FINANCIAL DEEPENING AND FINANCIAL PERFORMANCE OF COMMERCIAL BANKS IN KENYA

By

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DECLARATION

STUDENT'SDECLARATION

This work is entirely unique and has never been submitted for a degree, diploma, or certificate to any other institution, or examination organization.

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SUPERVISOR'S DECLARATION

This research project has been submitted for examination with my approval as the University Supervisor

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DEDICATION

I dedicate this research project to my family of Mr. & Mrs. Michael Macharia. I also dedicate the work to Anastasia and Paul for working with me throughout the research process.

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I would want to express my gratitude to Almighty God for providing me with the means to complete the program. Special thank you to My supervisor, Dr. John Mungai, for the encouragement, wisdom, and professional advice throughout the study. I would want to express my gratitude to my parents for their love and support. To my fellow classmates, Kenyatta University academic staff, I appreciate the support. God bless you all.

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OPERATIONALDEFINATION OF TERMS

Bank Credits - is the amount of funds given out by the banks to the members in form of loans and which is payable within a certain period of time and with some level of interest.

Bank Deposits - funds placed in the bank against which the depositor can withdraw under prescribed conditions.

Financial Deepening – is the expansion in the supply of monetary resources in an economy. It's characterized as the procedure that imprints change in amount, quality, and productivity of monetary intermediary services.

Financial Performance- measures the changes in budgetary condition of banks or the monetary results that outcomes from administration choices and the execution of those choices by individuals from the banks.

Government policies- deliberate system of principles used by the government in the banking sector to attain goals in the long run.

Interest Rates- These are monetary policies that comprise of activities of regulatory committee, functions of the central bank and currency board which determine the rate and size of money supply growth.

ABBREVIATIONS AND ACRONYMS

CAMEL	Capital adequacy, Asset quality, Management, Earnings, Liquidity, and Sensitivity
CBK	Central Bank of Kenya
CEEC	Central and Eastern European Countries
CMA	Capital Market Authority
CRR	Cash Reserve Ratio
DTMS	Deposit Taking Microfinance Institutions
FD	Financial Deepening
FPIC	Free, Prior and Informed Consent
GDP	Gross Domestic Product
IDAS	International Development Assistance Services
KBA	Kenya Bankers Association
LICs	Low Income Countries
M2	Money Supply that includes cash, checking deposits and near money
MEC	Marginal Efficiency of Capital
NACOSTI	National Commission for Science, Technology and Innovation
NIM	Net interest Margin

ROE	Return on Equity
SD	Standard Deviation
VECM	Vector Error Correction Model
VIF	Variance Inflation Factor
YEDF	Youth Enterprise Development Fund

ABSTRACT

The collapse of some of the commercial banks in Kenya has raised concerns over the financial performance of the banking industry. Due to this challenge, stakeholders including creditors, depositors, employees and investors have incurred huge financial losses. This study sought to decide the impact of economic deepening on financial overall performance of commercial banks in Kenya. The particular goals were to study the impact of interest prices, government guidelines, bank deposits and bank credit on economic performance. Four theories guided the study including Mckinnon's financial repression theory, liquidity preference theory, financial liberalization theory and theory of financial deepening. Descriptive research technique was adopted. The target group was 43 Commercial Banks, where data was obtained for a duration of eleven years from 2007 to 2017.The findings indicated that bank deposits had a positive and significant effect on financial performance (=0.466, p=0.049), bank credit had a positive and significant effect on financial performance (=0.525, p=0.048), and government policies had a favorable and substantial effect on commercial bank monetary outcome in Kenya (=5.151, p=0.000). However, the impact of interest rates on financial performance (P>0.000, 0.793) was statistically negligible. All predictor factors, except interest rate, positively and significantly affect financial performance of commercial banks in Kenya, according to the study. Government policies, in particular, were discovered to be the most important predictor of financial success, followed by bank lending, bank deposits, and interest rate. The study concluded that commercial bank management should consider decreasing the interest rates they charge on credit based on the findings. This will enable more people to access loans and will also translate into increased financial returns. The Central Bank of Kenya should streamline banking policies in order to enhance performance of the banks. The banks management should develop effective savings mobilization strategies such as product development and marketing strategies. The management of commercial banks should widen their credit base and advance credit to more customers. This will ensure that they make more profits.

