

**THE RELATIONSHIP BETWEEN CORPORATE GOVERNANCE AND
DIVIDEND PAYOUT OF COMMERCIAL BANKS IN KENYA**

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DECLARATION

This research project is my original work and has not been presented for an award of any degree in any other University.

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This research project has been submitted for examination with my approval as university supervisor.

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DEDICATION

I would like to dedicate this work to my husband James Aboka for offering me immense support and encouragement, my kids and my colleagues for their contributions and prayers throughout my project period and not forgetting the invaluable effort of my project supervisor.

ACKNOWLEDGEMENT

My appreciation and special thanks to my supervisor, Dr. Cyrus Iraya for his guidance and contribution to my research project.

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LIST OF ABBREVIATIONS

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CBK	Central Bank of Kenya
CEO	Chief Executive Officer
CMA	Capital Markets Authority
GMM	Generalised Methods Moments
NPL	Non Performing Loans
NPV	Net Present Value
OLS	Ordinary Least Squares

□

ABSTRACT

The dividend decision of a firm has for long been a subject of corporate finance and has always been studied with regard to the financing and investment decisions of the firm. Dividend payouts can solve the related agency conflicts through a process of reducing the amount of free cash flow held by a business manager, who tend to act sometimes in ways that seem not best for the stakeholders. The objective was to determine effect of corporate governance on dividend payout ratio of commercial banks in Kenya. The population of the study was all 41 banks operating in Kenya. The independent variable for this study was corporate governance as characterized by board size, board diversity and board independence while the control variables were profitability as measured by return on assets, bank size as measured by natural logarithm of total assets and debt level as measured by the ratio of total debt to total assets. Dependent variable was dividend payout ratio which was measured using dividend per share divided by the earning per share. The study was able to use secondary data which was collected in a period of 5 years between the year 2013 to 2017 based on annual basis. The study was able to use cross-sectional design and also employ multiple regression model to find out the relationship between the two variables. From the results produced R-square was 0.199 which means 19.9 percent of the dividend ratio can be explained using the six variables while 80.1 percent in the variation of dividend payout ratio was associated with other factors not covered in this research. There is weak correlation with dividend payout ratio ($R=0.446$). ANOVA results show that the F statistic was significant at 5% level with a $p=0.000$. Therefore the model was fit to explain the relationship between the selected variables. There is positive and significance between the profitability and bank size. Board size, board diversity, board independence and debt levels are statistically insignificant to the factors of dividend payout ratio of commercial banks. This study recommended that measures should be put into place so that to improve and grow the profitability of the bank and dividend ratio payout.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Governance is the structure and process used to guide and control business relationships towards enhancing accountability. It is used in both affluence and corporate with the focus of realizing shareholder long term value. Corporate governance ensures the welfares of other investors are achieved. Therefore, corporate governance is a method by which businesses are directed as well as controlled. It also refers to a set of systems between company directors, the different shareholders and the various stakeholders because of its ability to address the various components of an organization including the powers of directors and the power that aid in controlling shareholders of a given company. This is carried out with a less priority given to minority interest as well as the rights of employees, that of creditors' and the different stakeholders rights within a company (Muriithi, 2009).

When there is good governance in an organization it results to sustainable development of a country hence economic stability, reforms of institutions and there is improved governance in different sector. According to Hontz et al (2009) corporate governance fail in an organization destabilize development efforts by misusing resources and capital that is needed.

In fact, little has been done on the study especially in the developing nations to comprehend the corporate governance and dividend payout and how they are related. Due to this reason, a study on the relationship that exist between dividend payout and corporate governance in a change economy will be conducted with the main purpose being to answer interesting question and supplements the current corporate governance literature.

1.1.1 Corporate Governance

Corporate governance is a set of rules and regulations that govern or control a particular firm and how it works towards meeting its financial, strategic objectives, and operational plans. As such, it has been key in the policy agenda mostly in the developed countries despite being a hotly debated agenda in African countries (Abor, Adjasi, & kyereboah-coleman, 2007). There have been cases of global economic crisis and also issues of relatively poor performance among the various corporations operating in the Sub-Saharan Africa, hence making the corporate governance a major catchphrase in development related debates (Brown & Caylor, 2004; Dahawy, 2009). Some of the developing countries in Africa including Kenya are not an exception, and this is seen with the government's consistent push for effective corporate governance across its various sectors.

The duty of the board is to ensure discipline, monitor and eliminate management teams who are not effective and have managers who pursue the interest of shareholders.

Raheja (2005) when an organization has insiders they are important source for information for the board but most insiders have partial objective so that to get benefits and CEO have lack of independence. Outsiders are more independent compared to insiders who are able to offer better monitoring although they have less information about the company activities. The advantage of a company having large board size and high number of non- executive directors is that there is information passed by board members making them to be valuable in the monitoring role (Lehn et al., 2004).

The board of an organization is composed of two sets of executives. One of the set is the executive directors who are highly dependent in all their tasks while on the other hand, the non-executive directors are not dependent but independent (Shah et al.,2011). Today, corporates prefer independent directors because of the effectiveness needed in working and for purposes of reducing bias. Dependent directors play a crucial role as they have crucial information about an organization which the directors may not have (Beasley, 1996). However, Gallo (2005), stresses the need to select board members with less ties, because doing so reduces conflicts of interest and enhances independence within the firm.

1.1.2 Dividend Payout

According to Oxford English Dictionary, dividend is total amount of money that is paid frequently by a firm to its shareholders when the company makes profits .Dividends can either be in form of stock or cash. Cash dividends implies that the company pays some money value to the shares allotted to the executive directors. Stock dividends, on the other hand, implies stock allotment to each shareholder according to own shares.

According to Poterba and Summers' (1984), corporate dividend policy has been irrelevant according to the financial theory but it has also been considered important in running an organization. The different factors affecting the dividend payout include agency problems, taxes that are levied by government, cost of running a business and thus making dividend an issue that is determined after different factors are considered. Previously, researchers have differed on the corporate dividend payout policy as well as different factors that affect it. For instance, Miller and Modigliani's (1961) says that dividend policy is crucial in the process of governing a country while, on the other hand, expresses differing argument on its importance, alluding that differential taxes makes dividend payout critical and nothing else. Allen (2000), has a different opinion and argues that clientele efforts matter in the determination of the dividend policy. Therefore, dividend policy is a crucial aspect, as is indicated through the signaling theory, postulating that firms speak performance through dividends as highlighted by Miller and Rock (1985), and Bali (2003), although payout policies do differ from country to country Ramcharran (2001). An argument supported by Glen et al. (1995) citing that emerging markets dividend policies differ from those of their developed counterparts.

Based on these shreds of evidences, banks have a mandate to close the information gap between the market and the firm management by ensuring they render the role of dividends as a way of ensuring reduced agency costs by making them less important.

1.1.3 Relationship between Corporate Governance and Dividend Payout

According to Fluck (1998) dividend payout policies have the ability to address agency problems which may exist between business insiders and shareholders. In fact, Grossman and Hart (1980) points out that the dividend payouts can solve the related agency conflicts through a process of reducing the amount of free cash flow held by a business manager, who tend to act sometimes in ways that seem not best for the stakeholders. Different researchers studied on relationship between corporate governance and dividend policy, (Michaely & Roberts, 2006) though the relationship is not yet theoretically established.

The manager's role is to increase shareholders wealth and run the business smoothly. However, agency problem arises when managers have excess cash-flow at their disposal and for this reason, invest on negative Net Present Value projects (NPV), leading to additional monitoring costs from the shareholders end, referred to as agency cost. Thus, paying out dividends to shareholders reduce such embezzlement activities. According to Rozeff (1982), agency problems such as the level of insider stock holdings, have a huge impact on the dividend payout as illustrated by Casey and Theis (1997) who used petroleum industry example to support the idea of agency problems and systemic risk, although the study was critiqued for not using real sales and signaling outcome. Unlike Casey and Theis (1997), Dickens et al. (2003) found out that investment opportunity signaling has a huge effect on dividend payouts so did ownership, and systemic risk. Similar findings were supported by Fama and French (2001).

