EFFECT OF BOARD DIVERSITY ON CORPORATE SOCIAL RESPONSIBILITY OF COMMERCIAL BANKS IN KENYA

By

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DECLARATION

This research project is my original work and has not been presented in any other University.

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

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DEDICATION

I would like to dedicate this research project to my son Brian, family and friends for their patience, support and encouragement.

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My sincere gratitude goes to God, for His grace, mercies and for the strength He has bestowed upon me during this period and my supervisor Dr Elly Duncan who guided me through this project on the effects of Board diversity on CSR of Commercial Banks in Kenya. His contribution in stimulating suggestions and encouragement helped me to coordinate my project.

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ABSTRACT

The main objective of the study was to determine the effect of board diversity on corporate social responsibility of commercial banks in Kenya with specific reference on how proportion of shares held by unknown shareholders, board size, female director proportion, proportion of independent directors, bank size and bank deposits affect the financial performance of commercial banks in Kenya. The research utilized data from the 41 commercial banks operating in Kenya for a five-year period covering 2013 – 2017. The research utilized descriptive cross-sectional research design. The descriptive measures findings show that there is a large gap between the maximum and minimum value of the number of bank branches, which means that there is high variability of value of the number of bank branches. The same result was found in terms of the number of independent directors, level of bank deposits and the total assets. However, the gap existing between the number of board members and female directors, in the commercial banks in Kenya was low implying that there exists a small gap between the banks. The results of the study were also that there exist a positive correlation between number bank board composition and the undertaking of the CSR activities. The study revealed that there is a significant positive relationship between CSR and Number of bank branches (rho=0.773) though a weak negative significant relationship between CSR and Percentage of shares held by unknown shareholders was found (rho=-0.463). In addition, the findings showed that there is a strong positive significant relationship between Number of board members and CSR (rho=0.618) and also between Total bank deposit and CSR (rho=-0.652). In addition, there was a significant positive relationship between Number of independent directors on board and CSR (rho=0.216). Finally, there was a significant positive relationship between number of female directors and CSR (rho=-0.652). The research recommends that the board size ought not to be excessively vast and ought to be comprised of qualified experts who are familiar with the oversight function.

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ABBREVIATION AND ACRONYMS

CBK	**-**	Central Bank of Kenya
CMA	**-**	Capital Market Authority
CSR	**-**	Corporate Social Responsibility
EPS	**-**	Earnings per Share
I & M	-	Investment and Mortgage
RBV	-	Resource Based View
RDT	-	Resource Dependency Theory

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Over the last decade, the big scandals in the developed countries for example WorldCom and Enron in United States, and in addition the failure of financial organizations, for example, Lehman Brothers to meet their financial obligations have shaken the confidence of global financial community and have renewed debates on the need of firms' management to be accountable in social matters that relate to the partners and the general public (Hafsi & Turgut, 2013). The recharged enthusiasm for (CSR) has been out of the acknowledgment that corporations ought not to be judged just on their monetary achievement but instead their capacity to skilfully adjust numerous primary concerns and deal with the interests of various stakeholders whose existence depends upon (Catanzariti & Lo, 2011). A firm's decision regarding CSR activities are made at the policy level where the organizations board sits and assuming that CSR are results of the decisions of the board, the comprehension of the process that the board takes in making decision with respect to CSR is imperative to comprehend if and how board assorted variety identifies with the activities of CSR.

The urgent need of diversification of the board is bolstered by several theories, to be specific, the upper echelon theory, Resource Dependency Theory and Agency Theory. Agency Theory talks about the agents and the principals' relationship. the expectations of the relationship is that the agents are expected by the shareholders to make decisions that favors the interests and needs of the principals, however, in order to reduce the problem of agency, there is need to guarantee protection of the owners (Jensen, 1986).

The theory of resource dependency clarifies how external assets of the association (Terjesen, 2009) affect organizational performance and since corporate boards go about as a connection between the outside organizations and the company, they assume a critical part in impacting performance of a company (Hillman, 2012).

Eagly and Karau (2009) states that the diversification of board individuals results into wide and alternate points of view to the process of decision making which is basic to intentional and complex choices like those with respect to CSR. Diversity of board is considered to have valuable impact to a firm in light of the fact that outside flow, for example, institutional financial specialists, may oblige organizations to embrace diversity strategies and that diversity is a strategy that is desired by clients and different stakeholders for whom it is an exhibition of administration affectability to stakeholders' concerns, goals, and aspirations (Mcnulty, Zattoni & Douglas, 2013).

The Kenyan banking industry has over the last decade experienced an increase in the number of banks that are ploughing back some of their returns to society by supporting social good activities. Different banks have identified social issues that they feel require support and have invested significant amounts of resources on the social activities. Equity bank, Kenya Commercial Bank and Cooperative bank are some of the banks that have aligned themselves to supporting educational activities through establishment of foundations. Equity bank, for example, through Equity foundation in conjunction to the MasterCard foundation have been paying school fees for 1500 bright but needy students that finish their primary education per year. According to the Equity group foundation, since the program started in the year 2006, over 15,000 students have completed their education or are currently undergoing the same. Similarly, other banks such as Stanchart have devoted their social responsibility initiatives to supporting the blind persons while Investment and Mortgage (I&M) bank has directed its CSR activities to supporting environmental preservations in the main Kenyan water towers. However, the CSR activities being undertaken by some of the banks is not well clear and this brings the question on what influences the CSR level that a bank pursues. Considering that decisions on the capital injection on CSR activities is determined by the board, it becomes imperative to understand how individual bank board composition influences their investment in CSR activities.

1.1.1 Board Diversity

The concept of board diversity has received varied definition among scholars and management practitioners. Swartz and Firer (2005) is of the view that board diversity is concerned with, among others, members of the boards of directors having varied sorts of mastery, style of learning, administrative foundation, identity, values, age gender and education level. The diversity of board is basically concerned about an assortment in the organization of the top managerial staff. Diversity in such manner is in both cognitive and demography (Van der Walt & Ingley 2014). Diversity in demography alludes to the effectively recognizable properties of chiefs, for example, age, gender, race or ethnicity and nationality. Cognitive diversity identifies with the imperceptible or less detectable qualities of chiefs, for example, background in functionality and nature of occupation, experience in the industry, and membership in the organization. Hence, Hafsi and Turgut (2013) concluded it by recommending that, in general, diversity refers to heterogeneity among the members of the board, and has unlimited number of measurements ranging from nationality to age, practical to religious foundation, errand abilities to social acts, and political inclination to gender inclination.

The board diversity proponents of the board advocates recommend that, to make administrators and board individuals act morally, there ought to be a support from board directors' diversity. Nielsen (2010) take note that heterogeneity brings about a more extensive point of view which enables groups to be engaged in-depth discussions and produce distinctive choices. This is on account of a group of diverse individuals dissect issues from a diversity point of view, which brings about an extensive variety of solutions and an extensive variety of consequence for every alternative (Robinson & Dechant, 2007). Further, with a specific end goal to accommodate the different/clashing sentiments that generate from a board diverse, choices are altogether handled and this may keep the group from selecting too effectively for a strategy on which there is by all accounts accord (Van Knippenberg et al., 2014).

On the contrary end of the continuum, board diversity may negatively affect group decision making procedures (Marimuthu and Kolandaisamy, 2012) take note that board diversity may separate the group into two sub classifications to be specific; the out-group (minority) and in-group (majority) and under such a situation, the in-group individuals may tend to support the individuals who are like them and contradict the different ones and accordingly debase the commitments of out-group individuals. However, Randøy, (2012) recommend that the members of the group who contrast from the majority additionally have a tendency to have reduced loyalty of the group, reduced level of psychological commitment and more elevated amounts of turnover plan and truancy. Similarly, Van Knippenberg and Haslam (2013) posit that diversity can negatively affect individual members of staff who might feel that their inputs are not being considered. For the two groups of board members to come to any sort of agreement, they definitely encounter dissatisfaction, and conflicts which additionally lower the group operational procedures.

1.1.2 Corporate Social Responsibility

CSR has not gained a definition that is universally agreed; the term is utilized conversely, for example, Corporate Citizenship identified with the idea of Triple Bottom Line which alludes to ecological contemplations, financial and social a company seeks after as it goes ahead with typical business (Wafula, 2012). The significance of CSR is concerned about the self-regulating through which a business guarantees its dynamic consistence with the soul of the law, moral standards and worldwide standards. Cormier, (2011) recommend that recently, business entities have acknowledged obligation regarding the effect on society made by their exercises and have turned out to be responsible to a more extensive group of people than their creditors and investors. Thirdly, the extent of their obligation has extended to fulfil the requirements of their investors and creditors as well as their partners, including the government, clients and suppliers and also the overall population.

As a component of the business entities CSR exercises, they are required to reveal information in regards to activities of the corporation, desires and public picture with respect to ecological, consumer issues, community and employee (Gray, 2011). From similar exposures, organizations plan to enhance the position of the entity and picture, promote client, community and relations with the government. Also, divulgence of CSR exercises prompts legitimization of an organizations exercises and lessening information asymmetry between the entity's administrators and its partners. Likewise, positive CSR revelation upgrades the organization's good picture according to its clients, investors and potential employees (Alniacik, 2011) while at the same time a negative CSR divulgence adversely influences the intentions of the stakeholders of an organization. In respect with the internal stakeholders, exposure of CSR exercises is vital to the inner basic leadership process, as it empowers estimation of the value of long-lasting relationships and resources by distinguishing qualities and shortcomings over the entire corporate duty range (Vurro & Perrini, 2011).

1.1.3 Board Diversity and Corporate Social Responsibility

According to CR-INDEX (2014), in the present day business environment, boards are progressively observed as in charge of issues identifying with CSR and sustainability. CRS is a basic thing on the motivation of various corporate boards and thusly, the boards have significant duty in accomplishing these targets. In reality, Jamali, (2015) propose that corporate administration is the main force behind administrators and officials objectives and goals in connection to CSR, and the board is vital in meeting and advancing these CSR targets. Since the board settle on choices in group, the diversity of the available alternatives prompts an expansion in the information, abilities skills and knowledge of the group generally (Nielsen & Huse, 2010) and therefore upgrades performance and discussions of a group. Unexpectedly, homogeneity of boards for the most part brings about similar opinions and will probably have comparative points of view/assessments and such an abnormal state of alternative choices/decisions among them tends to expand weight towards congruity. In addition, the absence of diversity in perspective and views on such boards may bring about the failure of the board to challenge the reasoning of administration which at last debilitates the quality and assortment of debate of the board.

Hafsi and Turgut (2013) recommend that diversity in composition of the board to a specific degree can likewise impact social and ecological parts of the business. As of the characteristic and independence of the board, particularly from the outside executives have a tendency to be more delicate to the needs and demand of the whole society and are more concerned about the moral parts of the organization than inside chiefs. Thus, Zahra and Stanton (1988) state that autonomous board individuals are more intrigued by consistence with controls and ethical conduct by the element than the internal executives. Further, by the board following control and acting mindfully will upgrade reputation and such image and reputation of the organization is vital to independent chiefs as it entitles them to qualify for being chosen for different boards (Lorenzo, 2009).