CHAPTERONE: INTRODUCTION

1.1 Background of the Study

Financial deepening is essential in deciding on the financial performance of Kenyan banks. It expands its asset base, raises the capital expected to stir speculation through investment funds and credit, and raises the general profitability. The plan and application of powerful mediations and projects in the Kenyan banking sector has prompted steady increase in monetary resources, where in 2013, financial intermediaries contributed 7.2 per cent to the Country's GDP. Nonetheless, commercial banks financial performance in Kenya, regardless of whether monetary growth or other parameters has been fluctuating for the past one decade with rate as low as 1.5 per cent in 2008 (Ongore, 2013).

Financial deepening involves an expanded proportion of cash supply to total GDP (Onyemachi, 2012). It is therefore, estimated by relating monetary and budgetary totals. The rationale here is that, the more liquidity of cash available in the economy, the more the chances for economic development. Financial Deepening (FD) can thus be characterized to be proportion of cash supply to GDP, is a component of household credit offered by banks as a proportion of gross domestic product, internal loan from the private sector, budgetary investment funds to gross domestic product, inflation and money outside banks to cash supply.

Financial deepening is usually utilized as a part of advancement studies and alludes to expansion in availability of monetary services with a more extensive selection of services focusing on all society levels. Additionally, the World Bank observes that FD envelops the expansion in monetary resources. FD suggests the capacity of banks to successfully allocate monetary assets for growth. This view acknowledges that a monetary framework's commitment towards the growth of the

economy which relies upon the value and quality of the services and the proficiency on which it performs.

Several financial promoters concur that immediate access to monetary services can enhance the living standards of the poor, through efficient utilization of resources (International Development Assistance Services, IDAS, 2012). The efficient utilization of resources alluded to an increase in the proportion to the supply of cash and the GDP, implying that more finance is accessible in the economy and hence more opportunities for growth. Improvement in the monetary sectors propels economic development. Through FD, financial institutions are able to carry out their role of mobilizing and allocating financial resources (Ndege, 2012).

A high level of FD may influence the effectiveness and profitability of banks through competition. This would eventually result to more proficient capital distribution which expands the investment returns. Besides, FD converts the amount saved to business ventures in terms of investment which are facilitated by the banking institutions. Furthermore, FD expands the capital marginal productivity through the intermediation capacity of very much educated financial organizations (Gunu, 2010).

The analysis of commercial banks' financial performance has tremendously attracted interest from various scholars. In regard to assets, foreign banks represent around 35% as from 2011. In a nation where the money market is controlled by banks, any problems in the market significantly impact on their returns. That is due to the fact any liquidation within the marketplace can motive a crisis inside the financial quarter and the economic system as a whole (Arestis & Desli, 2011).

Crowley (2007) characterized loan rate as cash borrower remits for the usage of cash they attain from a moneylender/budgetary organizations or cost paid on acquired resources. Bernstein (1996)

observed that growing nations have changed loan costs by permitting the business sectors powers to decide financing costs. Thus, an uncompetitive financial framework, lack of governance and non-lending borrowers undermine the productivity of the credit market distribution and disrupt the transmission of fiscal symbols with unfavorable outcomes for macroeconomic deals.

Financial institutions encourage mutual fund activation, risk expansion and pooling, and asset identification (CBK, 2011). However, because receipts from deposits and advances are not synchronized, the average person incurs certain costs, such as banks (Ngugi, 2011). They calculate the administrative fees the intermediary will offer in the event of a vulnerability and determine the costs of depositing and borrowing funds. Large deposits, such as sight deposits and reserve funds, which are mostly inelastic, insulate banks' promotional expenses from financial shocks (Berlin & Mester, 2012).

Credit making is regarded by the financial industry as the most imperative capacity for the usage of assets. Since banks get their most noteworthy gross benefits from credits, the organization of advance portfolio truly influences the gainfulness of banks (Dorcas & Jagongo, 2017). Without a doubt, the expansive number of non-performing credits is the fundamental driver of banks disappointment. Non-performing advances can be dealt with as unwanted yields or cost to a loaning bank which diminishes a bank's profitability. For most banks, credit represents half or a greater amount of their aggregate resources and about half to two third of their income. The nature of a bank's advance portfolio and the soundness of its credit approach are the zones bank inspectors look generally carefully.