1.1.4 Commercial Banks in Kenya

In Kenya, the banking sector was officially liberalized in 1995 after the exchange control was lifted. CBK is under the Ministry of Finance. The CBK formulates monetary policy, enhance liquidity in the country and ensure solvency as well as a proper functioning financial system. It is also tasked with the responsibility of monitoring commercial banks and publishing reports about them. It works closely with non-banking financial institutions, handling the interest rates plus other monetary issues in the country (CBK, 2011).

Commercial banks (see Appendix II) undergo lots of challenges including governance issues and financial matters. Although the banks activities are overseen by CMA Act and the CBK Act, there is a possibility that the institutions are exposed to varying environments as far as business activities are concerned and this in turn affects the performance of the bank financially considering the stringent set of good Corporate Governance for the directors through the CBK and CMA Acts. A well-functioning banking sector with good corporate governance will provide a system which will yield profits hence shareholders will get dividends as returns.

According to Kiruri (2016), in Kenya, most banks have weak corporate governance structures which has led to some of banks being put under receivership. In 1990s to 2015 when there was a collapse of most owned locally commercial banks that was associated with non -performing loans (NPLs) that was tied to poor governance by most management in the banks. This has been seen in Delphis, Euro Bank ,Transnational

Bank, Trade Bank ,Daima Bank, Trust Bank Limited, among others. It is important for bank with weak governance structure to build a reputation by paying more dividends to stakeholders. According to Kiruri (2016) banks that have high number of independent directors and board directors that have frequent meeting will pay low dividends.

1.2 Research Problem

Over the years, corporate governance has had major influence on policy agenda especially in developing countries (Abor, 2007). This can be judged by the increased rates of developing countries embracing the idea of good corporate governance as a result of the impact it has on ensuring increase in sustainable growth (Abor, 2007). Therefore, corporate governance has the ability to control businesses and the concerned individuals, with an ultimate aim being improvement of the performance of a firm and to also eliminate or reduce related agency cost. Some of the regulatory bodies which exist in corporate governance include shareholders and Trust Bank Limited, (Kowalewski et al., 2007; Bebczuk, 2005).

The issues of corporate governance have become of global significance (Donaldson, 2003). This is seen where the issue has attracted global attention due to the important role it plays in the strategic health of businesses and society in general (Klein, 2002). According to Schilling (2003), corporate governance should not be understated since it has strong determinants of the collapse or even the survival of the corporate bodies in different markets. Weak corporate governance structures which have led to some of commercial banks in Kenya being put under receivership leading to poor dividends. The

banks with weak corporate governance structures need to establish reputation by paying more dividends. Commercial banks in Kenya with a higher proportion of independent directors and board of directors that meet more frequently pay lower dividends. Therefore, commercial banks in Kenya with poor governance should improve to create good performance, hence high dividend payout ratio (Kiruri, 2016).

Observance of corporate governance tenets is essential for commercial banks for building customer trust and loyalty. The collapse of Continental Bank of Kenya, Consolidated Bank of Kenya and Trust bank of Kenya are largely attributed to ineffective management, so is the the act of putting Imperial and Chase banks under receivership. Thus , the reaserch seeks to find the relationship between corporate governance and dividends payouts of commercial banks in kenya and recommend way forwad.

Globally, empirical research has indicated relationship that exist between how a business performs and corporate governance, which in turn manipulates the dividend payout of a given company (Klapper & Love, 2002; Gompers *et al.*, 2003; and Sanda *et al.*, 2005). On the other hand, Bebchuk and Cohen (2009) found out that firms that are well-governed firms have better performance which may be as high as 34.5%. Additionally, there is a view that the bigger the boards the higher the performance as a result of the increased ranges of expertise to aid in making better decisions for the organization and also they make it a bit difficult for a powerful CEO to dominate. Different researches conducted on dividend policy have indicated that not only are general theories of

dividend policy intangible, but also that corporate dividend practice differ from one organization to another across countries and also vary over time (Amidu, 2007).

In Kenya, empirical studies on corporate governance have been conducted by various researchers. Ngugi (2007) researched on corporate governance structures in insurance firms and their effect on performance. Gatauwa (2008) researched on corporate governance as well as stock market liquidity and how they are related. On the other hand, Matengo (2008), researched on corporate governance and performance and how they are related using the case of banking industries in Kenya.

Little has been done on the above topic. Several studies have focused on corporate governance and how it affects performance. Therefore, it becomes crucial to fill the gap by studying corporate governance and dividend payout relationship. The study sought to answers to the following research question; does there exist a relationship between corporate governance and dividend payout of commercial banks in Kenya?

1.3 Research objective

To determine the relationship between corporate governance and dividend payout of commercial banks in Kenya.

1.4 Value of the Study

The primary purpose of this study is to explore how corporate governance and dividend payout are related. With the banking sector being an essential element of the financial

sector of Kenyan economy, it has been seen to play major roles in the countries financial intermediation role.

The findings of this study help the policy makers to come up with a framework of Corporate Governance that considers the conditions in Kenya and its banking industry and that is not borrowed directly from developed countries. Academicians will also refer to the findings. Similarly, other stakeholders have an in-depth knowledge of the role of Corporate Governance on dividend payout decision of insurance firms and therefore make a significant contribution to governance policy affairs.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presents the literature needed to find the answers and also connect the literature to the study objective. The chapter starts with review of the theories that support the research and this offers the study a strong theoretical base. Then, empirical studies which are done on this study topic are assessed hence making it easy to understand the research area. The theories exploring the concept of about corporate governance and also the dividend policy. According to Neuman (2006) a theory provides interrelated ideas which has the ability to condense and organize knowledge about the world.

2.2 Theoretical Review

This part provides an outline of the theories that help explain how corporate governance and dividend payout are related as follows;

2.2.1 Agency Theory

The theory was first pondered in the 18th century by Adams smith as many concepts were being developed in literature on firms, incentives, and businesses. It was in 1970s that a separate agency theory was developed by Stephen *et al.* (1972) both working independently, laid out the general theory of agency in social context. It is the works of Mitnick's that saw the framework development of agency problem identifying agent and principal problems, policing and incentive mechanism.

Thus, agency theory shows relationship that exists between a principal and an agent. It is used to draw a clear picture of how the organizations are run in terms of the company executives as well as managers. Based on this theory, executives of the company, who are the greatest shareholders look for the finest agents and hire them to carry outlined tasks. Principals assume the role of owners while on the other hand the managers become the agents (Clarke, 2004).

This is an indication that the agency theory symbolizes how the ownership is related to the management structure. Additionally, the theory is used where there is a division, to ensure the roles of the team involvement in management is well aligned with that of the owner (Jensen & Meckling, 1976). Apart from the issue of dividends, corporate governance is considered to be another useful tool to be used for controlling agency cost due to the effect it has on payout policy of a given firm. Whenever managers are controlled as a result of effectiveness in governance policy, there are cases of low cash flow among the managers which will be distributed to the shareholders, leading to reduced dividend payout thus agency cost will have negative implication on dividend payout (John & Knyazeva, 2006).

The theory explains that the agents are required to carry out tasks based on the interest of the principal. It is thus a requirement that the agent should not be tempted to make decisions based on their own interests as they represent the principal (Padilla, 2000). In some cases, the agent may succumb to his or her self-interest or in some cases to opportunistic behavior and hence end up falling short of their expectations (Bhimani,

2008). In every organization according to this theory, agents are controlled by rules that are made by the principal, with the primary agenda being to maximize the shareholders returns (Clarke, 2004).

2.2.2 Stakeholder Theory

The theory was developed by Edward Freeman (1984) and sees a firm as network of stakeholders. The firm's purpose in this theory is for value creation and trade, for the appropriate stakeholder. To expound on this theory, Wheeler et al. (2002), carried out a study on stakeholder theory showing a combination of two distinct disciplines claiming that, the theory is used to show a group of people who have an effect on the success of an organization or even its failure. Different scholars who have studied the stakeholder theories indicate that managers work closely with suppliers, employees, business partners and other people to steer a company forward.

Sundaram and Inkpen (2004) agreed on the fact that the theory attempts to address issues of stakeholders that deserve management's attention, hence good relationship between managers of a firm and stakeholders will yield positive returns leading to high dividend payout.

The theory is useful for the study because it clearly shows how the commercial banks management is linked with their stakeholders. A more diverse board will have better ideas thus having good relationship between managers and stakeholders of the company. When stakeholders participate in decision making in the organization it will lead to competitive advantage (Turnbull, 1997).