Board residency as one other characteristic of board diversity has gotten a significant review with studies connecting executives' residency with CSR issues for the most part contending for having a balanced board as far as tenure is concerned. Hafsi and Turgut (2013) contend that as the increase in board tenure is realized, chiefs become well conversant with the strategic practices of the organization, yet in the meantime can turn into the captive of administration. Their outcomes demonstrated no impact, proposing that more drawn out tenured chiefs might be excessively near administrators and maintain a strategic distance from any debate in the process of decision making though shorter tenured board individuals are excessively shy, making it impossible to talk up. Such a circumstance set a clear path for board individuals to follow as opposed to lead with regards to managing social responsiveness and obligation issues. With respect to the age of the board individuals, Mallin, Farag and Yong (2014) propose that more established executives will probably be delicate to welfare of the general public while at the same time more youthful chiefs have a tendency to be touchier to ecological and moral issues. However, Siciliano (2006) found that the more the level of diversity in occupation at board level, the more prominent the degree of group pledges and that the diversity of perspectives from various backgrounds in occupation constrains the board to think about all parts of the choice.

1.1.4 Commercial Banks in Kenya

There are 41 commercial banks operating in Kenya, with Imperial bank and Chase bank having been put in receivership, and are regulated by the Central Bank of Kenya (CBK Report, 2017) and Capital Market Authority (CMA). The performance of the Kenyan commercial banks has been mixed in the last five years having recorded negative earnings per share growth of 14.3% in 2017 compared to a positive growth of 15.5% in 2016 and this negative trend is attributed to the decline of the interest income following the capping of the interest rates. However, despite the decline in EPS, the banking sector recorded an improved performance in 2016 with profit before tax increasing by 10.0 percent to Kshs 152.4 billion in December 2017 from KShs 137.2 billion in December 2016 which reflect a 10% drop in profits, a trend that was attributed to the interest capping law (CBK Annual Report, 2017).

Branco and Rodrigues (2008) observe that by reviewing the extant literature, there exists shortage of banking industry reports from CSR and this can be ascribed to the discernment that their part is constrained with regards to safety of the product, ecological contamination or wellbeing of employees. In any case, Scholtens (2009) features that surely banks and the financial sector at large, has an urgent part in the social and ecological exercises of different enterprises because of their policies regarding loaning and investment since they fund entities which may perhaps produce unsafe products or cause pollution to the environment. Hence, the exercises of banks joined in their investment and loaning approaches are thought to be similarly ecologically sensitive when contrasted with the immediate effect of organizations in businesses that cause pollution over the span of their operations. As per Khan (2010), there is a high level of public visibility in the banking industry. As people's view of an organization expands, its exposure level may likewise build as a result of weight by society. Besides, resources, for example, energy and paper result in wastage and along these lines information in regards to banks' activities for example, energy contribution and conservation of natural resources, has turned into an imperative part of their CSR exposure.

1.2 Research Problem

Corporate social responsibility has picked up footing over the most recent two decades due to the apparent social impact of business ventures on the financial aspect of stakeholders to the company, environment and society. Subsequently, the activities of corporate social responsibility of a firm has turned into a prevalent idea among partners, for example, employees, policy makers, directors, customers, suppliers, creditors and stakeholders (Aibar-Guzmán, 2010). In the communication age of the present day, issues in such manner, for example, depletion of resources, waste, quality of products, the safety and rights of workers and pollution have turned into the central parts of this developing consideration (Siregar & Bachtiar, 2010). In this manner, the goal of CSR is to unleash a harmony between the financial and non-financial objectives of enterprises, while at the same time acting to the greatest advantage of society in general. The requirement for business substances to be socially accountable is not restricted to firms in a particular sector or country but across all sectors, both in the developed and developing world.

The banking industry in Kenya has in the recent past been in the limelight because of actions of the board that border on a lack of adherence to the corporate governance principles and likewise not being socially responsible. The customers and lenders to the banks have a major interest in the actions of the bank and if, through board decision, their actions affect the bank stakeholders, and then it implies that the level of CSR pursued by the bank is a manifestation of the board action (Jepkemoi, 2017). Any board characteristic, including diversity that will affect the level of CSR activities pursued by the bank is worth therefore being studied to understand the direction of the influence

Different researches have been undertaken on the aspect of CSR and diversity of board group/team. Internationally, Byoun, Chang and Kim (2011) researched on the impacts of firm dividend payout as a result of diversity of corporate board and found that diverse boards are more prone to pay large dividends than those with non-diverse boards. Zainali, Zulkifli and Saleh (2009) researched on diversity of corporate board in Malaysia by studying diversity in nationality and gender longitudinally. The study found that diversity is a vital prerequisite measure in Malaysia. Garba and Abubakar (2014) sought to establish the impact of diversity of corporate board in terms of financial performance in Nigerian insurance firms. Their findings have been that despite the fact that there can be a negative and tremendous horrible relationship a number of the composition of the business enterprise board of insurance groups and typical performance, it's far smooth that the board composition had a large effect on financial standard performance of the insurance businesses.

Locally, Ngugi (2012) looked to set up the impacts of board diversity on the financial Performance of business banks in Kenya and the outcomes partially agreed with resource dependency and agency theories of corporate administration by suggesting that the performance of a firm is determined by internal resources that a firm has which includes the management diversity. Thus, Mutua (2013) looked into on the relationship between financial performance and corporate board diversity of Insurance guarantors in Kenya and found that a diversified board positively affects the financial performance of insurance underwriters in Kenya and in this way insurance underwriters are urged to consider constituting diversified boards as a feature of good corporate administration practices to enhance their financial performance. Further, Jepkemoi (2017) looked into the connection between corporate board diversity and money related execution of Kenyan insurance companies.

From the above studies, however the corporate directorate composition is an essential topic that researchers should consider in the literature, the effect of corporate board composition on financial performance of organisation' corporate social responsibility remains to be an under-studied area. The few studies undertaken appear to suggest conflicting results. The researcher is not aware of any study that has sought to find out how board diversity influences CSR of Kenyan commercial banks and this forms the gap that the researcher will wish to fill through this current research. Hence, the research question to the study was: to what extent does diversity of corporate board affect corporate social responsibility of commercial banks in Kenya?

1.3 Research Objective

The purpose of the study was to investigate the effect that board diversity has on corporate social responsibility of commercial banks in Kenya.

1.4 Value of the Study

This study may benefit various groups of stakeholders. The management of the commercial banks may benefit by understanding the linkage between board diversity and CSR programs in the banking industry because various board diversity characteristics may be established and related to the CSR. The establishment of the various board characteristics and their effect may enable commercial banks' management to put in place appropriate board features that may increase their investment in corporate social responsibility which in the extent studies have had an important effect on the performance of a company.

To the policy holders, such as Central Bank of Kenya and Capital Markets Authority for the listed firms, they may be able to establish the most significant board diversity characteristic that may influence the CSR of the firms. By so doing, they can develop appropriate requirement when establishing the board in order to facilitate better decision making. In addition, diversity in nationality and gender are the two vital strategies of board diversity that may be studied. These two dimensions were selected due to the enormous advantage they offer to firm's performance. The regulators can formulate appropriate policies on the constitution of the board in order to achieve improved CSR in the banking industry.

Future studies may also build on the findings as a source of empirical information as regards the relationship between the principles of CSR and corporate board diversity among commercial banks in Kenya. Hence scholars may take the study as a guide to their future quest to understanding the relationship that exists between corporate board diversity and performance of a company.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The section looks at the theoretical review, conceptual framework and empirical review of literature. The study reviews previous literature in relation to the respective specific objectives, additionally, the researcher gave a critique of existing literature and a summary of the chapter.

2.2 Theoretical Framework

To comprehend the nexus amongst performance and diversity, a few theories have been advanced, however, in their powerful work on the inclusion of women chiefs on corporate boards: A survey and research agenda, Terjesen, (2008) contend that no single theory can completely clarify the connection between financial performance and board diversity of a firm. Towards the acknowledgment of the study target which is to set up the effect of board diversity on the corporate social responsibility of Kenyan commercial banks, the study was underpinned by three theories; to be specific, Resource Dependency, Resource Based View and Social Role Theories.

2.2.1 Social Role Theory

Social role theory by Eagly (1987) recommends that men and ladies are stereotypes and act as per certain convictions, related to the social part they belong. These convictions are moored on the sort of errands that they perform which mirrors a bio-social communication amongst the physical character traits of male and female and the social image. As per Bakan (1966), ladies are believed to be more 'communal' and portrayed with certain characteristics, for instance, compassion, mindful, superb concern for other people, and being occupied with actualising interests and values in relation to incredible significance to the community. Consequently, Burges and Tharenou (2012) noted that it is normally believed that ladies are social beings and, in this manner, add more powerful decision making on CSR issues. In addition, ladies bring extraordinary (non-customary) proficient encounters and receive participative initiative style than men. It can consequently be taken that, ladies on board give different points of view on board and support open discussions which may empower the board to all the more adequately address CSR issues and needs of the stakeholders (Bear, 2010).

In general, Zelechowski and Bilimoria (2006) take note that current studies attribute to the processes of the effect that are associated with having ladies on board not on gender perspective but rather on the fact that ladies give distinctive qualities and professional encounters than men which enhances the process of decision making and empower the board to carry out its CSR assignments and other mandates in an efficient way. Further, it is also contended that women are probably going to follow the ladylike stereotype in CSR board assignments on the clear note that for most organisation, CSR issues are viewed as 'delicate' issues and should offer more on the socially sensitive gender. In reality, Burgess and Tharenou (2012) find that a gender cliché conviction with respect to ladies' social sensitivity has been the main motive for recruiting ladies to the boards. Thus, it is sensibly expected that ladies are required to affect CSR issues and demonstrate more socially sensible conduct.

2.2.2 Resource Based View

Asset Based View (RBV) was advanced first by Wernerfelt (1984) and additionally refined by Barney (1991) and is the predominant theory used to clarify the performance of a company. Resource based theory propose that the competitive advantage basis of a company is reliant on its capacity to use the accessible bundle of profitable and material assets. The RBV of a firm state the situation of particular resources in a firm which can be showed in form of benefits or abilities, particularly resources, that exists within a company (Lee et al., 2011). A firm capacities and resources that can separate its activities from the competitors can accomplish and manage competitive advantage. RBV theory views a firm as an accumulation of resources and proposes that these assets fundamentally influence a company's performance and competitive advantage. Further, Barney (2001) contends that for a resource to end up a factor of competitive advantage, it ought to be important, scarce, incompletely tradable and hard to copy.

The capacity of the board to change the performance of a company and impact its relation with different partners draw upon the resource-based view of the company (RBV) and contend that it is the unique particular company-specific resources that incorporate financial assets and physical assets, but more significantly exceptional human abilities and social duty that will influence the company’s performance. The capacity of the board to impart its CSR natural procedures to external partners will strengthen and separate its situation through the constructive outcomes of a decent reputation. Clarkson et al. (2011) have connected RBV theory and note that earlier studies that have adopted RBV set board human asset quality and better ecological procedures than be in charge of predominant environmental performance; they neglect to unequivocally consolidate any immediate measures catching CSR-favorable board HR or CSR methodologies. This is on the grounds that under RBV, the board is thought to be an implied resource in light of collaboration. Lee et al. (2011) recommend that to be compelling, CSR must be received as a far-reaching procedure enveloping all parts of a company's task instead of corporate RBV. This suggests in this way that the board's

CSR introduction is probably going to be driven by both the association's interior CSR-related requirements, and in addition it’s outside CSR-related contemplations.