Government approaches are deliberate arrangement of standards utilized by the administration to accomplish objectives over the long haul. As indicated by Delis, Molyneux and Pasiouras (2011)

controls and motivating forces that advance private observing and limitations on banks' exercises (securities, protection, land and responsibility for money related firms) decidedly effects on effectiveness. Be that as it may, directions identifying with capital necessities and authority supervisory power not significantly affect execution. Nonetheless, directions identifying with capital necessities and authority supervisory power not significantly affect performance.

1.1.1 Financial Deepening

The rise of financial instruments in an economy is referred to as financial deepening. It's viewed as a means to boost financial services' quality, quantity, and efficiency (Sackey & Nkurumah, 2012). According to Ndebbio (2004), the amount of financial depth determines a country's economic growth and advancement. The income from investors' amassed capital is substantial. This information will be critical in determining the degree of financial depth.

Financial deepening is recognized as one of the techniques whose application can revitalize the speed, increase, and contribution of the market (Rahman & Mustafa, 2015). Budgetary extending entails many processes which include the communication of various markets in the economy such as; primary, secondary and retail, and also instruments (deposits, credits, remote trade, securities and obligation securities) and partners like banks, legally binding investment funds establishments and organizations (Nguena & Abimbola, 2013). As Otieno (2013) notes, the created monetary framework expands access to reserves, on the other hand, in an immature budgetary framework, the acceptance of deposits is limited and people are limited by their own wealth capacity and should benefit from these sources. This results into couple of monetary exercises that would hinder development.

Financial deepening is a change or improvement in budget management carried out for each level of society on the basis of work. It alludes to the expansion in the proportion of cash being supplied to net local items or value file which at last hypothesizes that when the cash is liquid is accessible and the more opportunities are available within the given economy for proceeded and reasonable development (Shaw & McKinnon, 1973). It fundamentally supports ideology that improvement in budgetary prompts advancement of the economy in general.

Financial sector deepening empowers the monetary mediators play out their roles of assembling, pooling and directing domestic funds into beneficial capital more adequately in this way adding to financial development of a nation (Ndege, 2012). Furthermore, preparing reserve funds and enhancing capital allotment (Boyd and Prescott 1986), financial deepening diminishes the degree and centrality of data asymmetries (Stiglitz & Greenwald, 2003) considers hazard change and checking (Diamond, 1984).

1.1.2 Financial Performance

Financial performance is applied as an indicator of an organization's general budgetary prosperity in a certain time, and can be able to consider near firms over a comparable industry or to investigate endeavors or divisions in combination (Mido, 2006). There are an extensive variety of ways to deal with evaluate firms' execution, however all measures should be taken in collection. Points of interest, for instance, pay from exercises, working pay or salary from assignments can be used and moreover mean unit bargains. In addition, the master or examiner may choose to check into financial justifications and seek out any dropping commitment rates or edge advancement rates (Mido, 2006).

Financial performance measures the changes in budgetary condition of an association or the monetary results that outcomes from administration choices and the execution of those choices by individuals from the association (Gilchris, 2013). Its results are not widespread in nature but rather to a great extent rely upon the hierarchical setting and the choice of the measures that represent a specific company is done in view of the conditions of the organization being evaluated (Gilchris, 2013). To estimate firms' performance there are several indicators which are used which includes return on asset, return on equity and net margin (Murthy & Sree, 2003). Money-related units are used to communicate financial measures. Proportion examination, slant investigation, and cross-sectional inquiry are some of the most common procedures used in investigations. Chandra (2005) noticed that proportion examination gives a target image of an organization's financial performance since proportions wipe out the size impact.

The performance of financial institutions such as banks is influenced by the external and internal components (Al-Tamimi, 2010). The components are arranged into specific banks and the macroeconomic variables. The internal factors are the specific qualities of the bank which enhances the performance of the bank. External factors are enormous and are not within the capability of the company and can impact the operations and the activities of the banks (Ongore, 2011).

1.1.3 Commercial Banks in Kenya

Commercial institutions have an important value in the Kenyan economy. Most of these banks provide a variety of services and products. Commercial banks are charged with securing the deposits made by the customers (KBA, 2014). In addition, the banks offer market opportunities for government and corporate bonds. The banks also provide the clients with consulting services. The establishments play an important part inside the Kenyan economy's growth and improvement. Commercial banks, like every other employer, are open systems that operate in uncertain surroundings (CBK, 2011). As such, for the banks to continue operating, they need to be able to secure a “fit” with the encompassing. Reforms have introduced critical adjustments in the banking segment and inspired international banks to explore the Kenyan market (Irungu, 2013).