2.2.3 The Signaling Theory

Signaling theory was developed by Michael Spence in 1973. According to Bhattacharya (1979) the theory explains why managers should be able to use dividend policy to determine about the company's future earnings. The theory assumes that information shared is not equal among parties they vary depending on time that result into information irregularity rule. The theory states that when sellers are able to provide buyers with information the market become more efficient. The above theory is applicable to financial markets for example companies that increases its dividends it will have better prospects.

According to the theory management of the organization understand what the future prospects of the company will earn than the stockholders. The theory states that when a company is able to declare its dividends than what is anticipated in the market this means that the future financial prospects of the firm will be good. Contrariwise, if an organization is able to cut their dividends, this results to the market taking signal that the managers of the firm will expect poor earnings and the current earning will be preserved. According to Miller and Rock (1985) firm prices in the market will drop when dividend falls due to investors selling out there stocks because of difficult situations facing the company. Information is competently signed to the market where the board is independent from the management therefore a board which lacks independent directors will have difficult in giving accurate and timely information to investors.

The theory is valuable in this study for linking behavior when banks have contact to different information. The bank board members, must choose whether and how to communicate with the rest of employees. The theory allows the employers of the Commercial Banks in Kenya to have informational value of the qualifications and ability of employees to work. Thus, the qualifications enable the employers to consistently distinguish low capacity workers from high capacity workers. On the other hand, the understanding of the above theory can assist marketers of the bank to overcome of coming up with believable objectives.

2.3 Determinants of Dividend Payout in Commercial Banks

In this section the researcher analyses about four main factors that affect dividend payout based on literature which include; Corporate profitability, firm size, insider ownership and debt level.

Profitability measures business performance and denotes the ability of the firm to make profits. For purposes of this study, profitability ratio is a degree of cash-flow to total asset ratio. Companies profitability is an important factor of dividend payouts. Thus firm's that have higher incomes are likely to pay greater dividends resulting into a positive relation between profitability and dividend payout of the company. The outcome is supported by signaling dividend policy theory (Myers & Mjaluf, 1984).

Firms are grouped into how big or small measured by market capitalization, total assets and total sales for purposes of analyses. The study will use total asset as the proxy of the firm size, because size has become an important parameter in measuring firms' decision

to pay out dividends. Ho (2003) argues large firms are expected to access in the capital market and pay extra dividends, implying that larger firms can pay out more dividends than small firm. Big firms serve financing debt, thereby yielding between policing and size is positive.

Insider ownership refers to the % of the firm's common shares as outstanding shares. This factor measure of dividend payout (Mehtar, 2002) claims that firm with larger concentrated ownership then the dividend payout is likely to be high. Considering where high amounts of dividends are paid to outsiders, it follows that case directors will seek compensation through the benefits. Directors usually compare how to maximize earning through executive salaries or dividends.. Farinah (2003) supports this argument revealing that there is a negative relationship between insider ownership and dividend payout below the entrenchment level of ownership, while positively associated with those on higher level. However, there is a possibility of reducing cost if the percentage insider ownership increases, implying mixed results.

Debt level is the ratio showing total debt as percentage of shareholder's funds. Debt ratio measures the degree to which a company is funded using extra funds. Agency models suggest that capital structure and dividend payout reduce information irregularity. However, debt financing and dividends can serve as a mechanism for reducing cash flow through proper management controls, implying that the relationship between policy and capital structure is negative. Jensen et al. (1992) claims companies with fewer debts and have more concrete assets have more financial slacks and are able to preserve their

dividends. Thus, businesses with small debt ratio will pay more dividends as supported by the agency cost theory. However, it has been found that between leverage and dividend payout there is positive link, proposing firms borrow to pay dividends.

2.4 Empirical Review

Over the last few decades, significant number of literatures on dividend policy have been produced and have made major contribution on the development of capital market mostly in countries such as USA, UK as well as Germany (Jensen & Meckling, 1976; Rozeff, 1982; Easterbrook, 1984). A number of experts from Pakistan have conducted several studies which have managed to show the different determinants of dividend policy. In addition Mehar (2002), did a study on corporate governance .However, to the best of my knowledge there is no much work specifically on this topic that have been conducted on the current topic especially in Kenya.

Belden et al. (2005) did a study to understand the relationship that occur between policies of dividend and outside directors using OLS regression of data collected from 524 companies that were listed in the 500 Forbes lists of largest companies from the year 1998 and 2000. The study results indicated that firms that have outside directors have ability to pay higher dividends. Another study was conducted to indicate dividend policy and structure by showing the relationship of the two variables

for a sample of 330 large companies that were listed in UK for period between 1985 and 1997. The results show that the companies that have outside directors paid higher

dividends. Between shareholding and dividend there exist positive relationship for insurance companies.

Kumar (2006) also aimed at analyzing a panel of some of largest Indian firms that had operated in the country between 1994 and 2000 ascertaining the relationship that existed between ownership formation. The study results indicated that ownership by directors and also corporations was positively associated with dividends. On the other hand, earning trends and opportunities of investments indicated positive association with dividend payout, although the association between dividend and debt to equity had negative relationship.

Kouki and Guizani (2009) conducted a study whose objective was to test how shareholder proprietorship affect the level of dividend paid through panel data sample of 29 companies that operate in Tunisia from the period of 1995- 2001. The findings indicated that between institutional ownership and dividend policy there exist a negative correlation. Moreover, it revealed that high leverage and large size companies tend to pay lower dividends while firms with better investment opportunities pay higher dividends. However, Pakistan's Scenario that was demonstrated through a research which was conducted by Mehar (2002) when trying to investigate the impact governance features has on the long-term return performance of dividend on changing businesses over the period of 1981-2002. Additionally, findings were consistent showing a positive relationship with ownership that is concentrated inside and dividend. The results also

applauded companies that had started paying dividend after operating for certain period of time and had attained certain level of growth.

Locally, Wanjiku et al. (2011) governance and company growth is important making the researcher to focus on technology uses, corporate leadership, and communication in organizations, implying a positive linear dependence between growth and governance. On the other hand, a similar enquiry was done by Ongore and K'Obonyo (2011) in Kenya to explore the interrelations that occur between ownership, board and manager features and performance of a given firm in a sample of 54 companies.

A study was carried out by Mang'unyi (2011) with the primary purpose being to explore the ownership structure of companies operating in the Kenyan market and Corporate Governance and some of the effects it might have on performance of firms. The study focused on banks in Kenya. From the reviewed literature it was easy to identify existing literature gap between variables under study in Kenya. Because of the inaccessibility of empirically resolute studies, this study becomes one of the few, where it tests the effect corporate governance practices will have on dividend payout of all commercial banks.

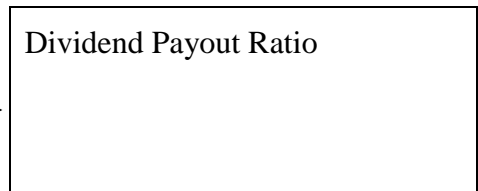
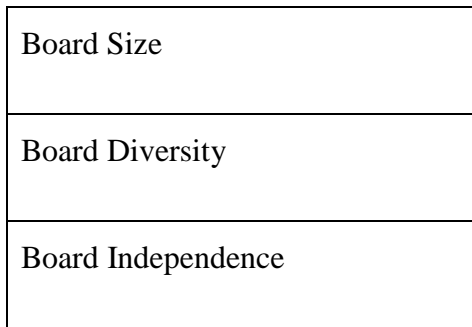
2.5 Conceptual Framework

The study will adopt ratio analysis using specific corporate governance indicators and Corporate profitability, firm size, insider ownership and debt level as the control variables.

