

**EFFECT OF FINANCIAL PERFORMANCE ON SHARE
RETURNS OF COMMERCIAL BANKS LISTED AT THE
NAIROBI SECURITIES EXCHANGE.**

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DECLARATION

I, the undersigned, declare that this is my original work and has not been presented to any institution or university other than the University of Nairobi for examination.

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DEDICATION

In honor of my family's continued support, I have dedicated this research effort to them. I do appreciate their sacrifices and prayers to me during the entire period of my study.

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LIST OF ABBREVIATIONS

ANOVA	Analysis of Variance
BSE	Bombay Stock Exchange
CAPM	Capital Asset Pricing Model
CBK	Central Bank of Kenya
CMA	Capital Markets Authority
DPS	Dividend Per Share
EPS	Earnings Per Share
KCB	Kenya Commercial Bank
NPL	Non- Performing Loans
NSE	Nairobi Securities Exchange
OLS	Ordinary Least Square
PLC	Public Limited Company
ROA	Return on Assets
ROE	Return on Equity
ROS	Return on Sales
SPSS	Statistical Package for Social Sciences
VIF	Variance Inflation Factors

ABSTRACT

Commercial banks in Kenya have reported a rise in their financial performance considerably. In the past ten years, the financial performance of banks listed at the Nairobi Securities Exchange(NSE) have been on the rise. However, when it comes to share prices and share returns, NSE has recorded stagnation in majority of the listed stocks including those for banks. This research sought to bring out the effect of financial performance on the stock returns among listed commercial banks at the NSE. Bank size, capital adequacy and liquidity were used as the control variables in the model. Descriptive research design was used. The target population was the 11 commercial banks listed at the NSE. Research variables data were derived from CBK, CMA and annual financial statements from 2016 to 2020 for all the 11 banks. Regression and correlation analysis were used to test the study hypotheses by establishing the relationship between financial performance and stock returns. The study found that financial performance ($\beta=0.113$, $p=0.000$), bank size ($\beta=0.414$, $p=0.000$) and capital adequacy ($\beta=0.106$, $p=0.008$) had a positive and significant effect on the stock returns among listed banks in Kenya. The study also found that liquidity ($\beta=0.010$, $p=0.812$) had no significant effect on the stock returns among listed banks in Kenya. The results also indicated R^2 of 0.593 which implied that the selected independent variables contributed 59.3% to variations in stock returns. The study recommends that managers of commercial banks should develop strategies aimed at enhancing financial performance as this contributes to stock returns. Policies and recommendations developed by CBK and others should make it easier for banks to provide their services. It is recommended that banks in Kenya should focus on increasing their asset base, since larger banks benefit from economies of scale and stronger structures that assist them improve their stock returns. The study further recommends that future studies should focus on other institutions listed at the NSE such as insurance and manufacturing for comparison purposes. Future research should also look into how financial performance affects other factors besides the stock returns, such as company value, efficiency and growth. The study's results are beneficial to bank managers and policy makers since it provides relevant information and suggestions that will help them make better choices that will enhance their bank's share returns. As a result, they are in a better position to develop suitable plans and practices for their institutions improved financial performance management.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Study into the link between a company's success and its return on equity has created a huge body of research and debate in the field of fundamental analysis. Wang, Fu and Luo (2013) believe that a business's financial success is one of the main drivers affecting the market value of the company; where a company produces adequate income in the present year than in the previous year, investors will be eager to purchase the business shares and the company stock price will rise. At the same time, as the business continually makes loses, risk averse investors holding such a company's stock will sell the stocks so as to avoid the loss while risk averse potential investors will avoid buying stock of such a company; this causes a fall in stock price.

The theory of information signaling, the theory of investment categorization, and the model for pricing capital assets(CAPM) were all used in the study. Information signaling theory by Ross (1977) is the anchor theory, which describes how a firm should notify prospective investors. Management's efforts to satisfy the owners' needs are outlined on this placard. Signaling theory suggests that investors should be informed about how they view the perspectives of the business. The Stein (1996) investment catering theory says that with short-term consumers, managers would opt to spend rationally in costly projects and avoid low prices, thus catering to sentiments, so that they may maximize the value of short-term stocks. Sharpe (1964) proposed the CAPM; it argues that the pricing of a risk-free asset and furthermore a risk premium is equivalent to the anticipated return on investment in stock.

This inquiry focused on Kenya's commercial banks. Banks, especially those on the stock market, have seen significant improvements in their financial performance in

recent years. This was the driving force for our choice to focus on banks. Many Kenyan companies, including banks, have seen minimal movement in their stock returns on the Nairobi Securities Exchange (NSE), with just a few reporting big increases (CBK, 2020). This financial performance necessitates a closer look at the stock returns of publicly listed organizations.

1.1.1 Financial Performance

Alamro, Al-Soub and Almajali (2012) define business results as when a firm is able to achieve financial goals, for example, profitability. It displays how well financial goals have been met (Nzuvu, 2016). Nasieku and Baba (2016) reports that financial results illustrate how a company uses assets to generate revenue, helping stakeholders make choices. The financial condition of a company is defined as its ability to produce income from its assets, according to current research.

Financial performance is vital to shareholders, investors, and, by extension, the entire economy. The return on investment is completely worthwhile to investors, and having a good firm can provide greater and long-term revenue to individuals who invest (Fatihudin & Mochklas, 2018). The financial health of a company is critical to its long-term viability and success. Successful operations, investments, and financial transactions show how efficiently and effectively a firm manages and controls its assets (Karajeh & Ibrahim, 2017).

Various methods of evaluating financial performance are used and should be harmonized. Asset returns (ROA), size of company, equity returns (ROE) and sales return (ROS) are factors recognized by Ngatia's financial performance (2012). Carter (2010) used Tobin's Q and ROA to gauge financial success, but Wang and Clift (2009) employed ROA and ROE. In terms of evaluating financial performance, ROA

and ROE are the most widely accepted methods. The ROA evaluates the company's profitability using its total assets, whereas the ROE examines the way a company is using shareholder's equity (Mwangi & Murigu, 2015). Financial success may be measured using market-based criteria including earnings per share, dividend yield, market to book equity value, and market capitalization, according to Baba and Nasiaku (2016). ROA was utilized as a financial performance parameter in this study since it is the most widely accepted measure (Fatihudin & Mochklas, 2018).

1.1.2 Share Returns

The expense or loss for a certain period, often as a percentage, is called the return on the share. It comprises cash advances and any revenue from the shares recognized by the shareholder (Mugambi & Okech, 2016). Share returns have alternatively been described as the advantages to an investor due to changes in dividends, incomes and share value (Aga, Mogadam & Samadiyan, 2013). Share returns may alternatively be described as the capital or wealth shift caused by investing (Saleh, 2015). Share returns are guidance to investors when selecting stocks. Financiers of various financial means can invest in stocks so long as they can make a profit bigger than their investment rate (Wang, 2012).