1.2 Statement of the Problem

Banking is the most important part of the financial sector in any economy; Therefore, the strength of the banking system is important to ensure sound economic growth and stability. Banks are a crucial element of the fiscal services sector to insure stability and profitable growth (Koch & McDonald, 2013). Still, the recent collapse of several Kenyan banks is substantiation that there are serious problems with fiscal performance (CBK, 2016). Due to this performance challenge, stakeholders including creditors, depositors, employees and investors have incurred huge financial losses.

The collapse of some of these banks has been linked to capital deficiencies. The affected bank violated the minimum reserve rate (CRR) of5.25 percent per day (CBK, 2016). In addition, several banks have not fulfilled their financial obligations. Other reasons for the disruption include banks' non-compliance with banking metrics and inadequate reporting of domestic loans. Poor

governance was also cited as a key factor in bank closures. The collapse of these banks is an indication that there are problems with financial results in the banking sector. This means that the bank is unable to meet its financial obligations. In addition, the failure of commercial banks to generate profits may be due to poor financial deepening. Therefore, it is necessary to examine the role of financial deepening in explaining the financial performance of commercial banks in Kenya.

Several studies were conducted to deepen the financial situation. Bakang (2015) studied the effects of financial deepening on the development of business institutions. This research has a conceptual gap because it does not focus on the financial results of commercial banks. In Nigeria, Akomolafe (2014) investigates the link between financial deepening and economic development. This study reveals a conceptual gap as it focuses on economic growth rather than financial performance. Moreover, there are contextual differences as the study was conducted in Nigeria rather than in Kenya. Kanyingi (2011) investigated the impact of deeper funding on Kenyan economic growth. However, this study shows a conceptual gap as it focuses on economic growth rather than financial performance. Majority of the research mentioned above do not look at the impact of financial immersion in determining commercial bank financial performance in Kenya. With this in mind, the purpose of this study was to fill a knowledge vacuum by analyzing the impact of financial deepening on the financial performance of Kenyan commercial banks.

1.3 Objectives of the Study

1.3.1 General Objective of the Study

The overall aim of the survey was to determine the effect of financial deepening on financial performance of Kenyan Commercial Banks.

1.3.2 Specific Objectives

i. To determine the effect of interest rates and the financial performance of commercial banks in Kenya.
ii. To examine the effect of government policies on the financial performance of commercial banks.
iii. To assess the effect of bank deposits on the financial performance of commercial banks in Kenya.
iv. To analyze the effect of bank credit on the financial performance of commercial banks in Kenya.

1.4 Research Questions

i. What is the effect of interest rates on financial performance of commercial banks in Kenya?
ii. Do government policies affect the financial performance of commercial banks in Kenya?
iii. To what extent do bank deposits affect the financial performance of commercial banks in Kenya?
iv. What is the effect of bank credit on the financial performance of commercial banks in Kenya?

1.5 Significance of the Study

This study may be significant to commercial bank managers to be able to establish the importance of FD in their success. Further, the regulator may be able develop policies that boost FD in the banking sector, which may guarantee continue success of the sector. Investors/members may also be in a position to make sound decisions in regard to investment/savings.

The study may offer its contribution to the literature that exists on the subject. In addition, researchers may be able to borrow from this study as they develop future researches on a related field. In general, the findings of this study may boost the Kenyan economic growth and development.

1.6 Scope of the Study

The research evaluated the impact of financial deepening on commercial banks financial success in Kenya. The research was done in Kenya, covering all the forty-three commercial banks licensed, supervised and regulated by CBK. The research obtained information from CBK. The study covered a time frame starting from 2007 to 2017.

1.7 Limitations of the Study

The research focuses on financial deepening indicators, including interest rates, government policies, loans and deposits. Therefore, this study included commercial banks and no other organizations in Kenya as these organizations were influenced by factors other than those in the study. This study examines quantitative factors that affect bank financial results using annual financial statement data and measured using financial ratios. However, accounting data is created

using standard procedures which can omit qualitative aspects. The metrics may not reflect the bank's current level of performance.

1.8 Organization of the Study

The research consists of five main chapters. Chapter one outlines the background and research problem. Chapter two provides an overview of the theoretical, empirical literature and conceptual, framework . The third section outlined the methodology. Chapter four provided outcomes of the study, while the last section provides conclusions and suggestions.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter reviews the propositions related to the study, empirical review, conceptualization and operationalization. This is facilitated in order to enable the researcher to understand the area of study and also be able to establish gaps that the study will fill. It discusses the propositions to be used for this study, in relation to fiscal deepening and financial success of the banks.