Independent Variables

Dependent Variables

Corporate Governance



Control Variable

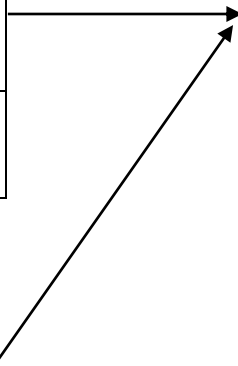
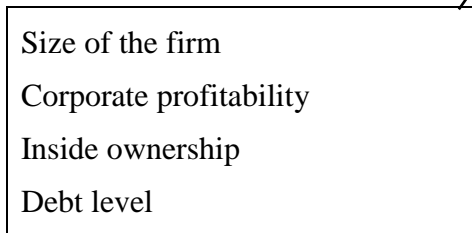


Figure 2.1: Conceptual Framework

2.6 Summary of Literature Review

Corporate governance is used to run different organization operations effectively. The effectiveness of corporate governance affects the economic growth of an organization and an entire country. A company can redeem itself from different forms of mistakes and losses which occur if corporate governance is in the right shape. It helps prevent fraud, increase profit, and increase business efficiency. Employees are also able to find a better working environment and the company will also be able to attract a high value in the market because it is well governed. Shareholders are also able to rise to the top due to the high value they will gain from the well governed company. The different studies on the corporate governance have differed from what is currently being experienced in Kenya. However, there is an empirical evidence that can be used to show the relationship that exists between the level of corporate governance and the amount of dividends paid.

In Kenya, the highest number of the research studies carried out are in the financial sector such as banking. One such is Jebet's (2001) who did investigate corporate governance. Muriithi (2005) and Matengo (2008) on the other hand, sought to find the relationship between the two variables. However, from the studies above, it is easy to conclude that none of the studies have focused on the corporate governance and dividend payout in Kenyan commercial banks. Therefore, it is essential to carry out the study.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research design, target population, the sample selected for the current research. Additionally, the sections discuss the data collection, analysis as well as the presentation techniques.

3.2 Research Design

Ranjit Kumar (2005), argues that a research design is a idea outlined by the researcher on how to accomplish the research in terms of finding solutions to the research questions. The plan should find valid, independent and precise answers. It helps come up with the concept of the operation of carrying out the research. During the study, descriptive research design was undertaken so as to establish the reliability of the data that was collected and also help describe the relationship between the variables of interest. This is a regular practice in research has also been used by other scholars.

3.3 Target Population

Mugenda and Mugenda (2003) defines population as the total number of individuals or respondents in an environment that the researcher wants to study. Target population is a

set of group, cases or objects that have a similar characteristic from the entire population. The study covered all the forty-two (42) commercial banks that paid dividends for period starting 2013-2017 for purpose of analysis. The population consisted of Commercial banks in Kenya (Appendix II).

3.4 Data Collection

Secondary data was collected from various sources including the published annual reports of selected Banks .The use of secondary data provides the researcher with reliable information that were essential for investigation of the phenomenon and also seek efficient methods of solving the problem (Sekaran, 2003).

The data was gotten from published annual accounts of central bank of Kenya. Specifically, the data to be analyzed was collected from the portion of the information that deals with corporate information, statement of corporate governance and director profile where available. For the data for dividend payouts, the researcher will collect data from financial statements including the statements of cash flows, balance sheets, statements of changes in firms' equity and lastly, the statement of comprehensive incomes which is provided in the cash flows. Due to the availability of the secondary data, the process of data collection was not difficult.

3.5 Data Analysis

Multiple regression analysis method was used as a technique used to show the independent and dependent variables are related (Hair et al. 2010). For this study, the researcher used multiple linear regression analysis where Dividend payout ratio as proxy for dependent variable and independent variables which is made up of Board Size, Board

diversity, Board independence. Bank size, corporate profitability, inside ownership and debt level will be studied as the control variable.

The collected data was analyzed using Analysis of Variance (ANOVA) that helps, in the process of testing the means that exists between two sets of groups (Tredoux and Durrheim 2002). For this study, ANOVA was applied for the purposes of testing significance at 95% confidence level as well as 5% level of significance.

3.5.1 Analytical Model

$$Y_t = \beta_0 + \beta_1 X_{1t-1} + \beta_2 X_{2t-1} + \beta_3 X_{3t-1} + \beta_4 X_{4t-1} + \beta_5 X_{5t-1} + \beta_6 X_{6t-1} + \mu$$

Where Y = Dividend Payout (measured by dividend payout ratio)

X₁ = Board Size (measured by log of the total number of board members)

X₂ = Board Diversity (measured by the ratio of female to total directors)

X₃ = Board independence (measured by the number independent directors to Total directors and ownership)

X₄ = Size of the firm (measured by the total assets)

X₅ = Corporate profitability (measured by return on assets)

X₆ = Debt level (measured by ratio of total debt to total assets)

} Control variables

t = no. of years of the study.

B₀ = Constant term or the control variable

μ is the random error term in the model for dividend payout.

β_1 - β_3 = are the regression co-efficient or change or change introduced in Y by each independent variable X_1 - X_3

X_4 - X_6 = Size of the firm, corporate profitability and debt level are control variables.

3.5.2 Test of Significance

The study employed the use of F test and t- test statistics at $\alpha = 0.05\%$. F –test were used to test the significance of the regression model while the t-statistics were used to study coefficients.

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND INTERPRETATION

4.1 Introduction

This chapter emphasizes on the analysis of collected data from the Central bank of Kenya and individual banks financial reports to establish how corporate governance influence dividend payout ratio of commercial banks in Kenya. Descriptive statistics and regression analysis were used and the finding presented in table forms as shown in the following sections.

4.2 Response Rate

Forty two commercial banks are in Kenya and were targeted for the study. Data collected from 41 banks representing a rate of response of 97.619%. From the banks financial reports, the researcher obtained secondary data on the variables for this study.

4.3 Diagnostic Tests

The researcher carried out diagnostic tests on the collected data. The research assumed a 95 percent confidence interval or 5 percent significance level (both leading to identical conclusions) for the data used. These values helped to verify the truth or the falsity of the data. Thus, the closer to 100 percent the confidence interval (and thus, the closer to 0 percent the significance level), the higher the accuracy of the data used and analyzed is assumed to be.

4.4 Descriptive Analysis

Descriptive statistics gives a presentation of the average, maximum and minimum values of variables applied together with their standard deviations in this study.

Table 4.1: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Dividend payout ratio	205	-.202	.972	.11879	.205525
Board Size	205	5	14	8.51	1.825
Board Diversity	205	.000	.444	.17786	.121609
Board Independence	205	.286	1.000	.73882	.147930
Debt level	205	.025	1.782	.49532	.270510
Profitability	205	-.05320	.06700	.0239179	.01928597
Bank Size	205	6.794	8.703	7.68560	.534062
Valid N (listwise)	205				

Source: Research Findings (2018)

Table 4.1 above illustrates how the variables were measured using descriptive statistics. An analysis of all the variables was obtained using SPSS software for the period of five years (2013 to 2017). Corporate governance measures which were namely board size, board diversity and board independence had means of 8.51, 0.17786 and 0.7388 and S.D of 1.825, 0.1216 and 0.1479 respectively. Profitability had a mean of 0.0239 with a S.D

of 0.193. Bank size resulted to a mean of 7.6856 with a S.D of 0.5341. Debt level had a mean of 0.4953 and S.D of 0.2705. Dividend payout ratio was the exploratory variable in this study had a mean of 0.1188 and a S.D of 0.2055.

4.5 Correlation Analysis

Pearson correlation was employed to analyze the level of link between the variables for this study.

The study found out a statistically significant and positive correlation ($r = .264$, $p = .000$) between board size and dividend payout ratio. In addition, the study found out that there was a significant positive correlation between bank size with dividend payout ratio as evidenced by ($r = .393$, $p = .000$). Board diversity and debt level have a weak positive but insignificant association by high p values while board independence produce a negative but statistically insignificant. Although the independent variables had an association to each other, the association was not strong to cause Multicollinearity as all the r values were less than 0.70. This implies that there was no multi-collinearity among the independent variables and therefore they can be used as determinants of dividend payout ratio in regression analysis.

Table 4.2: Correlation Analysis

		Payout ratio	Board Size	Board Diversity	Board Independence	Debt level	Bank Size
Dividend Payout ratio	Pearson Correlation	1	.264**	0.109	-0.066	0.046	.393**

Board Size	Pearson Correlation	.264**	1	0.062	0.035	-.148*	.500**
Board Diversity	Pearson Correlation	0.109	0.062	1	-.139*	-.026	0.079
Board Independence	Pearson Correlation	-0.07	0.035	-.139*	1	-.045	-.254**
Debt level	Pearson Correlation	0.046	-.148*	-0.026	-0.045	1	0.032
Bank Size	Pearson Correlation	.393**	.500**	0.079	-.254**	0.032	1
**. Correlation is significant at the 0.01 level (2-tailed).							
*. Correlation is significant at the 0.05 level (2-tailed).							