Share returns, as per Taofik and Omosola (2013), regulate the suitable market information accessibility as well as the stock efficiency as well as effectiveness in shares and stocks allocation. Share price alterations develops some level of investors' uncertainty, influencing stock supply as well as demand. Securities exchange markets respond to any signal that can be useful in future market expansion and shaping (Širucek, 2013). Companies with high share returns are successful and therefore contribute generally to economic growth (Aliyu, 2012). Unpredictable financial

advances have made both consumption and investment more challenging, therefore investment returns have become an important element of the overall business (Erdugan, 2012).

Stock market indexing for the purpose of estimating the value of a share. When a stock's price fluctuates, it reveals its performance. Strengthening stock index shows an outstanding market or industry such as stock price growth reflecting good stock performance and poor stock performance (Daferighe & Sunday, 2012). The Capital Asset Pricing Model (CAPM) is also extensively utilized in measuring share returns (Sobia, Arshad & Szabo, 2015). Predescu and Stancu (2011) calculated the change in the stock price plus any dividend paid in computing share returns.

1.1.3 Financial Performance and Share Return

Equity market pricing and returns are supposed to be influenced by a company's profitability and growth, at least theoretically (premium returns). By growing share prices in chosen enterprises, the owners' wealth may be maximized. Sales are a measure of the external value generated by the company due to fulfilling consumer requirements; companies that can surpass customer expectations tend to produce positive returns on sales that influence profitability. Profitability thus relies on sales and refers to the internal value that communicates favorable market information that produces positive external returns (Opiyo et al., 2014).

The link between stock volatility and sales growth has been studied extensively in recent years, with a number of research being published. The origin is attributed to Osborne (1959), who - in his key work - modified the model pricing by diffusion, which depended on the amount of transactions involved. With that, he started a lengthy study that took into account the potential connection between the volatility of

returns and business success. Other academicians such as Pandey (2005) stated that improving the wealth and profitability of shareholders is one of a firm's main goals. Azhagaiah and Priya (2008) points out that the shareholders' wealth is affected primarily by revenue growth, improved profit margins, choices on investment and capital structure decisions.

Kiymaza and Berument (2003) suggested that excessive volatility levels on the securities market might lead to low trading volumes mainly due to companies' refusal to invest. Profitability, ROE, and ROI will all be affected by this. According to Siopsis and Lyroudi (2007), market returns are increased by open markets, but price volatility is not. However, according to Shaharudin, Samad, and Bhat (2009), the increased pricing uncertainty led the firm to experience unexpected market stability fluctuations.

1.1.4 Commercial Banks in Kenya

There are 42 banks, 8 microfinance companies, 89 currency offices, and one mortgage company in the Kenyan government. The Nairobi Securities Exchange contains 11 financial businesses, according to the Cytonn (2020) banking report (see Appendix I). Three tiers of commercial banks are defined by the Kenyan Central Bank, which is responsible for supervising them. Tier 1 banks are large financial institutions with assets worth hundreds of billions of dollars that are unlikely to fail. They are Kenya's most important banks. Tier 2 is made up of medium-sized banks, and Tier 3 is made up of small banks. The number had risen to 44 in 2016. Nevertheless, some banks like Chase Bank, Dubai Bank as well as Imperial Bank, have had issues that have resulted in bank closures and Central Bank intervention. Other banks have currently merged; such as Commercial Bank of Africa and NIC Bank merging to form NCBA as well as

KCB acquisition of National Bank of Kenya, taking the total number of banks to 42 (CBK, 2020).

Over the last decades, there has been an outburst of unprecedented growth in the banking industry with an eye-catching financial performance. Despite the poor economic performance and the 2008 crisis, the sector has remained consistently profitable. Furthermore, the 2008 global financial crisis that continues to affect the economy did not affect the banking institution (Kamau & Were, 2013). Whilst research indicates that stock price volatility may influence the profitability of stock exchange companies, there is less information on this connection for Kenyan commercial banks.

1.2 Research Problem

Traders and intellectuals disagreed about the relationship between financial performance and stock return. But research shows that stock returns are always greatly affected by a company's financial performance, both immediately and significantly (Robinson & Stowe, 2013). For established markets, research has shown that the size of the business's overhead absorbs administrative costs that may either increase or diminish the company's profitability (Azhagaiah & Priya, 2008).

Commercial banks in Kenya have seen a considerable improvement in their financial performance. During the previous 10 years, the financial performance of banks like the Equity Bank, which is Kenya's largest client bank and KCB Bank which has the largest asset base have seen a growth in ROA (Cytonn, 2020). However, when it comes to share prices and share returns, NSE has recorded stagnation in majority of the listed stocks including those for banks; it is therefore important to examine if the increasing financial performance of listed banks means a rise in share returns.

There is a lot of empirical evidence that profitability impacts the share prices of companies such as banks, but few if any have focused on financial performance and banking sector share returns. Financial performance was investigated on an Indonesian stock market by Parewangi, Rustina, and Okty (2016). According to the study, financial achievement has a positive effect on the share price. This study focused on share price, which is not the same as share return and therefore a conceptual gap. Natarajan, Sivakavitha, and Vasani (2020) tried to investigate the connection between the stock and return of Bombay Bursary (BSE). The research showed that the variables had a significant connection. This study was conducted in a distinct environment and therefore a contextual gap.

Regionally, Okwono, Odemwe and Ului (2020) studied the impact of return on equity on stock price fluctuations. The research found that equity returns do not influence share prices. This study presents a methodological gap as it had only 32 observations that might not be adequate for robust regression analysis. South Africa's publicly listed insurance company dividend policy was analyzed by Pina and Dzebwe (2020). There is a statistically significant correlation between stock price volatility and dividend payout ratio. The study exhibits a research gap as it did not reveal the effect of financial performance on share return.

Locally, Ngunjiri (2016) studied the connection between performance and stock prices with 40 Nairobi Securities Exchange firms. Stock price movements were not influenced by ROA, according to the study. This study did not focus on listed banks whose nature of operations is different from other listed firms. Wanjiru (2018) examined the effect of dividend policy on NSE share performance. This research found that the policy ratio of the dividend did not make a substantial contribution to

share returns. This research shows a conceptual gap in that it did not focus on financial performance and share returns. The purpose of this study was to fill a hole in financial performance that had been left by prior studies that focused on the influence of other variables on share price. In addition, the researches available did not concentrate on banks thus leaving a contextual gap. The study was based on these identified gaps and addressed the research question; how does financial performance affect the share returns among NSE-listed commercial banks?

1.3 Research Objective

The purpose of the study was to examine the impact of financial performance on the share returns of commercial banks listed on the Nairobi Securities Exchange.

1.4 Value of the Study

An economic, theoretical, and empirical literature is enriched by the results of this study. The findings also help in theory development since it offers insights on the shortcomings and relevance of the current theories to the variables of the study. There may be further investigations based on the suggestions and ideas for additional research that have been made in this report.