2.2. Theoretical Literature Review

To achieve the main objective of studying the impact of deepening financing on performance of commercial banks, this research is guided by several theories, namely; Liquidity preference theory, Mckinnon's theory of financial repression, financial liberalization theory and financial deepening theory.

2.2.1 Liquidity Preference Theory

This hypothesis was formulated by Keynes (1936) and perceives loan costs from the free market activity of the stock of cash in the money related framework. As per Keynes, the interest for cash is communicated as an element of level of income and financing cost. The model proposes that loan interest is influenced by the collaboration on the activities of the free market regarding the cash stock. Keynes (1936) argued that, the amount of cash requested in order to facilitate processes, exchange, prudent and theoretical rationale.

It is predicated on the assumption that individuals want to keep cash and that illiquid assets such as real estate, stocks, and shares are more expensive to invest in. The hypothesis is that the amount of isolation is given by money growth as a term for the recovery of money supply growth.

Auerbach (1988) recommends that, by extending the cash recovery period, the interest rate to increase this premium should be avoided in any case.

The inclination for liquidity increases, the model is considered identical to the increase in demand for cash, hence the demand for cash raises when individuals perceive interest rates to will most likely rise compared to the believes the rates are going to fall (Howels & Bain, 2007). As a result, the research tries to distinguish the ideology of preferring liquidity hypothesis in relation to money supply in terms of credit given out by the financial institutions in the midst of rising and falling loaning rate and the money related execution of the moneylender. Then again, borrowers will just contribute where the profits on their venture profile surpasses the obtaining rates. Thus, the liquidity preference approach advances the interest rates variable in this study.

2.2.2 Mckinnon's Financial Repression Theory

The Mckinnon's financial repression principle was developed by McKinnon (1973) and posits that financial intermediation is limited because of financial related constraint and speculators turn to casual credit market. Financial related progression would prompt better incorporation of formal and informal credit markets, which will bring about productive exchange of assets amongst savers and financial specialists. Shaw (1973) and McKinnon (1973), accentuating on the basic significance of FD for less developed nations, see that the third world economies experience the ill effects of 'budgetary restraint' or 'shallow finance.

According to Jao (1976), financial restraint is a result of wrong strategies, which forced ceilings on nominal financing costs, presence of fixed trade rates, which exaggerate the local cash, and represses the development of the monetary base. These strategies punish investment funds, smother showcase signals identifying with capital shortcomings and energize trim sided

advancement of capital concentrated enterprises, which intensify joblessness. To keep loan cost progression on track requires close participation between monetary authorities and government offices in charge of structural changes in the real area.

The theory contributes to this research as it brings out the role of government policies in influencing financial deepening. According to Jao (1976), financial constrain is caused by policies which are not appropriate, hence imposing ceilings on the value of nominal interest rates, presence of fixed exchange rates which increases the value of the domestic currency, hence expanding the fiscal base. It, therefore, implies there is a link which exists between financial deepening and government policies.

2.2.3 Financial Liberalization Theory

This principle was advanced by McKinnon, (1973) and Shaw (1973), monetary constraint which is contortions of money related costs, for example, rates of interest, decreases the rate of the financial system in respect to the non-money related, which prompts moderate genuine rate of an organization development. The theory assumes that saving increases with increase in deposits.

As per this hypothesis, in a situation where speculation openings are copious however the budgetary framework is subdued, the way to greater productive venture is to increase the arrival to savers that is the genuine loan fee (McKinnon, 1973). The hypothesis reasoned that reducing money related limitations in creating nations (basically by permitting market powers to decide genuine financing costs) can apply a beneficial outcome on development rates as loan costs ascend toward their focused market harmony.

As indicated by this convention, enacted ceilings on loan fees decrease investment funds, capital gathering, and demoralize the productive distribution of assets. Furthermore, McKinnon argued that financial deepening can prompt various options firms that obtain funds which are subsidized will have a tendency to pick moderately capital-intensive technologies; while those not supported by arrangement might have the capacity to actualize high return ventures with short maturity.

In this study, the financial liberalization theory informs among others the deposits/savings and credit variables. According to the theory, an increase in deposit from the public is an indication of financial liberation and by extension financial deepening. Similarly, an increase in credit advanced to members by the commercial banks indicates improved financial systems.