2.2.3 Resource Dependency Theory

The (RDT) theory was advanced by Pfeifer (1981) and opines that associations are not ready to internally create all the resources or capacities required to independently maintain themselves. Thus, they should create relationships with components from the external environment in order to get the required services and resources. Internal frameworks that fulfil the demand of resource suppliers from both internal and external sources should subsequently be set up since assets give associations power, which changes connections by prioritizing the interests of stakeholders, working towards promoting their values and re-examining compensation practices to enhance share price and performance (Pfeffer & Salancik, 1978). The theory is concerned about the sort of organization structure to pick in a particular circumstance trying to balance out transaction and take into consideration productive access to external resources and hence stabilize results and deflect ecological control. It likewise recognizes that the condition of the task may constrain the choices available to administer its completion.

From the RDT point of view, the board is viewed as an asset for dealing with a company's external ecological dependencies and vulnerabilities, for example, those posed by the natural and social environmental difficulties (Mallin & Michelon, 2011). Several contributions of the board by resource dependency have been featured. These incorporate upgrading the authenticity and public picture of the firm; connecting the firm to imperative stakeholders, providing experts or other vital elements, providing counsel and advice, encouraging access to assets; building external relations; and helping in the strategy formulation and other company decisions (Hillman & Dalziel, 2003). Thus, in the present-day business atmosphere, increasing social authenticity and positive stakeholder notoriety is viewed as imperative for financial achievement and a sensitive-stakeholder business atmosphere. This can best be completed by utilizing the board to interface the association to external accomplices.

Mallin, (2013) opine that the board needs to have the correct blend of executives, especially outside directors and as a result knowledge diversity, experience, ties and skills and in addition a more extensive stakeholder introduction that can help build up a compelling CSR procedure prompting prevalent performance of CSR. Mallin and Michelon (2011) recommend that the board goes about as a supplier of both human and social capital, and that external chiefs and women executives can improve an organisation social reputation and its performance by creating valuable associations with the company's partners. Predictable with this, Post (2011) found that organizations with large number of outside executives have a tendency to have an escalated quality scores and a similar case applies to organisation with at least female chiefs in the corporate boards. Essentially, in a prior study, Webb (2004) researched the distinctions in the formation of the top managerial staff between socially capable and coordinated non-responsible companies, and established that socially capable firms have a tendency to recruit more ladies on their corporate boards, bigger boards and more independent board individuals.

2.3 Determinants of Corporate Social Responsibility

A company’s involvement in CSR activities has been identified to be determined mostly with internal factors relating to a firm. This is because little legislation exists on the proportion of firms’ earnings that should be directed to the corporate social responsibility activities. Instead it is the firm’s own decision, as directed by the board that determines the level of investment. This section discusses the four major factors from the earlier studies and one for current study that have been determined to influence a firms CSR involvement. These include; company size, profitability, industry affiliation, age and board diversity.

2.3.1 Company Size

Siregar and Bachtiar (2010) recommend that bigger organizations attempt more corporate social responsibilities ventures since they have a tendency to get more consideration from the overall population and are in this way under more prominent strain to display social responsibility. Porwal and Sharma's (2011) pondering among the Indian firms found that bigger firms in both the private and public sectors made more prominent CSRs investments than smaller firms. He ascribed this to the way that bigger firms have more investors who are concerned with the social projects embraced by the organization and that bigger firms have more noteworthy perceivability in supply chain administration. Additionally, Crisóstomo, (2011) feature that; bigger firms have a more prominent need to legitimize their activities and cut-off administrative obstruction in their business exercises by ploughing back a portion of the profits to the general public. In a similar line bigger firms instead of smaller ones have cash flows and a better infrastructure available to them, which can be diverted to social support exercises.

Shiu (2014) posit that larger firms are in most cases older in their respective business segment, have enjoyed the benefits of learning and that they are not exposed to the newness risk, and as a result benefit from superior performance. In addition, older firms enjoy the advantage of the effects of reputation, that enables them to gain an advanced margin on sales and as one way to pay back the society; they engage themselves in visible CSR activities that will influence the perception of their customers on the firms' activities. In addition, large companies are exposed to bureaucratic and inertia characteristics of a firm that comes along with age that might have made firms to develop appropriate CSR strategy, that are not affected by factors caused by adjustments in the market environment, in that the relationship between CSR activities and the size of the organisation is expected to be inverse (Demirgüç-Kunt & Maksimovic, 2008).

2.3.2 Profitability of a Firm

The study findings on the effect of company productivity on its CSR exercises have been clashing. Oeyono (2011, Waddock and Gravess (2010) established a considerably positive relationship amongst profitability and on the grounds that they contended that spending resources on CSR must be acceptable to the investors and creditors if the firm creates abundance in cash flows emerging from higher compactness. At the same time, a profitable firm will be obliged, especially in the present day information technology age, to show that out of the profits it is making, it ploughs back a part of it to the social good projects. This is relied upon to have a beneficial outcome according to clients. In any case, a few scientists (Hackston & Milne, 1996; Aras, 2010) in their study neglected to discover any relationship between investment on CSR operations and profitability of firms.

Siregar and Bachtiar (2010) findings suggest that there is a negative correlation between CSR initiatives and financial performance. This was argued because of the premise of the escalated expense of CSR charitable contributions, the maintenance of facilities in economically challenged areas, community development strategies and the creation of procedures that governs protection of the environmental. Since the board of management make decisions with regard to how much allocation to be made to CSR, then it implies that by extension the board decision making criteria influences CSR investment. With regard to the market

These scientists ought that the organizations with higher corporate social responsibility scores enlisted more elevated amounts for share-price expectation of future profit than the organizations with reduced CSR scores (Siregar and Bachtiar, 2010; Rahman, 2011). In concentrate to build up the relationship amongst company's performance and CSR initiatives, Saleh, (2010) announced that CSR can be utilized to draw in institutional financial specialists to effectively put resources into open restricted organizations with solid CSR practices.

2.3.3 Industry

Kotonen (2009) attest that there has been a blended outcome on whether the business alliance of a firm impacts the interest in corporate social responsibility exercises. An extensive number of studies, generally led in developed nations, have set up that industry area is essentially connected with measure of investment coordinated to corporate social responsibility exercises (Gray, 2011; Graafland, 2003). On a similar line, different studies endeavouring to connect corporate social reporting with business size couldn't affirm or invalidate presence of a relationship between a firm industry association and investment on CSR.

Murthy and Abeysekera (2015) characterize that the connection amongst industry and corporate social responsibility exercises on customer discernments about an organization, government weight or the ecological or social effects of a specific industry. Furthermore, the affiliation of the industry on CSR can be the consequence of the supply of assets that are one of a kind to that industry; in that Siregar and Bachtiar (2010) proposed that a lack of skilled labor in the product area influences the CSR hones in the category of human resources.

2.3.4 Age

Past research has set up that the life span that a firm have been in existence impacts the CSR inclusion of the firm and that since quite a while, companies that have long operational period of time are probably going to make more noteworthy deliberate social divulgences because of the aggregated income that such firm will have acknowledged over their operational period. Cormier, (2005) detailed a positive link between a organisations' age and interest in social responsibility exercises however a later report like that of Rahman (2011) did not find a important relationship between age and CSR.

Organizations with the most astounding rankings in great administration practices additionally have the most astounding financial performance. Positive relations are found between corporate administration and performance of supply chain and financial proportions in developing markets (CLSA, 2000). Organizations positioned in the best quarter of corporate administration yield a superior normal profit for capital utilized contrasted with organizations positioned in the bottom half. Further, organizations that conform to the Cadbury Committee proposals in the UK encounter were found to enlist better performance when contrasted with the non-consenting firms (2007). Additionally, in India, studies recommend that appropriately planned compulsory corporate administration reforms enhance share prices.

2.3.5 Board Diversity

Corporate boards are presently seen as important constituent to determining an organization CSR. Elkington (2012) emphasizes that external directors tend to be extra touchy to the desires of society and are extra concerned with the ethical elements of society than managers. The other argument is that the independent members of the board are extra inquisitive about compliance with the rules and the accountable conduct of the entity as they do so, they improve their recognition and the image of the organization is essential for the directors of independent because it gives them more opportunities to be selected for other advice (Lorenzo, 2009). Most of these studies that link the tab and CSR appear to verify the relationship between them Further, neglecting CSR issues, for independent board members, is a risky manager and, therefore, an expert if because of his dedication to the organization or the self-protection of his profession, he is extra inclined to aid selections which are consistent with lengthy-time period consequences.

The age of the board is yet another characteristic that has been found to influence the level of CSR in an organization. Hafsi and Turgut (2013) highlight that though Limited research has been carried out on the age and on the CSR of a company, the research indicates that there is a difference between the members of the board that tends to influence CSR. The experience of older managers and the strength and vigilance of younger managers are considered essential in choice-making and affect overall performance. The link among the age of the director and corporate social performance suggests that older directors are more likely to be sensitive to the welfare of society because of their more generational conduct and that more youthful managers have a tendency to be more touchy to issues environmental and ethical. Ibrahim et al. (2013) located that the professional backgrounds of filmmakers have the ability to persuade company social overall performance, in view that government officials and docs on a game board have specific values, perspectives and backgrounds than social overall performance, and these values and views alternate again for for-earnings and non-earnings organizations

2.4 Empirical Review

A review of various theoretical literatures on the relationship between corporate board diversity and CSR strategy and shows that indeed many studies have been undertaken to try and determine this nexus. However, from the theoretical underpinnings of firm board diversity and its role on CSR, to the various empirical studies, it can be concluded that indeed the results are varied. This section therefore seeks to review empirical studies on board diversity and its effect on various facets of the firm across various countries in order to validate theoretical predictions.

Hafsi and Turgut (2013) explored the effect that comes about by diversity of boardroom on social performance among Turkish Manufacturing firms. Board information for the chosen organizations were produced and investigated utilizing ordinary least squares (OLS) strategy for estimation and the findings recommended presence of a positive significance in relationship between the social performance and board diversity. The main moderator of such relationships is the diversity of the board. Their outcomes likewise uncover the impacts of the particular factors that the diversity of boards is built on and techniques of board diversity. Specifically, age and gender significantly affect corporate social performance. The study focused on the impact of board diversity on social performance but did not extent the same to a firm CSR. In addition the manufacturing sector which the study concentrated the studies are not as regulated as the banking sector that the present study is set. Therefore, the current study departs from the study from the two angles.