The outcomes of the research are relevant to the government and the regulator CBK in developing regulations for the population under consideration. The study's findings will help investors who are considering investing in the population under investigation by providing information on the risk-reward tradeoffs that exist in such institutions and their impact on overall performance.

The study's results are beneficial to bank managers since it provides relevant information and suggestions that will help them make better choices that will enhance

their bank's share returns. As a result, they are in a better position to develop suitable plans and practices for their institutions improved financial performance management.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This section focuses on financial outcomes and returns. Discusses past empirical investigations, gaps in understanding and concludes with a framework and hypotheses that indicate the predicted link between study variables.

2.2 Theoretical Framework

This section examines concepts that promote economic conditions and returns study. The theoretical studies include financial intermediation theory, income and investment catering theory, and the concept for pricing capital assets.

2.2.1 Information Signaling Theory

Ross developed the anchor hypothesis, which is based on this idea (1977). The theory is centered mostly on the issue of information asymmetry among the many market players particularly between shareholders and managers. These managers exploit the high cost of dividend payments to convey information about the future of their companies to investors. John and Williams (1985) argue that investors need for immediate gratification may lead to an undervaluation of the company. If the investors dispose their holdings upon the undervaluation of the firm, then wealth will be transferred to the new shareholders from the old ones.

Criticism against this theory is on the basis that for it to hold, managers must be in possession of private information on the prospects of a firm and should have incentives that would make available to the market such information. A legitimate signal is one in which a firm with future prospects which is poor is unable to copy and send incorrect market signals to the market by dividend payment increase. In contrast

to Miller and Modigliani's assumptions (1961) that management and investors are in possession of perfect knowledge on the firm in the real market, there exists information asymmetry since managers who operate in the firm tend to be in possession of more timely information compared to investors hence gap creation (Al-Makawi, 2007).

Financial performance, according to the theory, act as a proxy for management's evaluation of the firm's success and prospects. Grinblatt and Titman (1996) made an agreement that: A rise in payment of dividends indicates confidence by the management on the firm's future profitability. Share prices will rise as a result, while a reduction in the dividend is a sign of the company's financial troubles, and so the share price will fall. Therefore, financial performance has relevance since raising financial performance and dividends would increase the share return of a firm. Furthermore, a rise in financial performance indicates stronger prospects for a company, and so the organization is likely to attract additional leverage from lenders.

2.2.2 Investment Catering Theory

Stein (1996) developed an investment catering theory that affects the company's investment choice by valuing the market, even if new investment initiatives do not fund additional shares. The idea says that if investors have short horizons, the management is logically able to invest in overpriced initiatives and avoid underpriced ones, thereby responding to their feelings to optimize short-term stock values. If companies are mispriced according to the amount of their investments, management may attempt to raise short-term share price in accordance with current sentiments. Companies with shorter financial viewpoint and whose goods are tougher to assess should be given more consideration.

According to the theory of Aghion and Stein (2008), when managers are worried about current stock prices, further efforts will be made to increase sales when investors focus more on revenue. They believe that investors have different revenue requirements and managers would meet that need by providing more income if investors pay greater income premiums. If the management takes care of the present stock price, it will do more to increase sales if the price on the market increases the revenue.

Companies that care about the present stock price will respond to this shift via increased revenue premiums. In certain cases, demand from investors may be based on the worth of their earnings (Aghion & Stein, 2008). Catering channels may have a direct impact on investment choices if essential requirements are not met, according to Polk and Sapienza (2009). They are extremely beneficial for investment and stock prices. The positive correlation is that overvalued firms accept investments that have negative net current values, whereas low-priced businesses renounce investments with good net current values.

2.2.3 Capital Asset Pricing Model

It is widely accepted that Sharpe (1964) and Lintner's papers are responsible for coining the term "asset pricing" (1965). The concept is called the balanced model of asset pricing for hazardous assets. The CAPM is a methodology for pricing hazardous inventories according to anticipated inventory revenue. The theory states that the anticipated stock returns amount to a sum of risk-free asset prices plus a risky premium. CAPM is a risk measurement tool and an anticipated connection between anticipated revenue and stock risk.

The model serves to estimate the required return rates for the underlying security when the asset underlying a portfolio is exposed and the assets are systemically risky. The systemic safety risk is assessed by the beta factor. Beta is an important indicator of market safety returns. By developing a CAPM from Sharpe (1964) and Lintner (1965), it is now one of the most frequently utilized academics and financial planner. Certain bond market odds develop, however, since the return characteristics of inventories appear to be breaking the CAPM assumption that risk beta may account exclusively for the cross-section of anticipated returns.

This theory is the most popular in academics and practice in financial modeling from its beginnings. The same methodology may be used to model prices of stocks, that is to say drivers of inventory prices, and how these prices might influence the company's performance. The theory will thus be helpful to understand variables that influence stock price behavior.

2.3 Determinants of Share Returns

There are several return variables in a bank, some of which are internal and some of which are external. Internal factors are firm-specific and can be manipulated internally. They are financial performance, asset base, capital adequacy, liquidity among others. Factors outside a firm that influence share returns include; inflation, GDP, political stability and unemployment rate (Athanasoglou et al., 2008).

2.3.1 Financial Performance

As an economic consequence, an entity's responsibility for its policies, actions and activities is quantified in financial terms during the course of a certain time span. Financial performance shows the company's capacity to generate profit beyond real asset usage. Financial results are a way of evaluating the achievements of the business

via its firm value (Nurlailly et al., 2013). Many additional, more difficult-to-assess factors influence financial performance, such as quality management, organization, processes, and controls (Osisanwo & Atanda, 2012).

A company's financial success is believed to explain share returns. There are many revenue growth indicators, such as technological efficiency, equity returns and income. Khan et al. (2011) suggest that a bonded company's performance affects its value and thus its stock price. A better-performing company will likely have high stock prices because of investor confidence. Changes in company performance may explain stock market price volatility.

2.3.2 Bank Size

Firm size determines by how much legal as well as financial elements affect a bank. As big businesses gather cheap capital and generate enormous incomes, the size of the bank is strongly related to enough capital (Amato & Burson, 2007). The book value of the entire assets of the bank typically determines its size. Additionally ROA is positively associated with bank size showing that large banks can accumulate economies of scale hence reducing operational costs while increasing loan volumes (Amato & Burson, 2007). Bank size is related to capital rations, according to Magweva and Marime (2016), and profitability rises with size.

Burson and Amato (2007) said a company's size depends on the organization's assets. It can be argued that the more the assets owned by a bank the more the investments it can make which generate bigger returns compared to smaller firms with less assets. In addition, a larger firm may have more collateral that may be used as security for more lending facilities than a smaller one (Njoroge, 2014). A company's profitability is determined by the number of assets it has, according to Lee (2009).

2.3.3 Capital Adequacy

The ratio equity to total is often known as the ratio of bank capitalization. It illustrates the relationship between equity and total assets. It demonstrates a bank's capacity to stay viable through risk regulation. In a study, Berger and DeYoung (1997) demonstrated a negative link between capital sufficiency and performance. In imperfect financial markets, firms with adequate capital should limit borrowings to support a particular asset class and therefore minimize the expected bankruptcy cost.