2.2.4 Theory of Financial Deepening

This principle was introduced by Nnanna and Dogo (1998) and illustrates that money related area progression prompts monetary advancement and finally to development of the economy which is based on the hypothetical system and is normally utilized to clarify a condition of an atomized monetary framework, that is, a budgetary framework which is to a great extent free from money related constraint (Nnanna & Dogo, 1998). Financial deepening comes about because of the selection of suitable real financial approach, in particular in regard to real rates of profits and real stock of financing. Also, shallow budgetary framework is incompletely the outcome mutilations in procedure of fund. Money related intermediation of development takes into account the depth of finance.

Shaw (1973) argues that the evolving financial framework opens the door to profitable activity for a wide range of firms, from account traders to industrial banks and insurance agents. By itself, financial deepening contributes to development by increasing the effectiveness of speculation.

This relationship confirms the positive popularization, ostensibly with the advancement of money-related development Friedman (1998).

It has been argued that a dynamic, dynamic, and well-functioning money sector leads to a large pool of better financial outcomes, as first examined by Levine (1997), then by DemirgucKunt and Levine (2008 and 2009), Font Collections for Countries where budget progress is more visible. Hypothetically, Goldsmith's early work (1969) considered, among other things, the key role in monetary improvement that could be played by maintaining a monetary framework without control over borrowing costs and amounts prevalent at the time. As the writing advanced, it started to perceive that the monetary framework when all is said in done not solely banks performed four fundamental capacities basic to financial improvement and development: assembly of investment funds, assignment of assets to profitable utilizations, encouraging exchanges and hazard administration, and applying corporate control. Given this possibility, a country that offers a conducive environment for more visible monetary developments will have a higher rate of development, with most of the impact attributable to higher profitability rather than a higher overall risk ratio. Therefore, the financial deepening in this study advances the financial performance of commercial banks.

2.3 Empirical Literature Review

In this section, the study reviews past literature relating to the study variables: interest rates, government policies, bank credit, bank deposit, and financial performance.

2.3.1 Interest Rates and Financial Performance

During the reporting period, 2000 to 2010, Onyekachi and Okoye (2013) investigate the influence of bank lending on the development of Nigerian deposit banks. The goal of this research is to figure out how credit interest rates and financial policies impact developments, as well as how bank interest rates affect deposit bank performance. This study uses the application of secondary data econometrics in regression. The results show that interest rates and fiscal policy have a relevant and positive influence on development.

Ochanda (2014) examined the influence of financial deepening on SMEs' growth in Nairobi. In particular, this study examines the financial strength of SMEs, financial sector regulations, interest rates and inflation for SME development. This study uses a research design and uses a stratified sampling method to identify SMEs in Nairobi District. The results showed that financial sector regulations, interest rates and inflation hampered the development of SMEs. However, the study by Ochanda portrays a contextual gap because the study focuses on SMEs whereas the proposed study will focus on banks. Additionally, there exists a methodological gap since the study employed an exploratory design.

It's a common knowledge that private lending is what shapes the economy of the world and drive the fiscal economy across the globe and where proper oversight is exercised it can producemulti-facet benefits in country’s development agenda. Ouma (2014) examined the impact of real interest rates on financial deepening in Kenya. The results show that real interest rates are the main factor behind financial deepening. However, there is a conceptual gap in this study because it does not focus on commercial banks.

Mwangi (2014) examined the effect of loan interest rates and microfinance outcomes for taking deposits. The researcher collected secondary data from CBK and individual institutions for the acceptance of deposits from microfinance. The results revealed that there was a favorable connection between loan interest rates and DTM financial results. Using a descriptive research design, Mang'eli (2012) examines the effect of interest rate spreads and commercial bank performance. The study found that interest rates increase the price of loans taken by borrowers. In addition, interest provisions interfere with the efficiency of business operations. However, this study has an objective gap in that it focuses only on interest rates, while the current study examines other components of financial deepening, including government policies, lending, and savings.

2.3.2 Government Policies and Financial Performance

The global financial crisis has raised confidence in the possibility that the country's dynamic involvement in the money sector can help drive economic growth and create job opportunities. There is evidence that some mediation has a short-term effect. However, there is evidence of possible long-term side effects. It is also believed that as the crisis subsides, it is necessary to minimize the role of the state in the financial sector. This does not imply that the state completely withdraws from regulating the financial institutions. In actuality the state has an essential role particularly in facilitating supervision, guaranteeing healthy competition and strengthening financial structure (Global Financial Development Report, 2013).

