviews focused on determining the effect lending interest rates has on financial performance while ignoring to clearly show the magnitude of the effect, this study aims to establish if the effect is a strong or a weak one. The above reasons provide room for more to be researched on the effect of lending interest rates on Commercial Bank’s financial performance.
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The section outlines the methods and sources of the data, which data was collected in order to conduct this study. It further discusses on analysis and presentation of data.

3.2 Research Design

Dooley (2007) defines research design as providing information and solution to problems through planning, organizing, collecting and analyzing data. Descriptive studies and exploratory studies are among the methods different researchers have used in their research. This study employed descriptive study since according to Robsons (2002) this method provides an accurate picture of persons, situations and even events. This method of study was suitable for this study as it examined lending interest rates within commercial banks and how changes in the interest will impact on the financial performance.

3.3 Population of Study

Population entails clearly outlined group of individuals or objects with similar characteristics (Kothari et al, 2010). The study was a census survey of all the 42 registered commercial banks as at 31 December 2016. The Commercial banks are listed in Appendix 1.
3.4 Data Collection

Data collection involves gathering and measuring of information on targeted variables which allows one to get answers to relevant questions and analyze the outcome (Dooley, 2007). Published statement of accounts which falls under secondary data was put to use. Statement of Financial Position of commercial banks from 2012 to 2016 was used to collect the secondary data.

3.5 Data Analysis

The evaluation of data through analytical and logical reasoning constitutes data analysis. Data collected was presented by use of graphs and tables. The relationship between dependent and independent variables was realized through Multivariate regression model.

3.5.1 Analytical Model

\[ Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \varepsilon \]

Where \( Y \) = Financial performance as measured by ROE.

\( X_1 \) = Lending interest rate, measured by ratio of interest income on loan book generating the income.

\( X_2 \) = Operating cost efficiency, as measured by ratio of operating cost to net operating income.

\( X_3 \) = Management Efficiency, as measured by Non-interest expense to total assets

\( \alpha \) = the regression constant

\( \varepsilon \) = Error term.
3.5.2 Diagnostic Test

The study established the association between lending rates and performance by utilizing chi-square. The test is used to determine whether an association (or relationship) between 2 variables in a sample is likely to reflect a real association between these 2 variables in the population or if there is a difference between the two variables. It thus test the probability (p-value) that the observed association between the 2 variables has occurred by chance, i.e. due to sampling error.

3.5.3 Test of Significance

The Pearson product moment coefficient (R) was used to determine the association that exists between financial performance and lending interest rates. A coefficient of determination ($R^2$) was performed to assess how much of the dependent variable comes about as a result of the independent variable that is being tested. The test was at 5% significance level. To test the significance of the findings, analysis of variance (ANOVA) was done.
CHAPTER FOUR
DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter provides the analysis of the collected data and also provides an interpretation of such analytical outcomes and turns the findings into useful research information that can be used to make informed business decisions. The analytical process has been guided by the research methodology outlined in chapter three. The research data was gathered exclusively through secondary data.

4.2 Descriptive Statistics

The study sought to establish the effect of lending interest rates on the financial performance of commercial banks in Kenya. This was measured through correlation analysis between the study independent variables of lending rates financial indicators which include the interested income adjusted for the principal value of outstanding loans so as to eliminate the factor of increase in the principal loans and its impact on the interest rates. Other variables of operating cost efficacy and management efficiency were introduced as control independent variables of the study. Consequently descriptive statistics of the collected data was analyzed using excel analysis tool Pack and the summary of the findings is presented in the in table 4.1 below
## Table 4.1 Summary of study variables