Deng, Kang and Low (2013) ponder the blow of corporate social obligation on the maximization of the value of stakeholder among US firms that had consolidated. The investigation utilized an extensive example of mergers in the US, to decide if a connection exists between CSR and shareholders of the company. The study utilized regression and correlation procedures in analysis of data by use of SPSS. The finding was that in relation to low CSR system incorporation, high CSR application were found to acknowledge higher merger declaration profits and declaration returns for the value weighted portfolio of the acquirer and the objective, and bigger increments in post-merger performance of long-term operation. Also, huge acquirers acknowledged stock returns for a long-term period. They presume that organizations that coordinate different stakeholders' interests in their business task will as a rule on exercises that upgrade their long-term productivity and proficiency, which at last expands investor wealth and corporate value, supporting the shareholder view of maximization of value. Though the study sought to investigate the impact of CSR on shareholder wealth maximization among the merged firms, it did not consider how board diversity influences an organization undertaking of the CSR activities.

Chapple and Humphrey (2014) studied on the impact of diversity of gender on financial performance on 300 listed companies in Australia. Particularly, the study ought to decide if the nearness of ladies on an organization's board is connected with any performance preferred standpoint or inconvenience. The study utilized board information study utilizing maximum likelihood estimation, fixed-effect estimation and random effect estimation. The finding was that there existed weak confirmation to support the position that organizations with large number of ladies in the boardroom have low level of returns as compared to firms with corporate boards that compose of fewer ladies. However, this finding was justifiable at the 10% level of significance and not reliable over all the tests. The methodology of the study will differ with the present research in the sense that the present study will employ a descriptive research methodology unlike the fixed and random effect estimation adopted by Chapple and Humphrey (2014) research.

Stratling (2014) looked to research and find out whether there is an important relationship between corporate administration and CSR reporting processes among commercial banks in the US. The examination utilizes regression analysis to test the connection between the corporate administration factors and the CSR exposure. The corporate administration standards utilized included foreign ownership, managerial ownership, independence of the board, public ownership, availability of the audit committee and duality of the CEO influences hierarchical reaction to different groups of stakeholders. The results of the study recommend that weights applied by external stakeholder groups and instruments of corporate administration including independent outsiders may alleviate a few interests relating to family effect on CSR reporting activities. Though it can be acknowledged that the research by Jizi (2014) mirrors the current one, the point of departure is that it concentrated on the firm administration and not the diversity in the management of the firm. Similarly, the study looked at how corporate reporting and not CSR activities are influenced.

Kiliç Kuzey, and Uyar (2015) sought to establish in their research the effect that is brought by adoption of CSR reporting practices on proprietorship and board structure in the Turkish banking industry. In addition, the data for the study was acquired from yearly reports of the banks for the fiscal year of 2008 - 2012 in which the analysis of data was achieved through panel data analysis and content analysis. The outcome of the study was that banks’ CSR reporting activities enhanced the functional operations of the banks amid that timeframe and there is a positive significant effect of board diversity, size, board composition and ownership diffusion on adoption of CSR by the commercial banks. Further, the study found out that as a result of upward progress of female numbers in the board, CSR reporting activities of the banks increases. In this way, the gender diversity of the boardroom composition is a determinant of CSR reporting by banks in Turkey. The timing that the research related differ from the present one in the sense that the period that the present study will relate is more recent and the policy relating to board composition has changed in Kenya and therefore the findings is expected to differ.

In Africa, Kabir (2011) researched the determinants of corporate social responsibility in hotel industry in Swaziland. The research used an example of the hotel industry from all locales of Swaziland to be specific. However, an aggregate of 25 organizations were chosen from different sectors (self-catering, hotel, lodges, guesthouses) of the business in light of a size positioning of number of workers. In conducting the research, corporate yearly reports, questionnaire and other significant documents to assemble data from the chose organizations. Results demonstrate that, as far as CSR initiative and operations are concerned, contribution of the community is higher than alternate categories of CSR. Though the study sought to determine the determinants of CSR, it did not extent the same to determining how board diversity will influence CSR.

Douglas and Musiega (2014) analyse the impact of CSR on the performance of Kenyan commercial banks. The research employed correlation analysis by gathering the information from 70 clients and the main instruments of data collection were questionnaire. The internal consistency for performance independent factor was accomplished using reliability Cronbach's Alpha coefficient which had an alpha of 0.915 inferring that the instruments utilized were reliable for the study. In light of the results of the research, it was inferred that philanthropic obligation of banks affected bank performance. The study prescribed that for banks to hold its clients, they should center around additional on their morals of how they treat their clients, employees and different partners. Though the methodology of the study is similar to the current one, the point of departure is that the study did not establish how CSR activities of a firm are influenced by diversity of an organization management.

Mwangi and Jerotich (2013) carried out a research with the sole aim of establishing the significant relationship between CRS activities and performance of firms in terms of financial achievements of companies in the allied industry of the Nairobi Securities Exchange, manufacturing and construction industry. The basis of the optional information was from the audited financial reports of the sampled organisation for the fiscal period from 2007 to 2011 and content analysis was obtained from company's reports on various CSR activities as indicated in the audited financial information in order to capture the score of CRS. A multiple regression model was constructed to provide the clear picture of the relationship between the two study variables. Similarly, the research findings depicted a positive significant correlation between the independent factors (capital intensity, corporate social responsibility score and manufacturing intensity) that were used as variables of interest in the study and the dependent variable (return on assets) with a coefficient of relationship of 0.870. Since the board of an organization decides how much is invested in CSR, the understanding then of influence of board composition on firm CSR activities will be important.

2.5 Conceptual Framework

A theoretical framework is a diagrammatical research instrument proposed to support the analyst to have a summary and comprehension of the matter under investigation and to indicate diagrammatically the nature of variables whether dependent or independent. The underlying importance of a theoretical framework is that it layout and exhibit a favored conceivable strategies to deal with a thought or idea. The interconnection of these blocks finishes the framework for certain expected research.

The independent variables in the study were: proportion of shares held by unknown shareholder, number of female directors, board size and female directors. The control variables were the bank size and total deposits of the banks. The bank CSR was measured by the cost incurred.

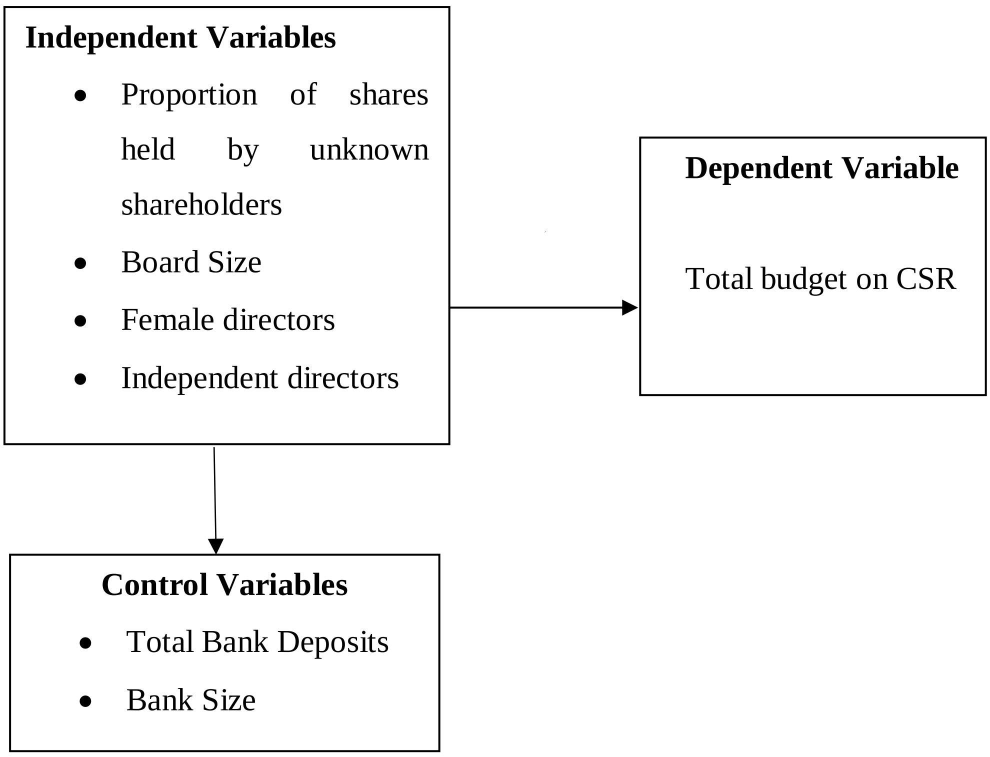

Figure 2.1: Conceptual Framework

2.6 Summary of Literature Review

A firm investment in corporate social responsibility projects has been discussed in the extant studies and how it affects the performance, both in empirical studies and the literature review that was done in related topics of research. The literature has thoroughly debated both the need for companies to consider engaging into CSR activities by enumerating the benefits that come about from the invested which range from associated financial returns as well as the good reputation from the eyes of the public. However, just as there are more studies that arrived at positive influence on the performance of a firm (Gray, 2011; Murthy and Abeysekera (2015), Graafland, 2003), there are also studies that have concluded that there is no associated impact on board diversity as well as CSR on the firm performance.

Different scholars have also sought to identify the factors that determine the CSR activities of a company. From the literature, majority of the factors were firm related and include profitability, age, size and the industry affiliation of the firm. With regard with the nexus between CSR and financial performance of companies, indeed various researchers have attempted to establish the relationship but limited effort has been directed to determining the influence of board characteristic to the CSR investment by a firm. If indeed there is a significant positive relationship between an organisation's financial performance and CSR initiative, the genesis of CSR is the board of a firm. If various board characteristics influence financial performance of a firm, then it becomes imperative that a study be undertaken to determine how the board diversity influence a firms' investment in CSR and eventually to financial performance. Consequently, this study will seek to find out the effect of corporate board diversity on the activities of CRS.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This part gives a dialog of the layout of the study methodology that was utilized as a part of the research. It centers on the study design, techniques for data collection and comes into conclusion with the methods of data analysis and presentation that was utilized as a part of this study.

3.2 Research Design

The Research Design was descriptive research design that incorporated the cross-sectional data. A descriptive study is one in which the data is collected without changing the environment (for example, nothing is manipulated). The explanation behind utilizing this design is that descriptive research decides and reports in the manner in which things are (Cooper & Schindler, 2007). This study design was considered fitting for this investigation since it enabled the researcher to conclude about the factors under the study without the respondent being manipulated and therefore enable the estimations to be completely controlled.

3.3 Population of the Study

It is the entire gathering of people or organizations that the scientist wishes to explore (Sekaran & Bougie, 2010). It is characterized as far as accessibility of components; time period, geographical limits and theme of interest are concerned. The population of this study included all the commercial banks operating in Kenya. As indicated by the

Central bank of Kenya (CBK), as toward the end of year 2017, there were 44 banks that operate in Kenya (Appendix II). This was frame the population of research.

3.4 Data Collection

The examination utilized secondary data only. The data was gotten from the business banks' yearly reports and financial statements from 2013 – 2017 from the commercial banks that had been sampled. From the statements of financial information, the researcher gathered information on the percentage of shares held by unknown shareholders, independent directors in the board, number of female directors in the board, number of members in the board, and number of bank branches. The dependent variable was the CSR spent amount by the bank at a specific period of time.