4.6 Regression Analysis

Dividend payout ratio was regressed against six predictor variables; board size, board diversity, board independence, profitability, bank size and debt level. The regression analysis carried out at 5% significance level. The critical value obtained from the F – table was done comparison with the same acquired from the regression analysis.

The study obtained the model summary statistics as shown in table 4.3 below.

Table 4.3: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.446 ^a	.199	.175	.186725	1.657

a. Predictors: (Constant), Bank Size, Debt level, Board Diversity, Board Independence, Board Size, profitability

b. Dependent Variable: Dividend payout ratio

Source: Research Findings (2018)

R squared, being the coefficient of determination indicates the deviations in the response variable that is as a result through variations in the predictor variables. From the outcome in table 4.3 above, the R square value was 0.199, a discovery that 19.9 percent of the deviations in dividend payout ratio of commercial banks is caused by changes in board size, board diversity, board independence, profitability, size and debt level of the banks. Other variables included in the model validate for 80.1 percent but not explained of the variations of 1 banks. Also, there exists a weak relationship among the selected variables that are independent and the dividend payout ratio as shown by the correlation coefficient (R) equal to 0.446. A durbin-watson statistic of 1.657 indicated that the variable residuals are correlated because the value was more than 1.5.

Table 4.4: Analysis of Variance

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	1.714	6	.286	8.191	.000 ^b
Residual	6.904	198	.035		
Total	8.617	204			

a. Dependent Variable: Dividend payout ratio

b. Predictors: (Constant), Bank Size, Debt level, Board Diversity, Board Independence, Board Size, ROA

Source: Research Findings (2018)

The significance value was 0.000 that was less than $p=0.005$. This shows the model was significant statistically in forecasting how board size, board diversity, board independence, profitability, size and debt level affects dividend payout of commercial banks in Kenya.

Coefficients of determination were to indicate the relationship that exist between the variables and dividend pay-out ratio of commercial banks. The p-value under sig. column was used as an indicator of the relationship significance between the variables. In which the confidence level was 95% less than 0.005 the p-value interpreted as a degree of statistical significance. As such, a p-value above 0.05 indicates a statistically insignificant link between the variables. The results are as shown in table 4.5

Table 4.5: Model Coefficients

Model	Unstandardized		Standardized	T	Sig.
	Coefficients		Coefficients		
	B	Std. Error	Beta		
(Constant)	-.712	.267		-2.664	.008
Board Size	.012	.009	.111	1.448	.149
Board Diversity	.215	.112	.127	1.907	.058
Board Independence	-.002	.096	-.002	-.023	.982
Debt level	.017	.050	.023	.348	.728
Profitability	2.310	.859	.217	2.689	.008
Bank Size	.081	.036	.211	2.278	.024

a. Dependent Variable: Dividend payout ratio

Source: Research Findings (2018)

From the above results, it is evident that only profitability and bank size produced positive and significant values were (high t-values (2.689 and 2.278), $p < 0.05$). Board size, board diversity, board independence and debt level were found to be statistically insignificant for this study as evidenced by p values that were more than 0.05.

The following regression equation was estimated:

$$Y = -0.712 + 2.310X_1 + 0.081X_2$$

Where,

Y = Dividend payout ratio

X₁ = Profitability

X₂ = Bank size

On the estimated regression model above, the constant = -0.712 shows that if selected dependent variables (board size, board diversity, board independence, profitability, size and debt level) were rated zero, the dividend payout ratio will be -0.712. An increase in profitability unit would cause raise in dividend payout ratio by 2.310 while a unit increase in bank size would lead to a dividend payout ratio increase in by 0.081.

4.7 Discussion of Research Findings

The study pursued to find out the relationship between the study variables. The independent variable for the study was corporate governance as characterized by board diversity, board diversity and board independence. The control variables were profitability which is measured based on the size and return investment of the firm by natural logarithm while dividend payout ratio as measured by dividend per share divided by earnings per share was the predictor variable. The researcher was able to analyze effect of each of the predictor variable on the exploratory variable in terms of strength and direction.

There was a weak pearson correlation between variables the board size and dividend payout ratio. The relationship between bank size and dividend payout ratio was found to be weak, positive and significant. The research also exhibited existent of a weak positive but insignificant relationship between board diversity and debt level with dividend payout ratio of commercial banks while board independence was found to have a weak and insignificant negative relationship with dividend payout ratio.

The model summary shows that the independent variables: board size, board diversity, board independence, profitability, size and debt level showing that 19.9% of the dependent variable was R^2 that indicate that 80.1% of the model was accounted by other factors of the changing dividend payout ratio. The model is fit at 95% level of confidence since the F-value is 8.191. This endorses that total multiple regression model is significant statistically, in that it is an appropriate forecast model for explanation on how the independent variables selected affects dividend payout ratio .

These study findings are in line with Kumar (2006) who aimed at analyzing a panel of some of largest Indian firms that had operated in the country between 1994 and 2000 with the main purpose of ascertaining the relationship that existed. The study results indicated that ownership by directors and also corporations was positively associated with dividends. On the other hand, earning trends and opportunities of investments indicated positive association with dividend payout, although the association between dividend and debt to equity had negative relationship.

This study is also in agreement with Belden et al., (2005) established that relationship that occur between policies of dividend and outside directors using OLS regression of data collected from 524 companies that were listed in the 500 Forbes lists of largest companies from the year 1998 and 2000. The study results indicated that companies that have outside directors have ability to pay higher dividends. Another study was conducted to determine the relationship that exists between dividend policy and the structure of ownership for a sample of 330 large companies that were listed in UK for period between 1985 and 1997. The results show that the companies that have outside directors paid higher dividends. There is positive relation between shareholding and dividend among insurance companies.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the research findings, draws conclusions and makes recommendations. This chapter also elucidates the policy recommendations that policy makers can implement to achieve the expected dividend payout ratios of commercial banks in Kenya.

5.2 Summary of Findings

The study search for to explore the effect of governance on dividend payout ratio of commercial banks in Kenya. The variables that were independent for the study were board size, board diversity, board independence, profitability, size and debt level. The study used cross-sectional research design and secondary was obtained from the Central Bank of Kenya and banks financial reports and was analyzed using SPSS software version 21. The study used 42 banks as population of the study but the researcher managed to collect annual data for 41 commercial banks covering a 5 year period from January 2013 to December 2017 which was 98% of the population.

From the results of correlation analysis, a weak positive correlation was found to exist between dividend payout ratio and board size. There is weak, positive and significant relationship between bank size and dividend ratio.

The research also exhibited existent of a weak relationship between board diversity and debt level with dividend payout ratio of commercial banks while board independence was weak and insignificant relationship with dividend payout ratio.

The co-efficient of determination R-square value was 0.199 which means that about 19.9 percent in dividend payout ratio variation of commercial banks in Kenya can be expounded by the six selected predictor variables while 80.1 percent in the variation of dividend payout ratio was associated with other factors not covered in this research. The study also found that the predictor variables had a weak correlation with dividend payout ratio ($R=0.446$). ANOVA results show that 5% significance was the F statistics at $p=0.000$. Therefore the model explanation of the relationship between the selected variables was fit.

The regression equation indicate that the independent variables have zero value on the dividend ratio making it to be -0.712. An increase in profitability unit would cause raise in dividend payout ratio by 2.310 while a unit rise in bank size would lead to a dividend payout ratio increase in by 0.081. The other independent variables for this study were found to be insignificant determiners of dividend payout ratio of commercial banks in Kenya.

5.3 Conclusion

As a result of the study outcomes, the study concludes that dividend payout ratios of banks in Kenya are significantly affected by profitability and size of the banks. There

exist profitability and dividend ratio was statistically positive. The study concludes that higher profitability of commercial banks results to dividend payout ratio increase. There is statistically positive effect between bank size and dividend ratio hence when there is high level of bank size it will lead to growth of dividend payout ratio. Board size, board diversity, board independence and statistically insignificant elements of dividend payout ratio and therefore this study concludes that these variables do not significantly influence the dividend payout ratio among commercial banks in Kenya.