<table>
<thead>
<tr>
<th>Statistics</th>
<th>Lending interest rate</th>
<th>Operating cost ratio</th>
<th>Management Efficiency</th>
<th>ROE</th>
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</thead>
<tbody>
<tr>
<td>Mean</td>
<td>0.221667</td>
<td>0.19</td>
<td>0.128333</td>
<td>3.365</td>
</tr>
<tr>
<td>Standard Error</td>
<td>0.016816</td>
<td>0.032146</td>
<td>0.127715</td>
<td>0.343994</td>
</tr>
<tr>
<td>Median</td>
<td>0.24</td>
<td>0.16</td>
<td>0.135</td>
<td>3.67</td>
</tr>
<tr>
<td>Standard Deviation</td>
<td>0.041191</td>
<td>0.07874</td>
<td>0.312836</td>
<td>0.842609</td>
</tr>
<tr>
<td>Sample Variance</td>
<td>0.001697</td>
<td>0.0062</td>
<td>0.097867</td>
<td>0.709999</td>
</tr>
<tr>
<td>Kurtosis</td>
<td>4.805563</td>
<td>5.809886</td>
<td>5.872952</td>
<td>5.18735</td>
</tr>
<tr>
<td>Skewness</td>
<td>-2.16112</td>
<td>2.400302</td>
<td>2.417288</td>
<td>-2.22917</td>
</tr>
<tr>
<td>Range</td>
<td>0.11</td>
<td>0.2</td>
<td>0.79</td>
<td>2.29</td>
</tr>
<tr>
<td>Minimum</td>
<td>0.14</td>
<td>0.15</td>
<td>0.11</td>
<td>1.68</td>
</tr>
<tr>
<td>Maximum</td>
<td>0.25</td>
<td>0.35</td>
<td>0.9</td>
<td>3.97</td>
</tr>
<tr>
<td>Sum</td>
<td>1.33</td>
<td>1.14</td>
<td>1.58</td>
<td>20.19</td>
</tr>
<tr>
<td>Count</td>
<td>210</td>
<td>210</td>
<td>210</td>
<td>210</td>
</tr>
</tbody>
</table>

**Source: Research Findings**

According to the findings in Table 4.1 indicate that the mean lending rates for the five year period (2012-2016) was 22.2% with standard deviation of 0.04. The mean operating cost efficacy ratio for the five year period (2012-2016) was 0.19% with standard deviation of 0.078. The mean management efficiency ratio for the five year period (2012-2016) was 12.8% with standard deviation of 0.312. The mean return on equity for the five year period (2012-2016) was times 3.365 with standard deviation of 0.84.
4.2.2 Financial Performance Trend Analysis

A trend analysis of the growth rate of financial performance indicators for the study independent variables was undertaken to establish the change in performance for the last five years. The variables measured included changes interested income, change management and earning quality, change in operating cost efficiency and changes in Return on equity. The findings is presented in the in table 4.2 below

Table 4.2 Financial Performance trend Analysis

<table>
<thead>
<tr>
<th>performance changes</th>
<th>year1</th>
<th>year2</th>
<th>year3</th>
<th>year4</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lending interest rate</td>
<td>-2</td>
<td>-4</td>
<td>-8</td>
<td>-36</td>
<td>-11</td>
</tr>
<tr>
<td>Operating cost to operating income</td>
<td>-12</td>
<td>7</td>
<td>0</td>
<td>119</td>
<td>28</td>
</tr>
<tr>
<td>Management Efficiency</td>
<td>-22</td>
<td>-7</td>
<td>-15</td>
<td>-18</td>
<td>-16</td>
</tr>
<tr>
<td>ROE</td>
<td>-3</td>
<td>-1</td>
<td>-2</td>
<td>-39</td>
<td>-11</td>
</tr>
</tbody>
</table>

Source: Research Findings

The findings indicate that on average the lending rates for commercial banks in Kenya for the five-year period was have been reducing at an average of 11% per annum%. This is explained by the drastic reduction in the interest rates charged in the year 2016. The findings indicate that on average the operating costs for commercial banks in Kenya for the five-year period was have been increasing at an average of 28% per annum%. This is particularly due to the reduction in operating income in 2016 and subsequent increase in operating costs within the same period.
The findings indicate that on average management efficiency for commercial banks in Kenya for the five-year period has been increasing at an average of 16% per annum. This is an indication of increased layoffs in the sector. The findings indicate that on average return on equity for commercial banks in Kenya for the five-year period was have been reducing at an average of 11% per annum% as a result of reduction in interest income.

**4.3 Effect of lending interest rates on financial performance**

In order to determine the relationship between lending interest rates and financial performance by Commercial banks in Kenya correlation analysis was undertaken. The independent variable (lending rates) was correlated against the dependent variables financial performance ratio .The findings and summarized and presented in the tables below.