3.5 Diagnostic Test

The suitability of the data was examined by testing normality as well as existence of multi-collinearity for the variables. This study, normality was tested using the Kolmogorov-Smirnov test and the Shapiro-Wilk test. The Shapiro-Wilk test is more appropriate for small samples (<50 samples) as in this study. The multicollinearity test evaluates whether the impartial variables are tremendously correlated. It takes place whilst or extra predictive factors in the version are rather correlated, main to unreliable and volatile estimates of the regression coefficients, which causes extraordinary effects while trying to have a look at how properly man or woman independent variables constitute an understanding of the established variable. To test the level of correlation Wooldridge F-statistic serial correlation analysis was undertaken. Serial correlation test was done to test the level of correlation. Heteroscedasticity test was used to look at whether or not there has been any difference inside the residual variance of the observation duration in some other statement length (Godfrey, 1996).

3.6 Data Analysis

Analysis of data was done using SPSS Version 22. In order to find out the relationship between variables, the researcher conducted correlation analysis. Descriptive statistics, for example, mean and standard deviation was likewise be utilized to depict variable attributes. Regression analysis was utilized to establish the connection between CRS and board diversity of the banks.

The model of analysis took the following form:

$CSR = \beta o + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \boldsymbol{\varepsilon}$ Where:

CSR = Measured by disclosure of the firms' CSR activities in 6 areas (Community, Corporate governance, Employee Relations, Environment, Human Rights and Product Related). Each activity is assigned a value of 1, otherwise zero and fraction found.

X_1 = Number of bank branches, which represents the size of the bank

X_2 = Percentage of shares held by unknown shareholders

X_3 = Number of members on board, which indicates board size

X_4 **=** Total bank deposit

X_5 = Number of independent directors on board

X_6 = Number of female directors on board as a fraction of total board number.

3.6.1 Test of Significance

The significance of the study was tested using T-test and Analysis of Variance (ANOVA) model. The underlying benefits of this model are that both models are simple and convenient to carry out and interpret and again even with small sample you can easily find the significance level. The level of statistical significance used was 0.05 which means the confidence level was 95% because it was statistically significant for this study.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This section presents the research findings on the study on the effect that board diversity has on CRS of commercial banks in Kenya. Analysis of secondary data commenced by undertaking a descriptive analysis of the study variables aimed at obtaining the general profile of the data. In addition, appropriate regression diagnostic checks were undertaken on the data so as to determine its suitability for further statistical analysis. Further, an estimation of the regression models specified in section 3.5 was undertaken and interpretation of the results performed using the inferential statistics.

4.2 Response Rate

Out of 41 commercial banks, data was collected on a sample of 33 commercial banks for the period ranging from 2013 to 2017, accounting for a response rate of 80.49%. Mugenda and Mugenda (2013) noted that over 50% responses rate is satisfactory for examination while over 70% is regarded as excellent. The response rate was thus regarded as excellent and was considered appropriate for the study

4.3 Descriptive Statistics

This part seeks to observe and describe the common description of the data in relation to its distribution. The exact elements observed included measures of central tendency, that is, average; variability, for example standard deviation, minimum and maximum; Descriptive data analysis was performed on the: Expenditure in CSR (Shs)-CSR Disclosure/Non-disclosure, Number of bank branches, % of Shares held by Unknown shareholders, Number of board members, Number of female directors, Number of

Independent directors-non executive, Total bank deposits (Shs.000) as well as Total Assets (Shs.000). The descriptive statistics results are tabulated below

Table 4.1: Expenditure in CSR (Shs)-CSR Disclosure/Non-disclosure

	N	Minimum	Maximum	Mean	Std. Deviation
2013	33	.00	1.00	.2424	.43519
2014	33	.00	1.00	.2424	.43519
2015	33	.00	1.00	.2424	.43519
2016	33	.00	1.00	.2424	.43519
2017	33	.00	1.00	.2424	.43519

The findings as shown in Table 4.1 explains the distribution of disclosure of the organisation' CSR activities values over a period of five years. The finding shows that the disclosure of the firms' CSR activities have not changed across the five years period among the commercial banks in Kenya.

Table 4.2: Number of bank branches

	N	Minimum	Maximum	Mean	Std. Deviation
2013	33	2.00	186.00	33.9394	46.19993
2014	33	3.00	208.00	36.8485	51.80138
2015	33	3.00	242.00	40.2727	57.09711
2016	33	4.00	198.00	42.0606	47.73491
2017	33	4.00	202.00	40.8485	48.89601

Based on the findings, it can be noted that the total value number of bank branches averages in an year for the commercial banks in Kenya rose from 186 in 2013 to 202 in year 2017. It is also evident that the banks had different number of bank branches as the standard deviation is high depicting high variability. There is a large gap between the maximum and minimum value of the number of bank branches, which means that there is high variability of value of the number of bank branches.

Table 4.3: % of Shares held by Unknown shareholders

	N	Minimum	Maximum	Mean	Std. Deviation
2013	33	.00	20.60	4.3909	5.38918
2014	33	.00	20.60	4.3839	5.40704
2015	33	.00	22.50	4.1894	5.44092
2016	33	.00	22.34	4.1973	5.48333
2017	33	.00	22.34	3.9261	5.31601

The findings as shown in Table 4.3 shows the % of Shares held by Unknown shareholders over a period of five years. The finding shows a downward pattern % of Shares held by Unknown shareholders at commercial banks in Kenya over the five-year period with the lowest value for % of Shares held by Unknown shareholders being 3.9261 in year 2017 while the highest was 4.3909 in 2013. On the other hand, low scores of standard deviation indicate low variation in % of Shares held by Unknown shareholders for the various commercial banks in Kenya statistically.

Table 4.4: Number of board members

	N	Minimum	Maximum	Mean	Std. Deviation
2013	33	4.00	12.00	8.2424	2.16550
2014	33	4.00	12.00	8.2636	1.99716
2015	33	4.00	12.00	8.2727	1.85864
2016	33	4.00	12.00	8.3333	1.93111
2017	33	4.00	12.00	8.3030	1.89547

Table 4.4 presents the findings on the number of board members for the commercial banks in Kenya for the years 2013-2017. The means portray a steady increase in the Number of board members with the lowest being 8.2424 in the year 2013 and the

highest being 8.3030 in 2017. Additionally, the standard deviation figures are low for total value of the Number of board members, indicating that the data points are spread out over a small range of values, meaning that there is low level of variability in the data. There is a small gap between the maximum and minimum total value from the Number of board members, which means that there is low variability of total value of the Number of board members in the commercial banks in Kenya.

Table 4.5: Number of female directors

	N	Minimum	Maximum	Mean	Std. Deviation
2013	33	.00	3.00	1.3333	1.02062
2014	33	.00	5.00	1.4848	1.14895
2015	33	.00	3.00	1.4545	1.00284
2016	33	.00	4.00	1.4848	1.06423
2017	33	.00	4.00	1.5758	1.11888

Table 4.4 presents the findings on the number of female directors for the commercial banks in Kenya for the years 2013-2017. The means portray a steady increase in the number of female directors with the lowest being 1.3333 in the year 2013 and the highest being 1.5758 in 2017. Additionally, the standard deviation figures are low for number of female directors, indicating that the data points are spread out over a small range of values, meaning that there is low level of variability in the data. There is a small gap between the maximum and minimum total value of the number of female directors, which means that there is low variability of number of female directors in the commercial banks in Kenya.

Table 4.6: Number of Independent directors

	N	Minimum	Maximum	Mean	Std. Deviation
2013	33	3.00	11.00	7.0000	2.34521
2014	33	3.00	11.00	7.1212	2.20451
2015	33	3.00	11.00	7.0303	2.05373
2016	33	3.00	11.00	7.0909	2.14131
2017	33	3.00	11.00	7.0606	2.10564

From the findings, there is much variation in the number of independent directors of the commercial banks in Kenya. The results indicate a variations of the number of independent directors averages among the commercial banks in Kenya within the five year period, where the highest number of independent directors is noted in the year 2012 at 7.1212 where the lowest is portrayed in the year 2013 which stood at the average of 7.0000. The stardard deviations also shows high variation. There is a wide gap between the maximum and minimum number of independent directors, which means that there is high variability of number of independent directors position and thus some banks had higher number of independent directors position while others had lower.

Table 4.7: Total bank deposits (Shs.000)

	N	Minimum	Maximum	Mean	Std. Deviation
2013	33	2570260.00	350501996.00	64104460.9394	81375046.11043
2014	33	3576275.00	285483276.00	61814417.2424	71602238.06003
2015	33	4199439.00	362461125.00	72541838.8182	87083736.02535
2016	33	3325185.00	392233916.00	77649184.8788	98328942.42093
2017	33	2570260.00	499549000.00	88002719.6364	119243581.72108

Table 4.5 presents the findings on the descriptive statistics for the total bank deposits which for the commercial banks in Kenya for the years 2013-2017. The means portray a steady increase in the bank deposits with the lowest being 61,814,417,242.4 in the year 2014 and the highest being 88,002,719,636.4 in 2017. Additionally, the standard deviation figures are high for total value of the bank deposits, indicating that the data points are spread out over a wide range of values, meaning that there is high level of variability in the data. There is a high gap between the maximum and minimum total value from the bank deposits, which means that there is high variability of total value of the bank deposits in the commercial banks in Kenya.

Table 4.8: Total Assets (Shs.000)

	N	Minimum	Maximum	Mean	Std. Deviation
2013	33	3710000.00	323312000.00	72825090.9091	86822608.60418
2014	33	4756000.00	376969000.00	85474303.0303	99953585.34605
2015	33	5676000.00	467741000.00	98407909.0909	119200695.55648
2016	33	5233000.00	595240000.00	109873515.1515	145839967.11681
2017	33	5121000.00	666668000.00	120661696.9697	162124317.96743

Table 4.5 presents the findings on the descriptive statistics for the total assets which was measured by the natural logarithm of the total assets for the commercial banks in Kenya. The means portray a steady increase in the total assets with the lowest being 72825090.9091in the year 2013 and the highest being 120661,696,969 in 2017. Additionally, the standard deviation figures are high for value of the total assets, indicating that the data points are spread out over a wide range of values, meaning that there is high level of variability in the data. There is a high gap between the maximum

and minimum value from the total assets, which means that there is high variability of value of the total assets in the commercial banks in Kenya.

4.4 Diagnostic Tests

Since the data collected was over a time period of 5 years, there was a need to conduct diagnostic tests to establish whether it was free from multicollinearity and Autocorrelation before it was used to run a regression model. A variance inflation factor method was used to test for multicollinearity while Durbin Watson was used to test for Autocorrelation.

4.4.1 Normality Tests

The use of inferential parametric statistical procedures requires that the assumptions of such normality tests be tested. This is to help the graphical tests that will be performed on the normality of the data to verify the asymmetry and the kurtosis coefficients. This test helps confirm if the data follow a normal distribution or not. If normality is not achieved, the results may not represent the true image relationship between the variables. In this study, normality was tested using the Kolmogorov-Smirnov test and the Shapiro-Wilk test. The Shapiro-Wilk test is more appropriate for small samples (<50 samples), but it can also handle samples of sizes up to 2000. For this reason, this study used the Shapiro-Wilk test as a numerical means to evaluate the normal. If the value of the Shapiro-Wilk test is greater than 0.05, (test statistic P), the data is normal. If it is less than 0.05, the data deviates significantly from a normal distribution.