The researcher concludes that predictor variables selected for this study board size, board diversity, board independence, profitability, size and debt level influence to a large extent dividend payout ratio of banks. It can be concluded that the above variables significantly affect dividend ratio as indicated on the p value in anova summary. The independent variables explain 19.9% on how change in dividend payout ratio explain how 80.1% of variables are not included in the model.

This finding concurs with Kumar (2006) who aimed at analyzing a panel of some of largest Indian firms that had operated in the country between 1994 and 2000 with the main purpose of ascertaining the relationship that existed between corporate governance, ownership formation and dividend payout. The study results indicated that ownership by directors and also corporations was positively associated with dividends. On the other hand, earning trends and opportunities of investments indicated positive association with dividend payout, although the association between dividend and debt to equity had negative relationship.

5.4 Recommendations

The researcher established that Profitability influence dividend payout ratio positively. This study recommends suitable measures to be put into place to improve and grow the profitability of the banks. Commercial banks and other sectors should invest in profitable assets that will yield higher returns in the future to enhance their financial performance and increase dividend payout in future. The management of the banks should ensure a good proportion of deposits are converted into loans which will result to increased bank interest income hence leading to higher profits and better financial performance.

The researcher recommends that a comprehensive assessment of a bank's immediate asset position should be undertaken before any dividend payout is declared to the shareholders. This is because the bank's asset position is of high importance since it influences the bank's current operations and in effect dividend payout ratio.

Commercial banks should develop dividend policies to guide them in establishing and guiding them in surplus distributions. This will guide them on when to pay dividends, how to pay dividends and when to retain surpluses. It is also recommended that an investment policy should be developed and implemented. This will ensure that the management is not left to decide on how to use the little surplus left but would rather be guided by the investment policy.

5.5 Limitations of the Study

The focused only for a period between 2013-2017 and not determining if the results would clasp for a long period of time. It is also unclear if similar studies done would

result into beyond 2017. When a study is done for long period of time it would be more reliable taking into account economic conditions such as recessions and bonus.

Based on the quality of data collected it becomes difficult for the researcher to conclude if the results are true based on the situations. It is assumed that the data is accurate not basing their argument that the measures used vary from one year to another depending on the prevailing conditions. The study employed secondary data in the public domain, which had already been obtained, unlike the first-hand information presented by primary data. The researcher only used selected determinants and not using all the factors that may affect dividend payout because of difficulty to access data.

For data analysis purposes, the researcher applied a multiple linear regression model. Due to the shortcomings involved when using regression models such as erroneous and misleading results when the variable values change, the researcher cannot be able to generalize the findings with certainty. If more and more data is added to the functional regression model, the hypothesized relationship between two or more variables may not hold.

5.6 Suggestions for Further Research

The researcher focused on corporate earnings and dividend payout of banks in Kenya and relied on secondary data. A research study where data collection depends on primary data for instance interviews and depth questionnaires covering all the 42 commercial banks registered with the Central Bank of Kenya is recommended so as to compliment this research.

The research was not comprehensive of the independent variables that affect dividend payout ratio and this study recommends that further studies be conducted to incorporate

other variables like growth opportunities, industry practices, a firm lifecycle stage, political stability and other macro-economic variables. Establishing the effect of each variable on dividend payout ratio will enable policy makers know what tool to use when controlling the dividend payout ratios.

The study concentrated on the last five years since it was the most recent data available. Future studies may use a range of many years e.g. from 1970 to date and this can be helpful to confirm or disapprove the findings of this study. The study limited itself by focusing on financial institutions. The researcher recommends that further studies be conducted on other non-financial institutions operating in Kenya. Finally, due to the limitations of regression models. It would be better to use other model for instance Vector Error Correction Model (VECM) to explain the relation between two variables.

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APPENDICES

Appendix I: Data Collection Sheet

Variables	Measure	Source	2012	2013	2014	2015	2016
Dividend Payout	dividend payout ratio	Financial reports					
Board Size	total number of board members	statement of corporate governance					
Board Diversity	ratio of male to female members	statement of corporate governance					
Board independence	number independent directors to Total directors	statement of corporate governance					

Appendix II: Commercial Banks Registered in Kenya as at 30th January 2018

1. African Banking Corporation Limited
2. Bank of Africa Kenya Ltd
3. Bank of Baroda (K) Ltd.
4. Bank of India
5. Barclays Bank of Kenya Ltd
6. Sidian Bank
7. Charterhouse Bank Ltd
8. Chase Bank Ltd
9. Citibank N.A. Kenya
10. Co-operative Bank of Kenya Ltd
11. Commercial Bank of Africa Ltd
12. Consolidated Bank of Kenya
13. Credit Bank Ltd
14. Development Bank of Kenya
15. Diamond Trust Bank Ltd
16. DIB Bank
17. Ecobank Kenya Ltd
18. Equity Bank Ltd
19. Family Bank Ltd
20. Fidelity Commercial Bank Ltd
21. Fina Bank Ltd
22. First Community Bank Ltd
23. Giro Commercial Bank Ltd
24. Guardian Bank Ltd
25. Gulf African Bank Ltd
26. Habib Bank A.G. Zurich
27. Habib Bank Ltd
28. Imperial Bank Ltd
29. Investment & Mortgages Bank Ltd
30. Jamii Bora Bank Ltd
31. Spire Bank Ltd
32. Kenya Commercial Bank Limited
33. Middle East Bank (K) Ltd
34. National Bank of Kenya Ltd
35. NIC Bank Ltd
36. Oriental Commercial Bank Ltd
37. Paramount Universal Bank Ltd
38. Prime Bank Ltd
39. Standard Chartered Bank Kenya Ltd
40. Trans-National Bank Ltd
41. UBA Kenya Bank Limited
42. Victoria Commercial Bank Ltd

Source: Central Bank Website of Kenya Licensed Commercial Retrieved from Banks <https://www.centralbank.go.ke/wp-content/uploads/2017/05/Directory-of-Licensed-Commercial-Banks-Mortgage-Finance-Institutions-and-NOHCs.pdf>

Appendix III: Collected data

COMPANY	Year	ROA	Board Size	Board Independence	Board Diversity	Debt level	Dividend payout ratio	SIZE(Shs.000)	Bank Size
ABC Bank	2013	0.02690	5	0.800	0.000	0.513	0.187	19070779	7.280
	2014	0.02190	6	0.833	0.000	0.456	0.056	19639370	7.293
	2015	0.01260	7	0.714	0.000	0.676	0.066	21438729	7.331
	2016	0.01230	7	0.714	0.000	0.745	0.000	22058297	7.344
	2017	0.00707	7	0.714	0.000	0.723	0.000	22422351	7.351
Bank of Baroda	2013	0.03300	6	0.667	0.000	0.274	0.087	46137777	7.664
	2014	0.04100	6	0.667	0.000	0.325	0.087	52021524	7.716
	2015	0.03900	6	0.667	0.000	0.289	0.098	61944650	7.792
	2016	0.03100	7	0.714	0.000	0.295	0.168	68177548	7.834
	2017	0.03900	7	0.714	0.000	0.275	0.252	82907475	7.919
Barclays	2013	0.04980	10	0.600	0.444	0.643	0.500	185100000	8.267
	2014	0.03890	7	0.714	0.444	0.666	0.650	207011000	8.316
	2015	0.03870	10	0.800	0.444	0.664	0.650	226116000	8.354
	2016	0.03600	8	0.750	0.444	0.653	0.735	241152000	8.382
	2017	0.02840	8	0.750	0.444	0.637	0.781	259525000	8.414

Bank of Africa	2013	0.01100	9	0.667	0.333	0.116	0.078	48957925	7.690
	2014	0.01500	11	0.818	0.333	0.132	0.000	52683299	7.722
	2015	0.00250	11	0.909	0.333	0.166	0.000	62211641	7.794
	2016	-	9	0.889	0.333	0.147	0.000	69280267	7.841
	2017	0.00017	7	0.857	0.333	0.127	0.000	55995671	7.748
Bank of India	2013	0.04100	6	0.667	0.000	0.701	0.000	52021524	7.716
	2014	0.03900	6	0.667	0.000	0.691	0.000	61944650	7.792
	2015	0.03100	7	0.714	0.000	0.702	0.000	68177548	7.834
	2016	0.03900	7	0.714	0.000	0.650	0.000	82907475	7.919
	2017	0.04980	10	0.600	0.000	0.538	0.000	185100000	8.267
Chase bank	2013	0.02110	9	0.778	0.111	0.733	0.002	49105498	7.691
	2014	0.02500	9	0.778	0.111	0.661	0.018	76568930	7.884
	2015	0.02520	9	0.778	0.111	0.595	0.000	107112469	8.030
	2016	0.00300	11	0.909	0.111	0.608	0.002	14135528	7.150
	2017	-	11	0.909	0.111	0.550	0.008	13917895	7.144
Citibank	2013	0.06140	9	0.889	0.091	0.383	0.000	69579795	7.842
	2014	0.04260	10	0.900	0.091	0.355	0.000	71242659	7.853
	2015	0.03240	9	0.889	0.091	0.403	0.000	79397808	7.900