Better market performance might be expected if a bank has enough equity. The results of Athanasoglou et al. (2008) suggest that the capital stock of Greek banks is positively related with bank profitability and indicates a stable financial position for Greek banks. It was shown that capital contribution was linked to profitability by Berger et al. (1987).

2.3.4 Liquidity

Liquidity is used to denote the capability of a firm in this case a bank to settle its debt obligations that are incurred within twelve months by the use of cash and short-lived assets that are rapidly convertible into cash. As a consequence, they are able to satisfy their debts to creditors without liquidating their other assets (Adam & Buckle, 2013).

According to Skandalis and Liargovas (2008), when external finance is unavailable, having appropriate liquid assets might be beneficial. Firms with high liquidity can meet unforeseen liabilities and obligations that need to be settled. Almajali et al. (2012) argued that a bank's liquidity can significantly affect the amounts it can afford to lend out to clients; thus banks should hold more liquid assets and lower short term obligations. Jovanovic (1982) noted that an increase in bank liquidity might harm the firms.

2.4 Empirical Review

The connection between financial results and share returns has been established in both local and worldwide research; goals, methodology and results of these previous studies have been addressed in this section.

2.4.1 Global Studies

The financial performance of Indonesian Stock Exchange companies is examined by Okty, Rustiana, and Parewangi (2016). In this thesis, the financial success of the business is evaluated by ROA, share indebtedness, price per share and earnings. “This study takes five years, i.e. from 2009 to 2013. This data contains 26050 observations. The method utilized is the panel data estimate. The research shows that financial performance affects stock values significantly.

Al-Slehat (2020) considers the effect of financial and investment decisions on share prices and income as an intermediate variable. The banking and insurance industry in Jordan is examined. From 2009 to 2018, the sample comprises 13 banks and 10 insurance firms. A modeling study of structural equations is performed to test the assumptions and verify the model. The choice on financial affairs has no impact on future earnings and stock prices, while decision on investment impacts future profits and stock prices. Financial performance between financing decisions and future earnings is called mediator. However, the impact of financial choices on stock values is unmediated by financial performance. Furthermore, the impact of investment decisions on future earnings and stock prices cannot be mediated.

According to Natarajan et al. (2020), they aimed to explore the link between stock yields and BSE enterprises' financial success. A BSE company and a descriptive research method were used in the study. The research utilized secondary information

for five years 2015-2019 alone. The research also examined the connection between revenue development and business efficiency. The study showed that the link between market returns and economic success was obvious, and therefore, increased financial success of the listed companies improves share returns of BSE companies. The study showed that equity returns immediately influence share prices and payments of dividends, leading to greater equity and dividend payment enhance the returns of the listed businesses.

2.4.2 Regional Studies

The impacts of asset sales, current ratio, equity revenues and debt-to-equity, and the prices earned by changes in stock price were reviewed by Okwono, Odemwe and Ului (2020). The method of sampling utilizes a careful sample approach. The research is based on the consumer industries published on the Nigerian Bourse from 2015 to 2017. For the technical examination of the data, we employed multiple linear regression. The findings indicated that the change in share prices between the altering total assets and the price income ratio was influenced. All other independent factors such as debt-to-equity and equity returns are unaffected by stock price movements.

The impact of the debt ratio, net profit margin and size on stock price with corporate performance was studied by Suksti et al. (2020) as a mediating variable. The sample utilized for the period 2014 to 2018 was 136 production firms registered on the Ghanaian Stock Exchange. This study was evaluated utilizing a Warp PLS statistic testing tool to prove the hypothesis presented. The results showed that the debt equities ratio had a considerable negative influence on ROA and a big positive impact on stock prices. As a result, ROA and stock prices have a major effect on ROA. Despite the fact that size has a major impact on ROA, stock prices have little effect.

Increasing ROA has a significant positive influence on inventory values. In regard to size and stock price, ROA is not a mediator variable; nevertheless, the ROA works as a mediator in the debt equity ratio and the stock prices ratio and in the ratio between net profit margin and the stock prices.

A study by Pina and Dzebwe looked at how dividend policy affects the volatility of South African insurance firms' stock prices (2020). 49 data points were collected from publicly traded insurance companies over the course of a decade. Both Pearson correlation and traditional regression analyses were used in the research. It was found that the study's variables had a positive connection. The statistical significance of the connections was established at a 95 percent confidence level. According to a summary of the model, dividend yield and payout ratio account for 43% of the variance in stock volatility. ANOVA statistics were used to determine if the analytical model presented in the research clarifies the dependent variable variations. The model was found to be analytically significant. Stock price volatility and dividend payment ratios have been shown to have a statistically significant positive correlation.

2.4.2 Local Studies

On the Nairobi Securities Exchange, Ngunjiri (2016) conducted a financial performance and stock price correlation study of 40 firms (NSE). Throughout the five years of data gathering, the research relied on secondary data (2011 to 2015). Financial success was evaluated by ROA at an average yearly stock price of a company. Ordinary lower square regression to evaluate the connection was conducted. Research indicates the lowest effect on stock price variations in dividends returns.

Wanjiru (2018) investigated dividend policy impact on NSE listed firms' share returns. This study used a descriptive research design. All 65 NSE listing served as the study's population. A five-year timeframe was utilized between 1 January 2011 and 31 December 2015. Quantitative secondary data was utilized in this research. This study established that although dividend policy ratio positively contributed to share returns for firms listed at NSE in 2011-2015 period, this contribution was not statistically significant. The same case applies to financial leverage. Firm size had a positive affiliation with share returns and this correlation was statistically significant and the same applied for inflation.

Njogu (2020) conducted research with the goal of determining how cash dividends, stock dividends, stock repurchases, scrip dividends, and property dividends affect stock price volatility. The research was conducted between 2013 and 2019. It concentrated on share prices over the specified period. For the 50 listed firms studied, as a dependent variable, share price volatility was measured, while independent variables included cash DPS, repurchase price per share, scrip dividends per share, as well as property DPS. Secondary data analysis was part of the study's descriptive research approach. Inferential and descriptive statistics were used, when necessary, to perform the analysis. Studying dividends and stock price volatility, researchers found that both were beneficial to the company's bottom line. Share repurchases have a strong negative association with share price volatility, whereas bonus issues, scrip issues, and property dividends all have a significant negative correlation.

2.5 Conceptual Framework

The anticipated link between components is shown in Figure 2.1. The financial performance in a certain year was the predictor variable. Liquid assets to total assets

were used to determine liquidity, whereas capital sufficiency was measured by comparing core capital to risk-adjusted assets. A share price change, together with dividends paid when appropriate, served as the response variable for share returns.