Table 4.9: Shapiro-Wilk Test of Normality

Variables	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Number of bank branches	.288	250	.331	.747	250	.401
Percentage of shares held by unknown shareholders	.364	250	.331	.656	250	.401
Number of members on board	.309	250	.331	.742	250	.401
Total bank deposit	.329	250	.331	.703	250	.401
Number of independent directors on board	.285	250	.331	.678	250	.401
Number of female directors on board	.316	250	.331	.632	250	.401
CSR	.349	250	.331	.616	250	.401

The outcomes show that the enormous values for the Shapiro-Wilk exams were zero.401 for the number of bank branches, the percentage of shares of unknown shareholders, the number of contributors on board, the whole financial institution deposit, the variety of independent directors on board, the quantity of ladies' directors on board and RSC each. For the Kolmogorov-Smirnov tests, the sizable values have been 0.331 for the quantity of bank branches, the percentage of unknown shareholders, the range of members on board, the full bank deposit, the variety of impartial directors on board, the variety of women managers in Board and CSR every. This means that, because the p-value is greater than the chosen alpha stage of 0.05, we can't reject the hypothesis on the premise that the records come from a normally dispensed population. The effects of the assessments are therefore of a commonly disbursed populace.

4.4.2 Multicollinearity Test

Multicollinearity inflates the standard errors and gives spurious results hence it is essential to test for presence of multicollinearity before running an ordinary least square regression model. This research used a VIF (variance inflation factor) method to test the multicollinearity of the study variables. The finding indicated that in Table 4.10 there was no multicollinearity, since all the VIF values were less than 10. This is the use of OLS to estimate the effect that the diversity commission has on the social responsibility of the banks business in Kenya justified.

commercial banks in Kenya was justified.

Table 4.10: Variance Inflation Factor Test of Multicollinearity

	Mean	Std. Deviation
Number of bank branches	.2424	.43519
Percentage of shares held by unknown shareholders	.2424	.43519
Number of members on board	.2424	.43519
Total bank deposit	.2424	.43519
Number of independent directors on board	.2424	.43519
Number of female directors on board	.2424	.43519
CSR	.2424	.43519

4.4.3 Test of Serial Correlation

One of the hypotheses of the classical linear regression model is that error term of the regression model need not be correlated over time. There was hence a need to establish whether the error terms were correlated over time and hence Durbin-Watson test was adopted to establish the presence of autocorrelation. A value of 2 reveals the absence of autocorrelation, a value of less than 2 reveals a positive autocorrelation, while a value greater than 2 reveals the presence of a negative autocorrelation. The results in Table 4.11 revealed that the DW statistic was approximately 2, so there were no autocorrelation problems. The study adopted here has adopted an ordinary minimum square regression model.

Table 4.11: Durbin Watson Test of Autocorrelation

Test	Statistic
Durbin Watson	1.998

Source: Research Findings

4.5 Correlation Analysis

Table 4.12: Correlation Matrix

	CSR	Number of bank branches	Percentage of shares held by unknown shareholders	Number of board members	Total bank deposit	Number of independent directors on board	Number of female directors
CSR ®	1						
Number of bank branches	0.773	1					
Percentage of shares held by unknown shareholders	-0.463	-0.316	1				
Number of board members	0.618	0.163	0.216	1			
Total bank deposit	0.652	0.161	0.233	0.462	1		
Number of independent directors on board	0.216	0.135	0.089	0.123	1.523	1	
Number of female directors	0.523	.253	.123	.235	.098	.632	1

The correlation outline shown in Table four.12 indicates that the associations between the independent variables were important with a confidence level of ninety fifth and had sturdy relationships with the variable quantity. This suggests that the correlations of the interrelations between the independent variables were sturdy enough to influence the link with the variable quantity. The results of the Pearson parametric statistic indicate that there's a major strong relationship between the CSR and also the variety of bank branches (rho = zero.773). Therefore, it may be understood that a rise in variety of bank branches is related to augmented CSR. Secondary information showed that there's a weak negative important relationship between CSR and share of shares control by unknown shareholders (rho=-0.463). Thirdly, the findings showed that there's a robust positive important relationship between variety of board members and CSR (rho=0.618). Fourthly, there was a major positive relationship between Total monetary fund and CSR (rho=-0.652). Additionally, there was a strong relationship between variety of freelance administrators on board and CSR (rho=0.216). Finally, there was a major positive relationship between variety of feminine administrators and CSR (rho=-0.652)

4.6 Regression Analysis

The constant of determination explains to what extent the changes within the variable may be explained by the variation of the variables or the share of variance within the variable quantity (CSR) explained by the 5 freelance variables (number of bank branches, share of shares control of unknown shareholders, variety of board members, total fund, variety of freelance administrators on board and variety of feminine directors).

Table 4.13: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.804053	0.646501	0.616543	1.035581

Dependent Variable: CSR

Predictors: (Constant), Number of bank branches, Percentage of shares held by unknown shareholders, Number of board members, Total bank deposit, Number of independent directors on board and Number of female directors

Table 4.13 explain the strength of the link between CSR and independent variables. From the coefficients of determination, it is ascertained that there's a powerful relationship between the dependent and freelance variables, given a R2 worth of zero.646501 and adjusted to zero.616543. This shows that the freelance variables (number of bank branches, share of shares command by unknown shareholders, variety of board members, total monetary fund, variety of freelance administrators on board and variety of feminine directors) accounts for sixty one.6% of the variations in industrial banks CSR.

Table 4.14: ANOVA of the Regression

	Sum of Squares	**df**	**Mean Square**	**F**	**Sig.**
Regression	148.7258	6	24.71264	21.58054	0.00003
Residual	29.7735	26	1.145136		
Total	**178.0493**	**32**			

The summary of the model also signifies that the regression model significantly expects the dependent variable. The F test indicates the statistical significance of the regression model that was performed. P = 0.00003, which is less than 0.05, indicates that, in general, the regression model predicts statistically and considerably the outcome variable that fits well with the data.

	Un-standardized Coefficients		**Standardized Coefficients**	**t**	**Sig.**
	B	**Std. Error**	**Beta**		
(Constant)	3.77	0.451		8.3592	0.004
Number of bank branches	0.782	0.121	0.146	6.4628	0.003
Percentage of shares held by unknown shareholders	-0.463	-0.079	0.126	-5.8607	0.001
Number of board members	0.473	0.073	0.045	6.4794	0.005
Total bank deposit	0.532	0.073	0.142	7.2876	0.004
Number of independent directors on board	0.212	0.079	0.126	2.6835	0.009
number of female director	0.593	1.051	0.311	0.5651	0.023
a. Dependent Variable: CSR					

$$CSR = 3.77 + 0.782X_1 + 0.463X_2 + 0.473X_3 + 0.532X_4 + 0.212\ X_5 + 0.593X_6 + \boldsymbol{\varepsilon}$$

From the finding in Table four.10, the study found that the amount of bank branches command, the proportion of shares owned by unknown shareholders, the amount of board members, the full fund, the number of freelance administrators on board, the number of feminine administrators in business banks of zero CSR are going to be three.77. it absolutely was established that one unit enhanced the amount of bank branches, taking different factors (Percentage of shares command by unknown shareholders, range of board members, total fund, range of freelance board members on board and range of ladies' managers) constant, can end in a rise within the CSR of zero.782 (p = 0.003). Additionally, the unit proportion increase in shares command by unknown shareholders, taking under consideration different factors (number of bank branches, range of board members, total fund, range of freelance board members on board and range of feminine managers) are going to be constant and decrease within the CSR of zero.463 (p = 0.001). a rise within the range of members of the board of administrators, whereas maintaining different factors (number of bank branches, proportion of shares of unknown shareholders, constant bank, range of independent directors on board and range of feminine executives), can cause a rise within the CSR of zero.473 (p = 0.005). One unit Increase the full fund, maintaining different factors (number of bank branches, proportion of shares of unknown shareholders, range of board members, total fund, range of independent directors on board and range of feminine managers) constant, can cause a rise in depository financial institution CSR of zero.532 (p = 0.023)

In addition, growth within the variety of independent directors on board, keeping different factors constant (number of bank branches, proportion of shares of unknown shareholders, variety of board members, total bank deposits and variety of managers), can cause a rise within the CSR of zero.212 (p = 0.0009). additionally, a growing variety of feminine directors, that takes different factors (number of bank branches, proportion of shares control by unknown shareholders, variety of members, total monetary fund and variety of independent directors on board), can cause a rise in CSR from zero.593 (p = 0.0009). This deducts the proportion of shares control by unknown shareholders. Contributes to business banks and CSR followed by the amount of bank branches. grade of importance of fifty and grade of confidence of ninety fifth, variety of bank branches, proportion of shares control by unknown shareholders, variety of board members, total variety of bank depositors, independent directors on board and therefore the variety of Management vital lady in CSR

4.7 Interpretation of the Findings

The study recognized that there is a strong relationship between CSR and number of bank branches. Therefore, it can be implied that an increase in number of bank branches is connected with increased CSR. In line with the study findings, Siregar and Bachtiar (2010) recommend that bigger organizations attempt more corporate social responsibilities ventures since they have a tendency to get more consideration from the overall population and are in this way under more prominent strain to display social responsibility. Porwal and Sharma's (2011) pondering among the Indian firms found that bigger firms in both the private and public sectors made more prominent CSRs investments than smaller firms. He ascribed this to the way that bigger firms have more investors who are concerned with the social projects embraced by the organization and that bigger firms have more noteworthy perceivability in supply chain administration. Additionally, Crisóstomo et al. (2011) feature that; bigger firms have a more prominent need to legitimize their activities and cut-off administrative obstruction in their business exercises by ploughing back a portion of the profits to the general public. In a similar line bigger firms instead of smaller ones have cash flows and a better infrastructure available to them, which can be diverted to social support exercises.

A weak negative significant relationship between CSR and percentage of shares held by unknown shareholders was established. The findings showed that there is a strong positive significant relationship between number of board members and CSR. The study exposed a significant positive relationship between total bank deposit and CSR. In tandem with the study findings, Elkington (2012) observed that corporate boards are presently seen as important constituent to determining an organization CSR. Elkington (2012) emphasizes that external directors tend to be more sensitive to the needs of society and are more worried with the ethical aspects of society than managers. The other argument is that the independent members of the board are more interested in compliance with the regulations and the responsible behavior of the entity as they do so, they improve their reputation and the image of the organization is vital for the directors who are independent because it gives them more opportunities to be selected for other advice (Lorenzo, 2009). Most of these studies that link the tab and CSR seem to confirm the positive relationship between them.

Diversity of board is considered to have valuable impact to a firm in light of the fact that outside flow, for example, institutional financial specialists, may oblige organizations to embrace diversity strategies and that diversity is a strategy that is desired by clients and different stakeholders for whom it is an exhibition of administration affectability to stakeholders' concerns, goals, and aspirations (Mcnulty, Zattoni & Douglas, 2013).