**Table 4.3 Correlation analysis**

<table>
<thead>
<tr>
<th>Lending interest rate</th>
<th>Operating cost ratio</th>
<th>Management Efficiency</th>
<th>ROE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>-1</td>
<td>1</td>
<td>0.7</td>
</tr>
<tr>
<td>Lending interest rate</td>
<td>1</td>
<td>1</td>
<td>0.7</td>
</tr>
<tr>
<td>Operating cost ratio</td>
<td>-1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Management Efficiency</td>
<td>0.7</td>
<td>-1</td>
<td>1</td>
</tr>
</tbody>
</table>
| ROE                  | 1                    | -1                    | 0.7  | 1

**Source: Research Findings**
Findings in table 4.3 above indicate that there was a strong positive correlation between Return on equity and the lending interest rate. This implies that an increase in the interest charged on loan results in a proportional increase on return on equity in commercial banks in Kenya. There is a strong negative correlation between operating expenses and interest rate charged. This therefore implies that an increase in interest charged results in improved financial performance due to increase in operating income. The findings indicate that there was a strong positive correlation between management efficiency and the lending interest rate. This implies that an increase in the interest charged on loan results in increase on management efficiency in commercial banks in Kenya.

4.3.1 Chi Square-Tests

The study sought to establish the association or significance between interest rates and performance of commercial banks in Kenya using chi-square. The study used five-year average annual financial performance indicators of changes in interest’s rates. Return on equity, operating costs efficiency and management efficiency

<table>
<thead>
<tr>
<th>Table 4.4. Chi Square-Tests</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Pearson Chi-Square</td>
</tr>
<tr>
<td>Likelihood Ratio</td>
</tr>
<tr>
<td>N of Valid Cases</td>
</tr>
</tbody>
</table>

Source: Research Findings
According to the findings in the above table, the significance figure was 0.042, which shows that there was a statistically significant the effect of lending rates on the performances of commercial banks. This is because the significance figure was less than 0.05 (p≤0.5).

4.4 Regression Analysis

A regression model was applied to determine the relationship between lending interest rates and financial performance of commercial banks in Kenya. The dependent variable is financial performance ratio of commercial banks while the independent variable is lending rates. The analytical model used in analyzing the relationship between the study variables is:

\[ Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon \]

Where;

Where: \( Y \) = Dependent variable (Financial performance ratio of ROE)

\( X_1, X_2, X_3, \) and \( X_4 \) = Independent variables

\( X_1 \) = lending rates (interest income to outstanding principal loan)

\( X_2 \) = Operating expense ratio, measured using operating expense/Operating income

\( X_3 \) = Management efficiency measured using total Non-interest expenditure /income

\( \alpha \) = Constant

\( \beta_1, \beta_2, \beta_3, \beta_4 \) = Regression coefficients or change included in \( Y \) by each \( X \) value

\( \epsilon \) = error term
The dependent variable is financial performance ratio of the banks whereas the independent variables are the lending rates.

Coefficient of determination discloses the degree to which changes in the dependent variable can be explained by the change in the independent variables or the percentage of variation in the dependent variable (financial performance ratio) that is explained by all the four independent variables (lending rates). The research used statistical package for social sciences (SPSS V 21.0) to code, enter and compute the measurements of the multiple regressions.

Table 4.5: Model Summary

**Relation between lending interest rates and financial performance**

Table 4.5: Model Summary

<table>
<thead>
<tr>
<th>Regression Statistics</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Multiple R</td>
<td>0.994922</td>
</tr>
<tr>
<td>R Square</td>
<td>0.98987</td>
</tr>
<tr>
<td>Adjusted R Square</td>
<td>0.959478</td>
</tr>
<tr>
<td>Standard Error</td>
<td>0.009047</td>
</tr>
<tr>
<td>Observations</td>
<td>210</td>
</tr>
</tbody>
</table>

**Source: Research Findings**

The R-Squared is a usually utilized measurement to assess show fit. R-square is 1 less the proportion of lingering changeability. The balanced R2, likewise called the coefficient of various judgments, is the percent of the change in the ward clarified particularly or
mutually by the free factors. 95.9 % of the financial performance in commercial banks could be ascribed to the consolidated impact of the indicator factors that is the lending rate, financial performance and management efficiency

**Table 4.6 Summary of One-Way ANOVA**

<table>
<thead>
<tr>
<th>Source: Research Findings</th>
</tr>
</thead>
</table>

The study used One-way ANOVA to establish the significance of the regression model from which a probability value of 0.0127935 was established. This indicates that the regression relationship was highly significant in predicting how lending interest rates affect financial performance of commercial banks in Kenya. The F calculated at 5% level of significance was 3.920292. Since F calculated is greater than the F critical (value = 3.87), this shows that the overall model was significant.
Table 4.7 Regression Coefficients results