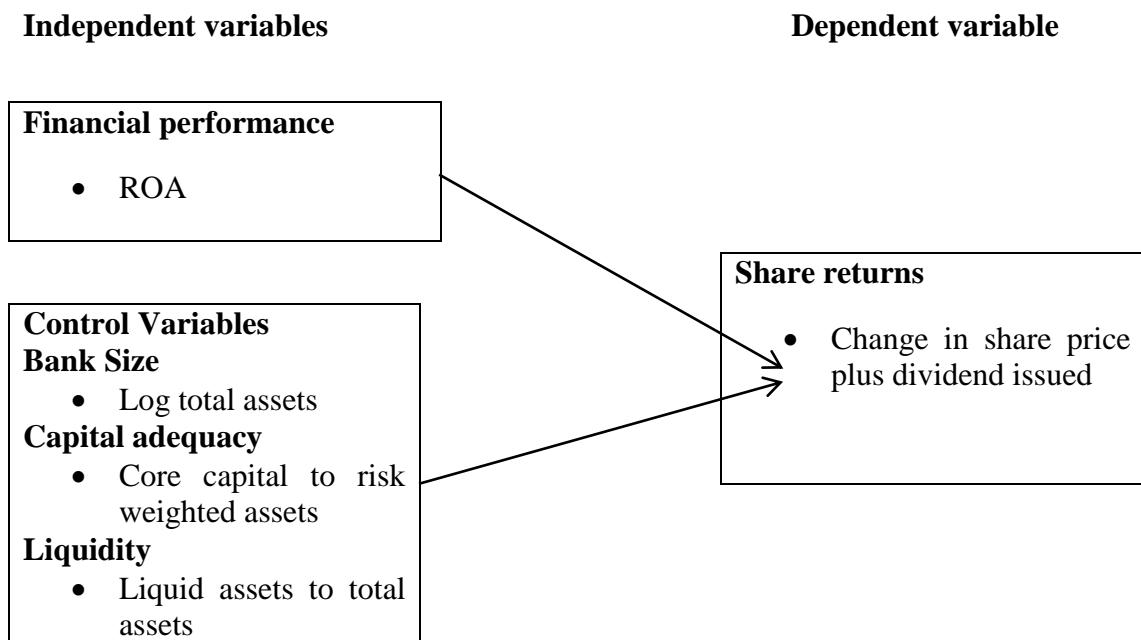


Figure 2.1: The Conceptual Model

Source: Researcher (2021)

2.6 Summary of the Literature Review and Research Gaps

Author	Focus of Study	Methodology	Findings	Knowledge Gaps	Focus of current study
Ngunjiri (2016)	Relationships between NSE-listed companies' financial success and their stock returns	OLS	Share price is not influenced by financial performance.	There was no distinction made between financial and non-financial enterprises in the survey.	The current study focuses on listed commercial banks
Okwono et al. (2020)	The influence of return on equity on share price changes	Descriptive design Regression analysis	The stock price is not significantly affected by return on equity.	Measures of financial success were limited in this research.	ROA will be used as a performance indicator in this research.
Natarajan et al. (2020)	Companies listed on the BSE are the focus of this research, which examines the connection between stock return and financial results (Bombay Stock Exchange).	Correlation analysis	The stock returns of the chosen companies are directly related to their financial success.	Correlation does not imply causality	The current study will focus on the effect using OLS
Pina and Dzebwé (2020)	Share price volatility in South Africa's publicly listed insurance businesses is influenced by dividend policy.	Ordinary regression analysis	Stock price fluctuations and dividend payout ratio have a statistical significant positive association.	Financial performance was not taken into consideration in this research.	Financial results will be the focus of the present investigation.
Njogu (2020)	Effect of dividend on share price volatility	OLS	Cash dividends and share price volatility have a significant positive link	The link between ROA and share returns was not explored	In the present research, ROA will be examined in relation to stock returns.

Source: Researcher (2021)

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The study's goal is to determine how financial outcomes affect share returns across NSE-listed financial institutions. This chapter covers the study's techniques. The focus of the study is on research design, sample size, data collecting, and evaluation.

3.2 Research Design

To determine if NSE bank performance correlates with stock return, this study used a descriptive research design. It was suitable design since the nature of the phenomena is of key interest to the researcher (Khan, 2008). It was also sufficient in defining the interrelationships of the phenomena. In addition, this design was able to effectively and legitimately reflect the variables hence as per Cooper and Schindler (2008) the study questions may be answered well

3.3 Population

A population contains all information from a collection of events of study interest (Burns & Burns, 2008). This research population consisted of Kenya's 11 NSE-listed commercial banks from 31 December 2020 (see appendix I). Samples were not taken because of the small size of the population.

3.4 Data Collection

Based on secondary information, this research collected from the financial reports of the banks from 2016 to 2020. The reports were from the respective banks' CBK, CMA and financial periodicals. The particular data that was gathered includes net income, total assets, capital base, risk-weighted assets, liquid assets, share price and per share dividend.

3.5 Data Analysis

Analyses were carried out using SPSS version 24 Tables and charts were used to display the findings. Descriptive statistics were used for central trend computation, dispersion measurements and standard deviation for each variable. Correlation and regression were the basis of inferential statistics. A correlation indicates the degree of the connection between the variables of study and the cause and effect of regression among the variables. A multiple regression was used to create a linear connection between the dependent and independent variables.

3.5.1 Diagnostic Tests

To ascertain viability of the model, a number of diagnostic tests were done, like normality, stationarity, multicollinearity, homogeneity and autocorrelation. The assumption of normality is that the dependent variable's residual was normally distributed and closer to the mean. The Shapiro-Wilk test was used to get this result. If one of the variables did not have a normal distribution, logarithmic correction was used. Using the stationarity test, we could see whether the values of statistical features like mean, variance, and autocorrelation have changed over time. The Dickey Fuller test was used to determine this characteristic. The robust standard errors were used if the data did not fulfill this characteristic (Khan, 2008).

Autocorrelation is a measure of how similar one time series is when compared to its lagged value across successive timings. The measure of this test was done using the Wooldridge test and in the event that the presumption was breached, robust standard errors were used by the model. Multicollinearity exists when a perfect or near perfect linear relation is made between a number of independent variables. As a result, VIF and tolerance thresholds were used. In the absence of any co-linear variables, a new

measurement was utilized in its stead. Regressions with heteroskedasticity are more likely to show that the independent variables' error variances are dispersed. Breusch Pagan's test was used to check for homogeneity of variances, and if the data didn't fulfill the assumption, robust standard errors were used (Burns & Burns, 2008).

3.5.2 Analytical Model

The following equation was applicable:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$$

Where: Y = Share returns given as the change in share price plus dividend issued on an annual basis

β_0 = regression equation intercept.

$\beta_1, \beta_2, \beta_3, \beta_4$ = coefficient of regression

X_1 = Financial performance as measured by the ratio of net income to total assets on an annual basis

X_2 = Bank size as assessed via the natural logarithm of total assets on an annual basis

X_3 = Capital adequacy as given by the ratio of total core capital to risk weighted assets

X_4 = Liquidity measured as the ratio of liquid assets to total assets

ϵ = error term

3.5.3 Tests of Significance

The model as a whole and the individual variables were subjected to parametric tests to determine their relevance. In order to evaluate the model's relevance, the F-test used ANOVA, whereas a t-test was used to assess the significance of every single variable in the model.