Finally, there was a vital positive relationship between number of female directors and CSR. Similar to the study findings, Kiliç Kuzey, and Uyar (2015) found out that as a result of upward progress of female numbers in the board, CSR reporting activities of the banks increases. In this way, the gender diversity of the boardroom composition is a determinant of CSR reporting by banks in Turkey.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This study investigated the effects of board diversity on financial performance of commercial banks in Kenya. The study conclusions demonstrate statistically substantial positive relationship exists between financial performance (CSR) and executives' age, average period of experience, gender and education level.

5.2 Summary

The aim of this research was to investigate the impact that the diversity committee has on the social responsibility of commercial banks in Kenya. The study considered the corporate responsibility of the bank's companies as a dependent variable, while the proportion of shares held by unknown shareholders, board members, directors and independent directors as independent variables, while deposits and bank size they were incorporated as control variables.

The study revealed that there is a significant strong relationship between CSR and the number of bank branches (rho = 0.773). Therefore, it can be implied that an increase in the number of bank branches is linked with an increase in corporate social responsibility. Secondary, CSR and percentage of shares held by unknown shareholders (rho = -0.463). Third, the results showed that there is a strong positive relationship between the number of board members and CSR (rho = 0.618). Fourth, there was a significant positive relationship between the total bank deposit and the CSR (rho = -0.652). In addition, there was a significant positive relationship between the number of independent directors on board and CSR (rho = 0.216). Finally, there was a strong relationship between the number of women directors and CSR (rho = -0.652)

5.3 Conclusions

The research concludes that there is a strong positive relationship between CSR and the number of bank branches. Therefore, an increase in the number of bank branches is associated with the increase in CSR. The study also concludes that there is a weak and significant negative relationship between CSR and the percentage of shares of unknown shareholders and, therefore, an increase in the percentage of shares of unknown shareholders is associated with a reduction in CSR. In addition, the study concludes that there is a strong positive relationship between the number of board members and CSR and also between total bank deposit and corporate social responsibility. In addition, there was a positive relationship between the number of independent directors in CSR and between the number of directors and CSRs.

The study also concludes that the percentage of shares held by unknown persons contributes more to commercial CSR banks, followed by the number of bank branches. A level of importance of 5% and a level of confidence of 95%, number of bank branches, percentage of shares held by unknown shareholders, number of board members, total number of bank depositors, independent directors on board and the number of Management Significant woman in CSR.

5.4 Recommendations

On the premise of these study findings, the subsequent recommendations are being made; Commercial Banks should have a suitable and diverse board size designed so as to guarantee diversity of experience without conceding independence, accountability, compatibility, more knowledge, integrity and enthusiasm of members to attend meetings. The size of the board should not be too large and should be composed of qualified experts who are familiar with the oversight function.

Commercial banks should also attempt to incorporate more women members as it was proved to translate to more returns in terms of bank financial performance. It's therefore important that the right mix of both genders to be put in place in order to enhance excellent performance in the Commercial Banks in Kenya

The number of independent and non-executive directors should be selected with great care as they affect commercial banks with financial services. The board of directors should be composed of well-trained and experienced professionals, since they actively participate in the modelling of the decisions of financial institutions.

5.5 Limitations

This study faced that challenge of getting 100% of the required data from, 2013 to 2017. Most board and financial information for the five years 2013, 2014, 2015, 2016 and 2017 for some Banks was not available in the published accounts as well as the Central Bank of Kenya website. Some of the data that was presented in the annual financial reports had inconsistent figures in terms of age of the directors, professional experience and their level of education. Finally, there was a short timeline in conducting the research since it was survey involving all commercial banks in Kenya.

5.6 Suggestions for Further Research

This study carried out the impacts of board diversity on financial performance of commercial banks in Kenya. It may be valuable to progress this further utilizing other market-based performance factors, for instance, Tobin's Q and compare the relationship. It may also be valuable if the study was carried out in the other sectors in the economy such as the insurance and manufacturing sector so as to come up with a conclusive position on whether board diversity variables do affect the performance of firms.

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APPENDICES

Appendix I: Data Collection Form

Name of the Bank...

Year	2013	2014	2015	2016	2017
Expenditure in CSR (Shs)					
Number of bank branches					
% of Shares held by Unknown shareholders					
Number of board members					
Number of female directors					
Total bank deposits					
Total Assets					

Appendix II: Licensed Commercial Banks in Kenya

1. ABC Bank (Kenya)
2. Bank of Africa
3. Bank of Baroda
4. Bank of India
5. Barclays Bank of Kenya
6. CFC Stanbic Holdings
7. Citibank
8. Commercial Bank of Africa
9. Consolidated Bank of Kenya
10. Cooperative Bank of Kenya
11. Credit Bank
12. Development Bank of Kenya
13. DIB Bank
14. Diamond Trust Bank
15. Ecobank Kenya
16. Equity Bank
17. Family Bank
18. Fidelity Commercial Bank Limited
19. First Community Bank
20. Giro Commercial Bank
21. Guaranty Trust Bank Kenya
22. Guardian Bank
23. Gulf African Bank

24. Habib Bank
25. Habib Bank AG Zurich
26. Housing Finance Company of Kenya
27. I&M Bank
28. Jamii Bora Bank
29. Kenya Commercial Bank
30. Middle East Bank Kenya
31. National Bank of Kenya
32. NIC Bank
33. Oriental Commercial Bank
34. Paramount Universal Bank
35. Prime Bank (Kenya)
36. Sidian Bank
37. Spire Bank
38. Standard Chartered Kenya
39. Trans National Bank Kenya
40. United Bank for Africa
41. Victoria Commercial Bank

Source: Central Bank of Kenya (CBK) report 2017

Appendix III: Expenditure in CSR (Shs)-CSR Disclosure/Non-disclosure

	2013	2014	2015	2016	2017
ABC bank	0	0	0	0	0
Bank of baroda	0	0	0	0	0
Barclays bank of kenya	1	1	1	1	1
Bank of africa	0	0	0	0	0
Commercial bank of africa	0	0	0	0	0
CFC stanbic	0	0	0	0	0
Consolidated bank of kenya	0	0	0	0	0
Co-operative bank of kenya	1	1	1	1	1
Credit bank	1	1	1	1	1
Diamond trust bank	1	1	1	1	1
ECO bank	0	0	0	0	0
Equity bank	1	1	1	1	1
Family bank	1	1	1	1	1
First community bank	0	0	0	0	0
Guaranty trust bank	0	0	0	0	0
Guardian bank	0	0	0	0	0
Gulf african bank	0	0	0	0	0
Habib bank ag zurich	0	0	0	0	0
I& M bank	1	1	1	1	1
Jamii bora bank	0	0	0	0	0
Kenya commercial bank	1	1	1	1	1
K-rep/sidian bank	0	0	0	0	0
Middle east bank	0	0	0	0	0
Oriental commercial bank	0	0	0	0	0
National bank of kenya	0	0	0	0	0
NIC bank	0	0	0	0	0
Paramount universal bank	0	0	0	0	0
Prime bank	0	0	0	0	0
Standard chartered bank	0	0	0	0	0
Spire bank	0	0	0	0	0
Transnational bank of kenya	0	0	0	0	0
United bank of africa	0	0	0	0	0
Victoria commercial bank	0	0	0	0	0

Appendix IV: Number of bank branches

	2013	2014	2015	2016	2017
ABC bank	10	10	11	13	12
Bank of baroda	10	10	11	14	13
Barclays bank of kenya	106	119	119	108	95
Bank of africa	26	27	31	45	39
Commercial bank of africa	21	23	23	35	37
CFC stanbic	22	22	24	27	26
Consolidated bank of kenya	6	11	17	18	17
Co-operative bank of kenya	114	127	142	142	145
Credit bank	7	7	11	18	17
Diamond trust bank	44	48	50	63	61
ECO bank	22	23	27	31	21
Equity bank	186	208	208	164	171
Family bank	70	70	70	91	92
First community bank	17	17	17	18	19
Guaranty trust bank	14	14	15	16	9
Guardian bank	8	8	9	11	9
Gulf african bank	13	13	16	19	17
Habib bank ag zurich	5	5	5	6	6
I& M bank	24	27	29	45	42
Jamii bora bank	13	13	21	27	27
Kenya commercial bank	173	195	242	198	202
K-rep/sidian bank	36	33	24	39	40
Middle east bank	4	4	4	5	4
Oriental commercial bank	6	6	9	9	6
National bank of kenya	56	62	71	73	73
NIC bank	20	23	27	35	34
Paramount universal bank	4	4	6	8	7
Prime bank	15	15	18	20	19
Standard chartered bank	37	38	39	42	40
Spire bank	10	13	13	14	14
Transnational bank of Kenya	16	15	13	26	26
United bank of Africa	3	3	4	4	4
Victoria commercial bank	2	3	3	4	4

Appendix V: % of Shares held by Unknown shareholders

	2013	2014	2015	2016	2017
ABC bank	0	0	0	0	0
Bank of Baroda	0	0	0	0	0
Barclays bank of Kenya	0.02	0.02	0.01	0.01	0.01
Bank of Africa	0	0	0	0	0
Commercial bank of Africa	5.37	5.37	5.37	5.37	5.37
CFC Stanbic	1.04	0.93	0.93	0.93	0.93
Consolidated bank of Kenya	11	12	10	10	10
Co-operative bank of Kenya	2.84	2.76	2.69	2.64	2.58
Credit bank	0	0	0	0	0
Diamond trust bank	13.9	13.47	12.04	11.73	10.84
ECO bank	0	0	0	0	0
Equity bank	4.17	4.16	3.79	3.79	2.03
Family bank	9.97	9.97	9.97	8.94	6.3
First community bank	0	0	0	0	0
Guaranty trust bank	0	0	0	0	0
Guardian bank	0	0	0	0	0
Gulf African bank	5.3	5.3	5.3	5.3	5.3
Habib bank ag zurich	0	0	0	0	0
I& M bank	2.43	2.43	2.43	2.43	2.43
Jamii bora bank	0	0	0	0	0
Kenya commercial bank	17.55	17.41	17.31	17.31	17.53
K-rep/Sidian bank	5.82	5.82	3.72	3.72	3.72
Middle east bank	4.48	4.48	4.48	4.48	4.48
Oriental commercial bank	7.68	6.51	4.32	4.11	3.68
National bank of Kenya	20.6	20.6	22.5	22.34	22.34
NIC bank	4.29	3.84	3.35	3.01	2.58
Paramount universal bank	0	0	0	0	0
Prime bank	2.16	2.02	2	2	2
Standard chartered bank	4.23	4.33	4.15	4.46	4.63
Spire bank	10.13	10.13	10.13	8.12	6.75
Transnational bank of Kenya	4.79	4.79	4.8	4.8	4.8
United bank of Africa	0	0	0	0	0
Victoria commercial bank	7.13	8.33	8.96	13.02	11.26