	2016	0.04060	11	0.909	0.091	0.573	0.000	88147289	7.945
	2017	0.03590	11	0.909	0.091	0.561	0.000	103323540	8.014
Commercial Bank of Africa	2013	0.02870	10	0.400	0.000	0.289	0.465	100455558	8.002
	2014	0.03090	10	0.400	0.000	0.551	0.242	124881964	8.096
	2015	0.02510	9	0.444	0.000	0.431	0.572	175808828	8.245
	2016	0.02470	9	0.444	0.000	0.765	0.491	198484270	8.298
	2017	0.03220	10	0.500	0.000	0.580	0.256	210877927	8.324
Consolidated bank	2013	0.00840	9	0.889	0.167	0.248	0.000	18000858	7.255
	2014	- 0.00630	10	0.900	0.167	0.241	0.000	16778631	7.225
	2015	- 0.01770	9	0.889	0.167	0.358	0.000	15077051	7.178
	2016	0.00300	11	0.909	0.167	0.228	0.000	14135528	7.150
	2017	- 0.01510	11	0.909	0.167	0.221	0.000	13917895	7.144
Credit bank	2013	0.02510	9	0.444	0.333	0.514	0.000	6407485	6.807
	2014	0.02470	9	0.444	0.333	0.530	0.000	7308855	6.864
	2015	0.03220	10	0.500	0.333	0.587	0.000	8864537	6.948
	2016	0.00840	9	0.889	0.333	0.693	0.000	10287085	7.012

	2017	0.00940	9	0.889	0.333	0.607	0.000	12201968	7.086
Development Bank of Kenya	2013	0.01900	11	0.730	0.143	0.535	0.000	30985096	7.491
	2014	0.03300	11	0.730	0.143	0.592	0.181	43500988	7.638
	2015	0.03400	11	0.730	0.143	0.508	0.000	61812663	7.791
	2016	0.02700	10	0.700	0.143	0.693	0.000	81190214	7.910
	2017	0.00440	10	0.820	0.143	0.763	0.000	69432374	7.842
Diamond Trust Bank	2013	0.04980	10	0.600	0.167	0.795	0.100	185100000	8.267
	2014	0.03890	7	0.714	0.167	0.785	0.109	207011000	8.316
	2015	0.03870	10	0.800	0.167	0.697	0.102	226116000	8.354
	2016	0.03600	8	0.750	0.167	0.668	0.097	241152000	8.382
	2017	0.02840	8	0.750	0.167	0.683	0.113	259525000	8.414
Dubai bank	2013	0.03300	6	0.667	0.167	1.307	0.113	46137777	7.664
	2014	0.04100	6	0.667	0.167	1.229	0.113	52021524	7.716
	2015	0.03900	6	0.667	0.167	1.033	0.000	61944650	7.792
	2016	0.03100	7	0.714	0.000	0.810	0.000	68177548	7.834
	2017	0.03900	7	0.714	0.000	0.746	0.000	82907475	7.919
Ecobank	2013	- 0.03580	10	0.800	0.333	0.156	0.000	31771339	7.502
	2014	-	10	0.800	0.333	0.174	0.000	36907136	7.567

		0.02570							
	2015	- 0.00773	7	0.286	0.333	0.336	0.000	45934458	7.662
	2016	0.00184	8	0.333	0.333	0.322	0.000	52426513	7.720
	2017	- 0.04070	6	0.667	0.333	0.377	0.000	47123839	7.673
Equatorial Commercial bank/Spire Bank	2013	- 0.03570	6	0.333	0.333	0.393	0.000	14108996	7.149
	2014	0.00375	7	0.286	0.333	0.444	0.000	15562476	7.192
	2015	- 0.02030	8	0.333	0.333	0.384	0.000	16589359	7.220
	2016	- 0.03130	7	0.429	0.333	0.328	0.000	14469562	7.160
	2017	- 0.05320	6	0.333	0.333	0.270	0.000	13802498	7.140
Family bank	2013	0.01900	11	0.730	0.250	0.142	0.360	30985096	7.491
	2014	0.03300	11	0.730	0.250	0.104	0.311	43500988	7.638
	2015	0.03400	11	0.730	0.250	0.090	0.000	61812663	7.791
	2016	0.02700	10	0.700	0.250	0.188	0.000	81190214	7.910
	2017	0.00440	10	0.820	0.250	0.295	0.000	69432374	7.842

Fidelity bank	2013	0.01800	8	0.750	0.167	0.582	0.185	17152445	7.234
	2014	0.01500	9	0.780	0.167	0.529	0.232	25638050	7.409
	2015	0.01800	9	0.780	0.167	0.569	0.220	32991926	7.518
	2016	0.01500	9	0.780	0.167	0.462	0.972	29374062	7.468
	2017	0.01500	9	0.780	0.167	0.507	0.185	29619072	7.472
First Community Bank	2013	0.02400	8	0.750	0.167	0.437	0.000	9958767	6.998
	2014	0.01200	9	0.780	0.167	0.465	0.000	11305398	7.053
	2015	0.00380	9	0.780	0.167	0.486	0.000	15278026	7.184
	2016	- 0.00081	9	0.780	0.167	0.495	0.000	14564631	7.163
	2017	- 0.00380	7	1.000	0.167	0.615	0.000	14962089	7.175
Giro Commercial Bank Ltd	2013	0.04000	9	0.890	0.000	1.006	0.000	19519623	7.290
	2014	0.04200	8	0.750	0.000	0.797	0.000	110315683	8.043
	2015	0.02300	8	0.750	0.000	0.966	0.000	137299354	8.138
	2016	0.04100	8	0.750	0.000	0.366	0.000	147846339	8.170
	2017	0.04100	8	0.750	0.222	0.446	0.000	164116122	8.215
Guaranty Trust Bank	2013	0.01800	8	0.750	0.222	1.782	0.000	17152445	7.234

	2014	0.01500	9	0.780	0.222	1.419	0.000	25638050	7.409
	2015	0.01800	9	0.780	0.222	0.867	0.000	32991926	7.518
	2016	0.01500	9	0.780	0.222	0.520	0.000	29374062	7.468
	2017	0.01500	9	0.780	0.222	0.475	0.000	29619072	7.472
Guardian Bank	2013	0.01600	8	0.625	0.100	0.466	0.000	14705350	7.167
	2014	0.01900	8	0.625	0.100	0.381	0.000	12834687	7.108
	2015	0.01900	8	0.625	0.100	0.383	0.000	14570598	7.163
	2016	0.01600	8	0.625	0.100	0.394	0.000	14609492	7.165
	2017	0.01600	8	0.625	0.100	0.471	0.000	14705350	7.167
Gulf African Bank	2013	0.04490	9	0.556	0.286	0.279	0.000	195352756	8.291
	2014	0.04460	9	0.667	0.286	0.285	0.000	220391180	8.343
	2015	0.04710	8	0.500	0.286	0.295	0.000	222495824	8.347
	2016	0.02780	8	0.500	0.286	0.266	0.000	233965447	8.369
	2017	0.03740	11	0.364	0.286	0.280	0.000	250482000	8.399
Habib Bank Ltd	2013	0.02650	7	0.857	0.000	0.277	0.000	8801382	6.945
	2014	0.01710	7	0.857	0.000	0.240	0.000	9657867	6.985
	2015	0.01260	7	0.857	0.000	0.261	0.000	10239922	7.010
	2016	0.01620	7	0.857	0.000	0.240	0.000	10452691	7.019
	2017	0.01050	7	0.857	0.000	0.216	0.548	10372441	7.016