CHAPTER FOUR: DATA ANALYSIS RESULTS AND FINDINGS

4.1 Introduction

This chapter focuses on data analysis. This study's purpose was to find a correlation between the financial performance of Kenyan listed banks and stock returns. Descriptive and inferential analysis were used to identify patterns, which were then evaluated and conclusions made in line with the study's unique goals.

4.2 Descriptive Statistics

The researchers used the mean and standard deviation to try to explain the data. The descriptive analysis was necessary as it helps in understanding the characteristics of the collected data before conducting inferential analysis. The results are as shown in Table 4.1 below

Table 4.1: Descriptive Results

	N	Min	Max	Means	Std. Deviation	Skewness	Kurtoses		
	Statistics	Statistics	Statistics	Statistics	Statistics	Statistics	Std. Errors	Statistics	Std. Errors
Stock Returns	54	-.3913	.3001	.067556	.1021738	-2.716	.325	12.651	.639
ROA	54	-.0099	.0405	.023815	.0118950	-1.223	.325	1.131	.639
Bank size	54	17.8490	20.6163	19.374772	.6445238	-.624	.325	.202	.639
Capital adequacy	54	.0370	2.1258	.212909	.2679112	7.116	.325	51.748	.639
Liquidity	54	.0004	.1737	.058391	.0260314	1.420	.325	6.610	.639
Valid N (listwise)	54								

Source: Research Findings (2021)

When the number of cross-sectional units and times analyzed were multiplied together, 54 observations were made for each variable in Table 4.1. Stock returns were the dependent variable and financial performance was the independent variable. Lastly, the three control variables were bank size, capital adequacy and liquidity.

4.3 Diagnostic Tests

A variety of diagnostic tests, including normality, stationarity, multicollinearity, homogeneity of variance, and autocorrelation, were used to verify the model's feasibility.

4.3.1 Normality Test

The Shapiro-Wilk test was used to determine whether the gathered data was normal.

If indeed the p-value is larger than 0.05, the distributions is presumed to be normal, and this was the criterion that we used.

Table 4.2: Test for Normality

	N	W	V	Z	Prob>z
Stock returns	54	0.983	3.925	3.219	0.061
Financial performance	54	0.928	16.183	6.555	0.064
Bank size	54	0.445	125.183	11.372	0.082
Capital adequacy	54	0.943	12.835	6.009	0.124
Liquidity	54	0.861	31.396	8.116	0.073

Source: Research Findings (2021)

There were no significant differences between the two hypotheses when the data were put through a normality test, which showed that there was no support for the null hypothesis and strong support for the alternative hypothesis.

4.3.2 Multicollinearity Test

Multicollinearity exists when a perfect or near perfect linear relation exist between a number of independent variables. Variance Inflation Factors (VIF) as well as tolerance levels were utilized.

Table 4.3: Multicollinearity

Collinearity Statistics		
Variable	Tolerance	VIF
Financial performance	0.729	1.372
Bank size	0.748	1.337
Capital adequacy	0.761	1.314
Liquidity	0.735	1.361

Source: Research Findings (2021)

The outcomes in Table 4.3 specify that all the variables had a VIF values <10 and tolerance values >0.2 suggesting that Multicollinearity did not exist.

4.3.3 Heteroskedasticity test

Heteroskedasticity is tested using the Breusch-Pagan test. The null assumption was that the variance of error terms would be constant throughout time. Table 4.4 displays the results of the Heteroskedasticity Test.

Table 4.4: Heteroskedasticity Results

Breusch-Pagan / Cook-Weisberg test for heteroscedasticity

Ho: Constant variance

Variable: fitted values

chi2(1)	=	0.7217
Prob > chi2	=	0.3602

Source: Research Findings (2021)

A 0.3602 p-value indicates that the null hypothesis of Homoskedastic error terms has not been rejected, as shown in Table 4.4.

4.3.4 Autocorrelation Test

Autocorrelation is a measure of how similar one time series was when compared to its lagged value across successive timings. The measure of this test was done using the Wooldridge test.

Table 4.5: Test of Autocorrelation

Wooldridge test for autocorrelation	
H0: no first-order autocorrelation	
F(1, 53) =	0.3684
Prob> F =	0.5891
Source: Research Findings (2021)	

Table 4.5 shows that the null hypothesis of no serial correlation cannot be rejected since the p-value is significant (p-value = 0.5891).

4.3.5 Stationarity Test

Stationarity test was utilized in determining if the statistical characteristics such as variance, mean, as well as autocorrelation change with the passage of time. Table 4.6 shows the Augmented Dickey-Fuller (ADF) unit root test results.

Table 4.6: Stationarity Test

	Critical value at 95%	DFT statistic	P-value
Stock returns	-2.661	-3.170	0.000
Financial performance	-2.661	-3.236	0.000
Bank size	-2.661	-4.647	0.000
Capital adequacy	-2.661	-3.654	0.000
Liquidity	-2.661	-4.725	0.000

Source: Research Findings (2021)

The null hypothesis that: Panels have unit roots was rejected for all variables since the p values were less than 0.05, as shown in Table 4.6. This meant that the panel data for all of the variables were stationary.

4.4 Correlation Results

It was necessary to conduct a correlation study to determine the correlation between each predictor and the response variable. Table 4.7 displays the degree and direction of correlations between the variables examined in this research.

Table 4.7: Correlation Results

		Stock returns	ROA	Bank size	Capital adequacy	Liquidity
Stock Returns	Pearson Correlation	1				
	Sign. (2tailed)					
ROA	Pearson Correlation	.288**	1			
	Sign. (2tailed)	.000				
Bank size	Pearson Correlation	.752**	-.029	1		
	Sign. (2tailed)	.000	.836			
Capital adequacy	Pearson Correlation	.205**	-.013	.112	1	
	Sign. (2tailed)	.008	.926	.421		
Liquidity	Pearson Correlation	.071	-.131	.125	.116	1
	Sign. (2tailed)	.609	.345	.367	.405	

**. Corelation is sig at 1% (2tailed).
b. Listwise N=54

Source: Research Findings (2021)

The results in Table 4.7 reveal that financial performance and stock returns are positively and significantly correlated ($r=0.288$) at 5% significance level. In addition, the results show that bank size and stock returns are positively and significantly correlated ($r=0.752$) at 5 % significance level. Further, results show that capital adequacy and stock returns are positively but not significantly correlated ($r=0.205$) at

5 % significance level. Finally, there was a correlation between liquidity and stock returns, although it was not statistically significant.

4.5 Regression Results

To find out how much of the variation in stock returns can be explained by the chosen factors, we used regression analysis. Tables 4.8 to 4.10 show the regression findings.