<table>
<thead>
<tr>
<th></th>
<th>Coefficient</th>
<th>Standard Error</th>
<th>t Stat</th>
<th>P-value</th>
<th>Lower 95.0%</th>
<th>Upper 95.0%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept</td>
<td>0.855</td>
<td>0.501</td>
<td>1.706</td>
<td>0.013</td>
<td>-5.512</td>
<td>7.222</td>
</tr>
<tr>
<td>Lending interest rate</td>
<td>1.385</td>
<td>0.807</td>
<td>16.717</td>
<td>0.034</td>
<td>-11.633</td>
<td>8.863</td>
</tr>
<tr>
<td>Operating efficiency</td>
<td>0.807</td>
<td>0.475</td>
<td>13.697</td>
<td>0.000</td>
<td>-5.232</td>
<td>6.845</td>
</tr>
<tr>
<td>Management Efficiency</td>
<td>-0.139</td>
<td>0.118</td>
<td>-1.173</td>
<td>0.000</td>
<td>-1.644</td>
<td>1.366</td>
</tr>
</tbody>
</table>

Source: Research Findings

The established regression equation was:

\[ Y = 0.855 + 1.385X_1 + 0.807X_2 - 0.139X_3 + e \]

The regression equation above has established that holding all other factors constant financial performance of financial performance would be 0.855. The findings presented also show that taking all other independent variables at zero, a unit increase operating lending interest rates would lead to an increase in return on equity 1.385. A unit increase in financial performance would lead to an increase in financial performance by 0.80. A unit reductions in management inefficiency would lead to a increase in financial performance by 0.139. This therefore implies that financial performance is inversely correlated to risk and therefore we conclude that higher lending rates indirectly enhances commercial bank’s financial performance in Kenya.
4.4 Interpretation of the Findings

From the above regression model, the study found out that higher lending interest rates enhances the financial performance of commercial banks in Kenya. The independent variables that were studied explain a substantial 15% of financial performance as represented by adjusted R² (0.15). This therefore means that the independent variables contributes 15% of the financial performance while other factors and random variations not studied in this research contributes 85% of the financial performance.
CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction
In this chapter, the study’s summary, conclusion and recommendation are presented. In section 5.2, the summary of the key results found is presented whereas section 5.3 contains the conclusions drawn from the study. In section 5.4, the recommendations from the study’s findings are presented. The outline of the limitation of the study is given in section 5.5 whereas the suggestions for further research is give in section 5.6.

5.2 Summary
The study’s objective targeted establishing the nature of the relationship between lending interest rates and financial performance in Commercial banks in Kenya. Descriptive and inferential statistics were utilized particularly using correlation, chi-square tests, regression and ANOVA to ascertain the significance /fitness of the model and also to establish the link between financial performances with lending interest rates in Commercial banks in Kenya. The research findings indicate that that improvements in all aspects of increase in lending interest rates enhances financial performance of Commercial banks in Kenya.

The findings indicated a strong positive correlation between return on equity and the lending interest rate. This implies that an increase in the interest charged on loan results in a proportional increase on return on equity in commercial banks in Kenya. There was strong negative correlation between operating expenses and interest rate charged. This therefore implies that an increase in interest charged results in improved financial
performance due to increase in operating income. The findings indicate that there was a strong positive correlation between management efficiency and the lending interest rate. This implies that an increase in the interest charged on loan results in increase on management efficiency in commercial banks in Kenya. Regression analysis was utilized to find out the degree and nature of association within the independent and the dependent variable. The findings of the study show that the variables are statistically significant in controlling financial performance as indicated by the regression analysis relationship coefficients. This implies that interest rates are relied upon to make conclusions about the financial performance of commercial banks as shown by their strong relationship.

5.3 Conclusions
Regression analysis was utilized in determination of the degree and nature of association within the independent variables as well as between independent variables and the dependent variable. The regression indicated that the variables under the model are important in determination of the financial performance of Commercial banks in Kenya. The findings indicate that financial performance is positively correlated to higher interest rates and therefore we conclude that higher lending interest rates enhance financial performance of commercial banks. The findings indicate also improvement in cost control practices and management efficiency results in improved organizational performance. The findings are in line with Malombe (2011) who found a positive correlation between financial performance and lending interest rates in Commercial banks in Kenya. Njoroge (2001) also found that there is a positive correlation between lending interest rates and performance for banks that are listed at the Nairobi Stock Exchange.
5.4 Recommendations for policy and practice

From the discussions and conclusions, the researcher recommends that due to the introduction of interest rate capping that has resulted in the limiting of performance of commercial banks; commercial banks should focus on adopting competitive strategies aimed at enhancing performance of organizations. Although banks experience some challenges in implementing competitive strategies in the banking sector such as stiff competition, competitive strategies are very important if the banks are to remain relevant and in business.