Standard Chartered Bank Kenya Ltd	2013	0.04490	9	0.556	0.250	0.820	0.548	195352756	8.291
	2014	0.04460	9	0.667	0.250	0.888	0.569	220391180	8.343
	2015	0.04710	8	0.500	0.250	0.801	0.946	222495824	8.347
	2016	0.02780	8	0.500	0.250	0.855	0.008	233965447	8.369
	2017	0.03740	11	0.364	0.250	0.868	0.866	250482000	8.399
NIC Bank	2013	0.04170	10	0.700	0.167	0.078	0.120	108348593	8.035
	2014	0.04140	11	0.636	0.167	0.091	0.145	121062739	8.083
	2015	0.04270	12	0.667	0.167	0.148	0.146	145780505	8.164
	2016	0.03860	12	0.667	0.167	0.191	0.154	165758268	8.219
	2017	0.03640	11	0.727	0.167	0.239	0.148	169458985	8.229
National Bank	2013	0.01100	10	0.500	0.200	0.265	0.142	67154805	7.827
	2014	0.01400	9	0.778	0.200	0.221	0.000	92493035	7.966
	2015	0.00740	9	0.778	0.200	0.229	0.000	122864886	8.089
	2016	-	9	0.778	0.200	0.253	0.000	124855560	8.096
	2017	0.00120	9	0.556	0.200	0.303	0.000	115114374	8.061
KCB Bank	2013	0.03780	11	0.818	0.167	0.294	0.415	304751807	8.484
	2014	0.03960	11	0.818	0.167	0.280	0.355	322684854	8.509
	2015	0.04540	11	0.818	0.167	0.284	0.308	376969401	8.576

	2016	0.03910	11	0.727	0.200	0.382	0.467	467741173	8.670
	2017	0.04070	11	0.727	0.200	0.283	0.467	504775429	8.703
I&M Bank	2013	0.04000	9	0.890	0.100	0.271	0.218	19519623	7.290
	2014	0.04200	8	0.750	0.111	0.267	0.252	110315683	8.043
	2015	0.02300	8	0.750	0.111	0.236	0.233	137299354	8.138
	2016	0.04100	8	0.750	0.125	0.241	0.222	147846339	8.170
	2017	0.04100	8	0.750	0.111	0.526	0.196	164116122	8.215
Jamii Bora Bank Ltd	2013	0.04490	9	0.556	0.182	0.530	0.000	195352756	8.291
	2014	0.04460	9	0.667	0.182	0.537	0.000	220391180	8.343
	2015	0.04710	8	0.500	0.182	0.452	0.000	222495824	8.347
	2016	0.02780	8	0.500	0.182	1.139	0.000	233965447	8.369
	2017	0.03740	11	0.364	0.182	0.939	0.000	250482000	8.399
HFCK	2013	0.01890	7	0.857	0.222	0.728	0.233	40685928	7.609
	2014	0.01850	7	0.857	0.222	0.673	0.178	46755111	7.670
	2015	0.01620	9	0.889	0.200	0.587	0.190	60490833	7.782
	2016	0.02120	7	0.857	0.200	0.476	0.193	10025858	7.001
	2017	0.01130	9	0.889	0.222	0.437	0.972	9999503	7.000
Equity Bank	2013	0.05600	9	0.778	0.125	0.388	0.418	215829300	8.334
	2014	0.05600	10	0.700	0.300	0.347	0.383	238194354	8.377

	2015	0.06700	13	0.923	0.300	0.346	0.457	276115727	8.441
	2016	0.05200	14	0.929	0.300	0.348	0.469	341329318	8.533
	2017	0.04200	9	0.778	0.300	0.347	0.400	379748996	8.579
Co-operative Bank	2013	0.04000	9	0.778	0.154	0.310	0.230	199662956	8.300
	2014	0.04200	10	0.700	0.154	0.357	0.305	228874484	8.360
	2015	0.03300	13	0.923	0.077	0.369	0.335	282689097	8.451
	2016	0.03400	14	0.929	0.077	0.683	0.309	339549811	8.531
	2017	0.03800	13	0.923	0.077	0.679	0.402	349997762	8.544
CFC Stanbic	2013	0.02330	7	0.857	0.400	0.594	0.044	46755111	7.670
	2014	0.02900	9	0.889	0.400	0.763	0.120	60490833	7.782
	2015	0.03200	12	0.750	0.400	0.754	0.107	171347152	8.234
	2016	0.02540	10	0.800	0.400	1.087	0.083	198578014	8.298
	2017	0.02190	10	0.800	0.400	1.053	0.082	204895163	8.312
Krep Bank	2013	0.02100	5	0.800	0.222	1.011	0.000	9546050	6.980
	2014	0.03200	5	0.800	0.222	0.906	0.000	13199239	7.121
	2015	0.03500	6	0.833	0.222	0.889	0.000	15801439	7.199
	2016	0.02100	6	0.833	0.222	0.530	0.000	19106557	7.281
	2017	0.00140	6	0.833	0.222	0.403	0.000	20875499	7.320
Middle East Bank (K)	2013	0.01520	5	0.800	0.333	0.046	0.000	7254561	6.861

Ltd									
	2014	0.01240	5	0.800	0.333	0.075	0.000	8028876	6.905
	2015	0.01600	6	0.833	0.333	0.075	0.000	10402316	7.017
	2016	0.01510	6	0.833	0.333	0.084	-0.076	10525709	7.022
	2017	0.01070	6	0.833	0.333	0.364	-0.202	9426931	6.974
Oriental Commercial Bank Ltd									
	2013	0.01680	8	0.875	0.000	0.560	0.000	6219906	6.794
	2014	0.02120	8	0.875	0.000	0.524	0.000	7006528	6.846
	2015	0.00968	8	0.875	0.000	0.526	0.000	7857515	6.895
	2016	0.00525	8	0.875	0.000	0.555	0.000	8496350	6.929
	2017	0.00366	7	0.857	0.000	0.025	0.000	9920247	6.997
Paramount Universal Bank Ltd									
	2013	0.01520	5	0.800	0.333	0.969	0.000	7254561	6.861
	2014	0.01240	5	0.800	0.333	0.718	0.000	8028876	6.905
	2015	0.01600	6	0.833	0.333	0.710	0.000	10402316	7.017
	2016	0.01510	6	0.833	0.333	0.636	0.000	10525709	7.022
	2017	0.01070	6	0.833	0.333	0.567	0.000	9426931	6.974
Prime Bank									
	2013	0.02120	8	0.875	0.000	0.491	0.000	7006528	6.846
	2014	0.00968	8	0.875	0.000	0.492	0.000	7857515	6.895
	2015	0.03300	8	0.875	0.000	0.448	0.000	54917674	7.740

	2016	0.03400	9	0.778	0.000	0.423	0.000	65001652	7.813
	2017	0.02900	9	0.778	0.000	0.437	0.000	65338211	7.815
Trans-National Bank Ltd	2013	0.02650	7	0.857	0.143	0.787	0.073	8801382	6.945
	2014	0.01710	7	0.857	0.143	0.486	0.040	9657867	6.985
	2015	0.01260	7	0.857	0.143	0.392	0.042	10239922	7.010
	2016	0.01620	7	0.857	0.143	0.280	0.028	10452691	7.019
	2017	0.01050	7	0.857	0.143	0.382	0.000	10372441	7.016
UBA Bank Ltd	2013	0.04000	9	0.890	0.250	0.283	0.000	19519623	7.290
	2014	0.04200	8	0.750	0.250	0.271	0.000	110315683	8.043
	2015	0.02300	8	0.750	0.250	0.267	0.000	137299354	8.138
	2016	0.04100	8	0.750	0.250	0.236	0.000	147846339	8.170
	2017	0.04100	8	0.750	0.250	0.241	0.000	164116122	8.215
Victoria Commercial Bank Ltd	2013	0.05460	7	0.857	0.143	0.526	0.335	10322819	7.014
	2014	0.04890	7	0.857	0.143	0.530	0.348	13644242	7.135
	2015	0.04110	7	0.857	0.143	0.537	0.138	17244092	7.237
	2016	0.04930	7	0.857	0.143	0.452	0.161	20020072	7.301
	2017	0.03750	7	0.857	0.143	0.728	0.238	22403481	7.350