Table 4.8: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.770 ^a	.593	.559	.0078960

a. Predictors: (Constant), Liquidity, Capital adequacy, ROA, Bank size

Source: Research Findings (2021)

The independent factors analyzed explained 59.3% of the difference in stock returns across listed commercial banks in Kenya, according to the modified R2. In other words, 59.3% of the variance in stock returns among Kenya's listed commercial banks may be attributed to the four variables analyzed here, while the remaining 40.7% is due to other factors not included.

Table 4.9: ANOVA Analysis

Model	Sum of Squares	Df	Mean Square	F	Sign.
1	Regression	.004	4	.001	17.820
	Residual	.003	49	.000	
	Total	.007	53		

a. Dependent Variable: Stock Returns
b. Predictors: (Constant), Liquidity, Capital adequacy, ROA, Bank size

Source: Research Findings (2021)

Using ANOVA statistics, Table 4.9 shows that the data has a 0.000 significance level; hence, it is appropriate for drawing inferences about the variables.

Table 4.10: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
	B	Std. Error			
1	(Constant)	-.244	.033	-7.423	.000
	ROA	.113	.011	.108	.000
	Bank size	.414	.002	.744	.000
	Capital adequacy	.106	.004	.126	.008
	Liquidity	.010	.043	.022	.812
a. Dependent Variable: Stock Returns					

Source: Research Findings (2021)

The coefficient of regression model was as below;

$$Y = -0.244 + 0.113X_1 + 0.414X_2 + 0.106X_3$$

Where:

Y = Stock returns; X₁ = Financial performance; X₂ = Bank size; X₃ = Capital adequacy

4.6 Discussion of Research Findings

It was the goal of this study to examine the link between stock returns and financial performance. The Kenyan Securities and Exchange Commission's website listed the 11 commercial banks in Kenya as the study's population. The study relied on data from the CBK, CMA, and individual bank annual reports. ROA was used to measure the financial performance of a company. Size, capital adequacy, and liquidity were found to be the most important control factors in the study. In addition to descriptive and inferential statistics, the data was evaluated. This section explains the findings.

In Kenya, financial success has a strong link with stock returns, according to a correlation research. Even though the connection was substantial, the statistical significance of the link was not established. There was a strong association between bank size and stock returns as well, which suggests that stock returns rise as the size of a bank grows. Capital adequacy was shown to have a strong and significant link

with stock returns, indicating a higher return for banks that had more capital. The correlation between liquidity and capital adequacy was positive but not statistically significant.

According to the regression results, the four selected predictor variables account for 59.3% of the difference in stock returns across time among Kenyan banks. Explanatory power is enhanced by the p-value less than 0.05: 0.000. An acceptable description of how the study variables interacted with each other may be inferred from this. Individual financial achievement has a greater influence on stock returns than the size of a bank. There was no statistically significant correlation between liquidity and stock returns, while capital sufficiency was.

Natarajan, Sivakavitha, and Vasani found a substantial association between the stock yields of BSE-listed enterprises and their financial performance (2020). The study made use of a BSE firm and a descriptive research design. For the five-year period from 2015 to 2019, only secondary data was used. The research also examined the connection between revenue development and business efficiency. The study showed that the link between market returns and economic success was obvious, and therefore, increased financial success of the listed companies improves share returns of BSE companies. The study showed that equity returns immediately influence share prices and payments of dividends, leading to greater equity and dividend payment enhance the returns of the listed businesses.

The results also concur with Okty, Rustiana and Parewangi (2016) who examines the impact on stock prices of the Indonesian Stock Exchange firms' financial performance. In this thesis, the financial success of the business is evaluated by ROA, share indebtedness, price per share and earnings. This study takes five years, i.e. from

2009 to 2013. This data contains 26050 observations. The method utilized is the panel data estimate. The research shows that financial performance affects stock values significantly.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter elaborates on the information presented in the preceding chapter, as well as the limitations discovered throughout the course of the investigation. In addition, it makes guidance for policy makers and gives recommendations on areas where future investigations might be done.

5.2 Summary of Findings

The purpose of this research was to examine the impact of listed Kenyan banks' financial performance on the degree of stock return. Financial performance, bank size, capital adequacy, and liquidity were among the variables studied. The research was conducted using a descriptive approach. Data from CBK and CMA were analyzed using SPSS. The annual reports of eleven banks, covering the years 2016-2020, provided the necessary data.

The initial goal was to determine the impact of financial performance on stock returns among Kenyan banks. Results at the 5% significance level indicate a favorable association between financial success and stock returns. Statistical significance was also found. To test this, we used regression findings ($\beta=0.113$, $p=0.000$) to demonstrate that the stock returns of listed Kenyan banks were positively affected by their financial performance.

The second goal was to examine the impact of bank size on stock returns in Kenyan banks. Stock returns were positively and significantly associated with bank size, according to correlation data at a 5% significance level. For Kenya's listed banks, the

impact of bank size on stock returns was both positive and statistically significant ($\beta=0.414$, $p=0.000$).

The third purpose of the study was to analyze the impact of capital sufficiency on stock returns among Kenyan banks. Capital sufficiency has a positive link with stock returns, according to the correlation data at a 5% significance level. Capital sufficiency has a positive and substantial impact on stock returns among listed Kenyan banks ($\beta=0.106$, $p=0.008$), according to regression findings.

The fourth goal was to look at how liquidity affects stock returns among Kenya's listed banks. Stock returns were positively associated with liquidity at a 5% significance level, according to the correlation data. Among Kenya's listed banks, liquidity had an impact on stock returns, although the effect was small: regression findings ($\beta=0.010$, $p=0.812$) demonstrate that.

5.3 Conclusions

The study's goal was to discover if there was any connection between financial performance and stock returns. The results showed that financial performance had a significant impact on stock returns. This suggests that banks with higher ROAs are more likely to have higher stock returns than banks with lower ROAs.

The findings of the research also suggested that bank size had a positive and substantial influence on stock returns, which may imply that banks with greater assets are more likely to generate stronger stock returns than smaller banks. Because of economies of scale, larger banks may be able to cut their expenses while boosting their profits.

The study's findings revealed that stock returns were positively impacted by enough capital. This may mean that the higher proportion of core capital to risk weighted assets is likely to lead to higher levels of stock returns. This may be explained by the fact that banks with more core capital are more willing to take greater risks by lending more, which can result in larger stock returns.

Liquidity also had no meaningful impact on stock returns, according to the findings. Banks with more liquidity may not necessarily post stronger stock returns than those with lower liquidity. This can be explained by the fact that although liquidity has the benefit of meeting short term needs as they arise, it comes with the opportunity cost of foregone investments.

5.4 Recommendations for Policy and Practice

Research shows that financial success is linked to stock returns. In order to improve stock returns, the research advises commercial bank management to devise measures to improve their financial performance. CBK, for example, could develop laws and procedures that make it easier for banks to provide the best possible service to their customers.