Commercial banks work in firm rivalry henceforth they should endeavor to draw in and hold the objective market. While working on benefit premise, the kind of items and administrations they offer should be the best contrasted with other business banks offering similar items and administrations. The banks henceforth need to utilize strategies that would guarantee unrivaled esteem and execution. The separation system is exceedingly suggested since there are a ton of substitute items in the market. This would imply that business banks offer products and services that differentiate them from others. Banking institutions have labored to retain core deposits on the realization that deposits grow in direct proportion to customer satisfaction. To ensure success in this, commercial banks should consider differentiating their products to customers. This would lead to drawing of substantial deposit amounts.
Commercial banks with weak return on asset (ROA) and return on equity (ROE) should further strengthen their position of differentiation by improving their process efficiencies, producing high quality products and innovating new ways of operating in the competitive environment hence attaining customer loyalty. All commercial banks depend on the environment for survival. They have to examine the environment constantly with an end goal to spot changing conditions and patterns that could influence the business. Banks ought to have the capacity to convey an indistinguishable items from contenders however at a lower (cost advantage) or convey benefits that surpass those of competing products (separation advantage) to gain competitive advantage over other firms. Commercial banks need to position themselves against competition and strive to defend their position. To achieve this, they can for instance, develop new products as well as innovate new financial products in line with the development trends in the industry. Commercial banks should lay focus on customer oriented strategies instead of product oriented strategies. The contemporary pattern in the banking industry concentrates basically on the client. The accessibility of an extensive variety of banking services isn't adequate all alone; it is fairly characterized by the client.

5.5 Limitations of the study

Since it was a census survey study using secondary data; data collection was extremely tedious and time consuming. The time period for the conduction of the research was limited thereby tiresome and totally comprehensive research could not be conducted. The study, however, minimized these by conducting in-depth analysis that significantly covers the shortcomings of the study. Further, the data was tedious to collect and
compute as it was in very raw form. Further the presentation of the data in the different organizations was varied which made the data computation even harder.

It was difficult to access secondary data due to strict confidentiality exhibited by most organizations. The annual financial statements are also prepared under the fundamental assumptions and concepts which are subjective and therefore not be consistently applied particularly in terms of provisions and estimates. Lastly, majority of the financial statements are reaffirmed in the previous years hence misstatements of the material of the performance of the firm can lead to adjustment of the previous year’s and this may not be revealed to the public. This means that the depicted pattern may have an effect on the correlation created.

5.6 Recommended areas of further research

Other studies on the effect of government policy environment should be undertaken to get insight on the effect of fiscal and monetary policy adjustments on the performance of financial institutions in Kenya. This is in light to fiscal and monetary policy instability witnessed recently in Kenya that has seen the shilling depreciate fast against the dollar and rising interest rates. This greatly inform the process of formulating policies that would lead to better policy improvements and management of the financial institutions in Kenya and eventual economic condition improvement and enhancement of business competitiveness.

Due to the turbulent nature of the business environment it would be appropriate to repeat this investigation after term of ten years and build up the relationship between lending interest rates and business performance as at that time then determine whether there are
areas of commonalities or unique factors. The fact that this study limited itself to
Commercial banks in Kenya, I suggest that comparative study should be conducted in
other Savings and Credit Society in order to assess whether there are any similarities or
differences from the results of this study. These results be useful in to the in
benchmarking themselves with other organizations in the finance sector.
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APPENDICES