Appendix VI: Number of board members

	2013	2014	2015	2016	2017
ABC bank	6	7	7	7	7
Bank of Baroda	6	6	6	6	6
Barclays bank of Kenya	7	10	8	10	10
Bank of Africa	11	9	9	9	9
Commercial bank of Africa	10	10	10	10	10
CFC stanbic	11	12	10	10	10
Consolidated bank of Kenya	9	9	9	9	9
Co-operative bank of Kenya	12	12	12	12	12
Credit bank	9	9	9	9	9
Diamond trust bank	10	10	10	11	11
ECO bank	6	6	6	6	6
Equity bank	12	10	10	9	10
Family bank	10	10	10	10	7
First community bank	4	4	4	4	4
Guaranty trust bank	9	9	9	9	9
Guardian bank	8	8	8	8	8
Gulf African bank	7	7	7	7	7
Habib bank Ag Zurich	7	7	7	7	7
I& M bank	7	6	7	7	7
Jamii Bora bank	10	10	10	10	10
Kenya commercial bank	11	11	11	11	11
K-rep/sidian bank	7	7	7	7	7
Middle east bank	6	6	6	6	6
Oriental commercial bank	7	7	7	7	7
National bank of Kenya	10	9	9	8	9
NIC bank	11	12	12	11	11
Paramount universal bank	5	6	6	6	6
Prime bank	9	9	9	9	9
Standard chartered bank	9	8	8	11	10
Spire bank	5	9	9	9	9
Transnational bank of Kenya	7	7	7	7	8
United bank of Africa	7	7	7	7	7
Victoria commercial bank	7	7	7	6	6

Appendix VII: Number of female directors

	2013	**2014**	**2015**	**2016**	**2017**
ABC bank	0	0	0	0	0
Bank of Baroda	1	1	1	1	1
Barclays bank of Kenya	2	5	3	4	4
Bank of Africa	3	2	2	2	2
Commercial bank of Africa	2	2	2	2	2
CFC stanbic	3	3	3	3	3
Consolidated bank of Kenya	3	3	3	3	3
Co-operative bank of Kenya	1	1	1	1	1
Credit bank	2	2	2	2	3
Diamond trust bank	2	2	2	2	2
ECO bank	1	1	1	1	1
Equity bank	2	2	2	2	3
Family bank	1	1	1	1	1
First community bank	0	0	0	0	0
Guaranty trust bank	1	1	2	2	2
Guardian bank	0	0	0	0	0
Gulf African bank	0	0	0	0	0
Habib bank Ag Zurich	1	1	1	1	1
I& M bank	1	1	1	1	1
Jamii bora bank	2	2	2	2	2
Kenya commercial bank	3	3	3	3	3
K-rep/sidian bank	2	2	2	2	2
Middle east bank	1	1	1	1	1
Oriental commercial bank	0	0	0	0	0
National bank of Kenya	2	1	1	1	1
NIC bank	1	2	2	2	2
Paramount universal bank	1	2	2	2	2
Prime bank	0	0	0	0	0
Standard chartered bank	3	3	3	3	3
Spire bank	0	2	2	2	2
Transnational bank of Kenya	1	1	1	1	2
United bank of Africa	2	2	2	2	2
Victoria commercial bank	0	0	0	0	0

Appendix VIII: Number of Independent directors-non executive

	2013	2014	2015	2016	2017
ABC bank	5	6	6	6	6
Bank of Baroda	5	5	5	5	5
Barclays bank of Kenya	6	9	7	9	9
Bank of Africa	10	8	8	8	8
Commercial bank of Africa	9	9	9	9	9
CFC stanbic	10	11	9	9	9
Consolidated bank of Kenya	8	8	8	8	8
Co-operative bank of Kenya	11	11	11	11	11
Credit bank	8	8	8	8	8
Diamond trust bank	9	9	9	10	10
ECO bank	4	4	4	4	4
Equity bank	11	9	9	8	9
Family bank	9	9	9	9	6
First community bank	3	3	3	3	3
Guaranty trust bank	8	8	8	8	8
Guardian bank	6	6	6	6	6
Gulf African bank	6	6	6	6	6
Habib bank Ag Zurich	5	5	5	5	5
I& M bank	5	4	5	5	5
Jamii Bora bank	9	9	9	9	9
Kenya commercial bank	10	10	10	10	10
K-rep/sidian bank	6	6	6	6	6
Middle east bank	5	5	5	5	5
Oriental commercial bank	5	5	5	5	5
National bank of Kenya	9	8	8	7	8
NIC bank	10	11	11	10	10
Paramount universal bank	3	4	4	4	4
Prime bank	7	7	7	7	7
Standard chartered bank	8	7	7	10	9
Spire bank	4	8	8	8	8
Transnational bank of Kenya	6	6	6	6	7
United bank of Africa	6	6	6	6	6
Victoria commercial bank	5	5	5	4	4

Appendix IX: Total bank deposits (Shs.000)

	2013	2014	2015	2016	2017
ABC bank	11,129,276	13,513,386	15,538,291	15,022,001	19,700,816
Bank of Baroda	73,004,885	51,719,539	56,525,563	67,773,582	73,004,885
Barclays bank of Kenya	155,860,160	164,899,855	165,545,892	181,711,456	200,638,484
Bank of Africa	38,237,845	42,297,265	47,503,459	34,499,881	31,572,432
Commercial bank of Africa	86,840,000	107,087,534	166,222,426	173,048,409	174,862,357
CFC stanbic	131,266,552	130,400,547	154,457,465	154,776,882	154,660,772
Consolidated bank of Kenya	12,977,300	11,175,461	10,271,521	9,583,061	8,485,713
Co-operative bank of Kenya	163,332,529	180,238,562	219,416,039	266,614,820	285,566,236
Credit bank	4,727,924	5,934,134	7,541,480	8,761,246	9,451,606
Diamond trust bank	88,406,529	103,769,725	134,378,110	185,747,127	190,468,570
ECO bank	25,350,566	32,413,989	34,478,949	32,242,985	34,824,257
Equity bank	158,745,100	202,683,895	237,174,857	277,279,861	373,143,000
Family bank	350,501,996	47,395,716	62,862,410	42,395,975	47,425,108
First community bank	8,832,862	9,932,242	12,360,230	12,655,460	14,773,906
Guaranty trust bank	18,987,037	21,038,147	17,631,477	16,679,827	15,140,730
Guardian bank	11,181,138	12,643,341	12,494,551	12,313,030	13,118,140
Gulf African bank	13,022,210	16,208,953	20,179,402	22,381,689	26,073,694
Habib bank Ag Zurich	8,355,534	8,947,876	10,116,241	12,622,943	14,939,300
I& M bank	76,607,498	100,341,198	107,576,157	120,588,827	147,582,171
Jamii Bora bank	3,531,482	8,754,519	11,635,816	8,247,342	5,382,621
Kenya commercial bank	242,729,399	285,483,276	362,461,125	392,233,916	499,549,000
K-rep/sidian bank	9,714,983	12,065,178	14,210,967	15,954,738	12,760,791
Middle east bank	4,522,281	4,632,220	4,199,439	3,996,055	4,106,055
Oriental commercial bank	5,442,009	6,231,436	6,217,683	6,936,717	7,432,707
National bank of Kenya	78,817,678	109,811,334	112,965,714	97,480,332	94,544,397
NIC bank	89,146,360	97,416,484	112,928,613	106,787,765	130,560,881
Paramount universal bank	6,736,193	8,984,255	8,751,622	7,719,236	7,725,963
Prime bank	43,010,943	46,761,910	53,745,475	51,056,824	57,283,242
Standard chartered bank	161,280,021	157,718,875	174,921,562	189,644,641	213,349,290
Spire bank	13,856,428	14,849,807	10,732,547	8,542,839	6,816,480
Transnational bank of Kenya	7,512,233	8,023,621	7,785,801	8,102,502	7,898,496
United bank of Africa	2,570,260	3,576,275	5,948,454	3,325,185	2,570,260
Victoria commercial bank	9,210,000	12,925,214	15,101,343	15,695,947	18,677,388

Appendix X: Total Assets (Shs.000)

	2013	2014	2015	2016	2017
ABC bank	19,640,000	21,439,000	22,058,000	22,422,000	24,804,000
Bank of Baroda	52,022,000	61,945,000	68,178,000	82,907,000	96,132,000
Barclays bank of Kenya	207,010,000	226,118,000	241,153,000	259,525,000	271,682,000
Bank of Africa	52,683,000	62,212,000	69,280,000	55,996,000	54,191,000
Commercial bank of Africa	145,998,000	197,463,000	215,625,000	226,534,000	229,525,000
CFC stanbic	170,726,000	171,347,000	198,578,000	214,683,000	248,739,000
Consolidated bank of Kenya	16,779,000	15,077,000	14,136,000	13,917,000	13,456,000
Co-operative bank of Kenya	228,874,000	282,689,000	339,550,000	349,998,000	382,830,000
Credit bank	7,309,000	8,865,000	10,287,000	12,238,000	14,511,000
Diamond trust bank	114,136,000	141,176,000	190,048,000	244,124,000	270,082,000
ECO bank	36,907,000	45,934,000	52,427,000	31,771,000	36,907,000
Equity bank	238,194,000	276,118,000	341,329,000	473,713,000	524,465,000
Family bank	43,501,000	61,812,000	81,190,000	69,432,000	69,050,000
First community bank	11,305,000	15,278,000	14,565,000	14,962,000	17,360,000
Guaranty trust bank	25,638,000	32,992,000	29,374,000	29,619,000	27,627,000
Guardian bank	12,835,000	14,571,000	14,609,000	14,705,000	15,803,000
Gulf African bank	16,054,000	19,754,000	24,714,000	27,149,000	31,316,000
Habib bank ag zurich	11,009,000	12,147,000	14,440,000	17,033,000	18,708,000
I& M bank	110,316,000	137,299,000	147,846,000	164,116,000	183,953,000
Jamii bora bank	7,010,000	13,116,000	16,702,000	15,724,000	12,851,000
Kenya commercial bank	323,312,000	376,969,000	467,741,000	595,240,000	666,668,000
K-rep/sidian bank	13,199,000	15,799,000	19,107,000	20,875,000	19,302,000
Middle east bank	5,766,000	5,937,000	5,676,000	5,233,000	5,121,000
Oriental commercial bank	7,007,000	7,858,000	8,496,000	9,920,000	10,577,000
National bank of Kenya	92,493,000	122,865,000	121,126,000	111,929,000	109,942,000
NIC bank	112,917,000	137,087,000	156,762,000	161,847,000	192,816,000
Paramount universal bank	8,029,000	10,402,000	10,528,000	9,426,000	9,541,000
Prime bank	49,461,000	54,918,000	65,001,000	65,335,000	76,438,000
Standard chartered bank	220,524,000	222,636,000	234,131,000	250,274,000	285,125,000
Spire bank	15,562,000	16,589,000	14,470,000	15,562,000	19,584,000
Transnational bank of Kenya	9,658,000	10,240,000	10,533,000	10,372,000	10,241,000
United bank of Africa	3,710,000	4,756,000	7,781,000	5,601,000	6,504,000
Victoria commercial bank	13,644,000	17,244,000	20,020,000	23,644,000	25,985,000