There was a considerable and beneficial impact on stock returns due to the bank's size. Because larger banks have economies of scale and better mechanisms for administering and monitoring loans compared to smaller ones, the report proposes that Kenyan banks should focus on increasing their asset base.

Capital sufficiency has a considerable impact on stock returns, according to the research results. It is thus recommended that CBK, as part of its responsibility to supervise and establish standards for the minimum core capital that a bank may have,

since banks with greater capital were shown to be able to achieve better stock returns in this research, monitor and set minimum criteria.

5.5 Limitations of the Study

Some of the factors that are assumed to influence the stock returns of listed Kenyan banks were examined in this report. Four explanatory factors in particular were the focus of the investigation. There are, however, other elements that may affect a bank's stock return. Some are controlled by the company, such as corporate governance and asset quality while others are outside the control of management such us unemployment rate and political instability.

The research used quantitative secondary data. The research also omitted qualitative data that may have shed light on the link between financial success and the stock returns of a bank. Qualitative methods like focus groups, open-ended surveys, and interviews can aid in the development of more definite outcomes.

It was a five-year investigation (2016 to 2020). Results may or may not endure for an extended amount of time. A similar outcome after 2020 is likewise an open question. Studying over a longer period of time would have allowed for the inclusion of important economic events.

Analyzing the data, researchers used an OLS regression model. Research findings could not be generalized accurately because of the constraints in regression model, such be imprecise and deceptive outcomes, that cause the value of a variable to shift. Adding extra data to the regression might have a significant impact on the outcome. It is therefore another restriction of the model that was employed.

5.6 Suggestions for Further Research

The study findings revealed an R square of 59.3%. According to the findings, there are additional variables that influence stock returns among Kenyan listed banks that were not addressed in the study. Other researches ought thus to focus on other factors for example; asset quality, ownership structure, management efficiency among other factors that affect stock returns among banks.

The research was confined to the NSE-listed banks. According to the study's recommendations, more research should be done on NSE-listed institutions such as insurance and manufacturing. Future research should look into how financial performance affect other factors besides the stock returns, such as company value, efficiency, and growth, to name a few.

Because of the readily available data, the focus of this research was drawn to the last five years. Future studies may span a longer time period, such as ten or twenty years, and might have a significant impact on this study by either complementing or contradicting its conclusions. Longer studies enable researchers to capture the impacts of economic cycles like booms and busts.

Regression models have many drawbacks, including inaccuracies and misleading findings when a variable is altered. This study relied on regression models. There are several correlations between financial performance and stock returns that may be studied using models like the Vector Error Correction Model (VECM).

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APPENDICES

Appendix I: Commercial Banks Listed at the NSE

1. HF Group
2. Diamond Trust Bank Kenya
3. I&M Holdings
4. The Co-operative Bank of Kenya
5. Equity Group Holding
6. Standard Chartered Bank Ltd
7. Stanbic
8. KCB
9. Absa Bank Kenya PLC
10. NCBA
11. National Bank of Kenya Ltd

Source: CBK (2020)

Appendix II: Research Data

Bank	Year	Stock Returns	ROA	Bank size	Capital adequacy	Liquidity
Barclays/ABSA	2016	0.0420	0.0349	19.2998	0.1840	0.0755
	2017	0.0521	0.0285	19.3751	0.1786	0.0515
	2018	0.0556	0.0255	19.4197	0.1803	0.0602
	2019	0.0610	0.0228	19.6003	0.1638	0.0723
	2020	0.0560	0.0199	19.7397	0.1667	0.0770
Co-op BANK	2016	0.0342	0.0342	19.6518	2.1258	0.0860
	2017	0.0390	0.0360	19.6787	0.2277	0.0730
	2018	0.0620	0.0295	19.7736	0.2268	0.0627
	2019	0.1009	0.0308	19.8406	0.1618	0.0785
	2020	0.0979	0.0313	19.9402	0.1505	0.0635
Diamond Trust Bank						
	2016	0.0241	0.0243	19.4199	0.1463	0.0159
	2017	0.0325	0.0236	19.6087	0.1850	0.0180
	2018	0.0666	0.0191	19.7107	0.1901	0.0210
	2019	0.0629	0.0187	19.7497	0.2111	0.0210
Equity Bank						
	2016	0.0272	0.0405	19.8748	0.2017	0.0814
	2017	0.0628	0.0350	19.9761	0.1966	0.0494
	2018	0.0553	0.0361	20.0779	0.2041	0.0509
	2019	0.0710	0.0346	20.1671	0.1593	0.0425
HFC						
	2016	0.0437	0.0167	18.0874	0.1813	0.0004
	2017	0.0692	0.0126	18.0912	0.1769	0.0699
	2018	0.1081	0.0019	18.0282	0.1700	0.0604
	2019	0.2494	0.0099	17.9190	0.1534	0.0459
I&M Bank						
	2016	0.0248	0.0373	19.0716	0.2020	0.0519
	2017	0.0289	0.0369	19.1652	0.1815	0.0526
	2018	0.0870	0.0303	19.2966	0.1858	0.0495
	2019	0.1079	0.0264	19.3315	0.1792	0.0483
KCB Bank						
	2016	0.0446	0.0352	20.1400	0.1536	0.1737
	2017	0.0705	0.0331	20.2045	0.1801	0.0494
	2018	0.0766	0.0305	20.2873	0.1663	0.0450
	2019	0.0627	0.0336	20.3868	0.1955	0.0589
National Bank of Kenya						
	2016	0.1749	0.0006	18.5348	0.0715	0.0764

Bank	Year	Stock Returns	ROA	Bank size	Capital adequacy	Liquidity
	2017	0.3001	0.0071	18.5148	0.0542	0.0683
	2018	-0.3913	0.0007	18.5591	0.0370	0.0533
	2019	-0.3564	-0.0080	18.5343	0.1150	0.1132
NIC/NCBA	2016	0.0912	0.0271	18.9262	0.2059	0.0539
	2017	0.1126	0.0256	18.9481	0.2304	0.0429
	2018	0.1089	0.0201	19.1442	0.2227	0.0462
	2019	0.1224	0.0203	19.1550	0.1869	0.0574
	2020	0.0797	0.0226	19.3172	0.1573	0.0754
Stanbic	2016	0.0411	0.0235	19.1552	0.1870	0.0544
	2017	0.0505	0.0206	19.1847	0.1812	0.0402
	2018	0.0666	0.0173	19.3319	0.1684	0.0323
	2019	0.0945	0.0222	19.4537	0.1740	0.0785
	2020	0.0998	0.0211	19.4947	0.1834	0.0914
Standard Chartered Bank	2016	0.1015	0.0271	19.2707	0.2116	0.0609
	2017	0.0829	0.0361	19.3389	0.2091	0.0619
	2018	0.0896	0.0242	19.4705	0.1852	0.0467
	2019	0.1169	0.0284	19.4694	0.1947	0.0711
	2020	0.0953	0.0273	19.5264	0.1773	0.0683

Source: CBK (2020)