APPENDIX I: LIST OF THE LICENSED COMMERCIAL BANKS IN KENYA AS AT 31 DECEMBER, 2016

<table>
<thead>
<tr>
<th>No</th>
<th>Commercial Banks</th>
<th>Date licensed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>African Banking Corporation Limited</td>
<td>8th December, 1994</td>
</tr>
<tr>
<td>2</td>
<td>Bank of Africa Kenya Limited</td>
<td>30th April, 2004</td>
</tr>
<tr>
<td>3</td>
<td>Bank of Baroda (K) Limited</td>
<td>1st July, 1953</td>
</tr>
<tr>
<td>4</td>
<td>Bank of India</td>
<td>5th June, 1953</td>
</tr>
<tr>
<td>5</td>
<td>Barclays Bank of Kenya Limited</td>
<td>1956</td>
</tr>
<tr>
<td>6</td>
<td>CfC Stanbic Bank Limited</td>
<td>1st June, 2008</td>
</tr>
<tr>
<td>7</td>
<td>Charterhouse Bank Limited under – statutory management</td>
<td>1st August, 1998</td>
</tr>
<tr>
<td>8</td>
<td>Chase Bank (K) Limited in receivership</td>
<td>1st April, 1996</td>
</tr>
<tr>
<td>9</td>
<td>Citibank N.A Kenya</td>
<td>1st July, 1974</td>
</tr>
<tr>
<td>10</td>
<td>Commercial Bank of Africa Limited</td>
<td>1st January, 1967</td>
</tr>
<tr>
<td>11</td>
<td>Consolidated Bank of Kenya Limited</td>
<td>18th December, 1989</td>
</tr>
<tr>
<td>13</td>
<td>Credit Bank limited</td>
<td>30th November</td>
</tr>
<tr>
<td>14</td>
<td>Development Bank of Kenya limited</td>
<td>20th September</td>
</tr>
<tr>
<td>15</td>
<td>Diamond Trust Bank Kenya Limited</td>
<td>15th November, 1994</td>
</tr>
<tr>
<td>16</td>
<td>Ecobank Kenya Limited</td>
<td>16th June, 2008</td>
</tr>
<tr>
<td>17</td>
<td>Equity Bank Kenya Limited</td>
<td>28th December, 2004</td>
</tr>
<tr>
<td>18</td>
<td>Family Bank Limited</td>
<td>1st May 2007</td>
</tr>
<tr>
<td>19</td>
<td>Fidelity Commercial Bank Limited</td>
<td>1st April 1996</td>
</tr>
<tr>
<td>20</td>
<td>First Community Bank Limited</td>
<td>29th April, 2008</td>
</tr>
<tr>
<td>21</td>
<td>Guaranty Trust Bank (K) Ltd</td>
<td>13th January, 1995</td>
</tr>
<tr>
<td>22</td>
<td>Giro Commercial Bank Limited</td>
<td>17th December, 1992</td>
</tr>
<tr>
<td>23</td>
<td>Guardian Bank Limited</td>
<td>20th December, 1995</td>
</tr>
<tr>
<td>No.</td>
<td>Bank Name</td>
<td>Date of Establishment</td>
</tr>
<tr>
<td>-----</td>
<td>-----------------------------------------------</td>
<td>-----------------------</td>
</tr>
<tr>
<td>26</td>
<td>Habib Bank Limited</td>
<td>2nd March, 1956</td>
</tr>
<tr>
<td>27</td>
<td>Imperial Bank Limited in receivership</td>
<td>8th January, 1996</td>
</tr>
<tr>
<td>28</td>
<td>I &amp; M Bank Limited</td>
<td>27th March, 1996</td>
</tr>
<tr>
<td>29</td>
<td>Jamii Bora Bank Limited</td>
<td>2nd March, 2010</td>
</tr>
<tr>
<td>30</td>
<td>KCB Bank Kenya Limited</td>
<td>1st January 1896</td>
</tr>
<tr>
<td>31</td>
<td>Middle East Bank (K) Limited</td>
<td>28th November, 1980</td>
</tr>
<tr>
<td>33</td>
<td>NIC Bank Limited</td>
<td>28th September, 1995</td>
</tr>
<tr>
<td>34</td>
<td>M-Oriental Bank Limited</td>
<td>8th February, 1991</td>
</tr>
<tr>
<td>35</td>
<td>Paramount Bank Limited</td>
<td>5th July, 1995</td>
</tr>
<tr>
<td>36</td>
<td>Prime Bank Limited</td>
<td>3rd September, 1992</td>
</tr>
<tr>
<td>37</td>
<td>Sidian Bank Limited</td>
<td>23rd March, 1999</td>
</tr>
<tr>
<td>38</td>
<td>Standard Chartered Bank Kenya Limited</td>
<td>1910</td>
</tr>
<tr>
<td>39</td>
<td>Spire Bank Limited</td>
<td>23rd June, 1995</td>
</tr>
<tr>
<td>40</td>
<td>Trans-National Bank Limited</td>
<td>8th January, 1985</td>
</tr>
<tr>
<td>41</td>
<td>UBA Kenya Bank Limited</td>
<td>25th September, 2009</td>
</tr>
<tr>
<td>42</td>
<td>Victoria Commercial Bank Limited</td>
<td>11th January, 1996</td>
</tr>
</tbody>
</table>

Source: Central Bank of Kenya Website (www.centralbank.go.ke/)