A CRITICAL ANALYSIS OF THE NEED FOR A STRONGER LEGAL FRAMEWORK TO REGULATE BANK INTEREST RATES IN KENYA

BY

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ABSTRACT

This research paper sought to examine the regulatory framework in place to check interest rates charged by financial institutions on their borrowers. The paper looked into the laws in place to ensure regulation and the effectiveness or lack thereof of these laws. Also looked at is the reason for the shortcomings in the regulatory framework provided by the Banking Act, Chapter 488 of the Laws of Kenya and The Central Bank of Kenya Act, Chapter 486 of the Laws of Kenya, and the possible solutions to these shortcomings. This research found that regulation is a necessary measure if consumers are to be protected from arbitrary variation of interest rates. The study also found that there exist laws and regulations, albeit weak ones, in Kenya to ensure regulation; the problem, however, is that these laws and regulations are either too lax to keep banks in check or are ignored altogether.