Some current work in Nigeria has expanded learning about the causal connections between money related advancement and financial development. Some empirical confirmations support the possibility that FD propels growth in the economy, with the researchers postulating that the generation of monetary institutions and their services originates before the interest for them. In

this manner, the accessibility of monetary services increases their demand in the current growing economies (Ibrahim & Shuaibu, 2013).

Kenyoru (2013) explored the impacts of innovation on financial deepening in Kenya. The study's goal was to identify the various forms of financial innovations in Kenya and their impact on FD. The study findings revealed that innovativeness does not influence FD. These findings contrasted those of Cracknell (2012) who investigated policy innovations and their influence on monetary access in Kenya. The study suggested the need to enhance FD in Kenya through appropriate innovations.

Harash, Al-Tamimi, and Al-Timimi (2014) investigated the relationship between government regulations and financial performance in Iraqi small businesses. It was established that 99% of the business ventures are the SMEs and that they are beneficial to the country’s GDP and also they offer opportunities for employment. The researchers observed that despite the important role of played by the SMEs, their growth are mostly affected by various factors which include; the presence of laws and regulations and also the rules which hinder the growth of the financial sector.

Nagarkar (2015) studied the banks financial returns in India. The research was conducted for two time periods from 2003 to 2008 which were considered as high growth years and from 2009 to 2013 which were considered as recessionary phase. The variables of the study were ratio analysis, CAMEL rankings, liquidity and profitability. The conclusions of the study were that commercial banks depend on deposits and maintaining that deposit is a key bank’s success regardless of the status of the economy due to influence in government policies. It was concluded that banks should not depend on borrowed money for giving advances but instead it should use its deposit money.

2.3.3 Bank Credit and Financial Performance

Kanyingi (2011) conducted a study on the impact of financial deepening on Kenya's economic growth. This study collects secondary data for all macroeconomic variables that affect financial deepening from 1997 to 2010, including gross domestic product, economic growth rate, domestic bank lending to the private sector, money supply, and domestic savings. All variables have a positive impact on economic growth. The study concluded that one way to deepen finances is to increase private lending to the economy. This study recommends the need for financial liberalization through deregulation of interest rates, removing barriers to entry and controlling the distribution of bank loans.

Gesaka (2013) determined the effect of FD on the implementation of the Youth Enterprise Development Fund (YEDF). This study uses an explanatory curriculum and relies on secondary information. Based on the results, the percentage growth of loans extended by YEDF continued to increase between 2008 and 2012. In addition, the results showed that the budget guidelines for development affected loans extended by YEDF by 78.02%. The findings suggested the change of the portion strategies to prepare for terrible obligations and misuse of assets.

In Nigeria, Akomolafe (2014) analyzed the concept of financial deepening in relation to economic growth between 1980 and 2010. This study included two indicators of financial deepening. This includes the M2 money supply and total bank loans. The Gross Domestic Product (GDP) is a measure of economic growth. The long and short term relationships between variables were investigated using Johansen cointegration and vector error correction (VECM) models. The Granger causality test is also used to determine the causation direction between variables.

Bakang (2015) examined the effect of financial deepening on economic growth in the banking sector in Kenya. For the time period 2000 to 2013, the survey utilizes quartile data. The availability of loans to the private sector, liquid liabilities and deposits from commercial banks, and assets of commercial central banks are used to assess financial deepening. Real GDP is a metric used to assess economic progress. Loans to the private sector, commercial bank assets, liquid liabilities, and central bank assets for trade all have statistical relevance on GDP effect, according to the survey data. However, this study reveals a conceptual gap as it focuses on economic growth rather than the financial performance of commercial banks.

Rahman and Mustafa (2015) found stock market liquidity as a predictor of financial deepening of stock market profitability in 19 chosen industrial nations and 21 developed countries between 1988 and 2013. The results show that stock exchange turnover in certain developing and industrialized countries increases returns on the stock market compared to stock exchange liquidity. Therefore, outcomes in developing countries are less robust than in developed countries.

2.3.4 Bank Deposit and Financial Performance

Okun (2012) studied the influence of deposits on banks monetary returns in Kenya. The empirical question is if there is a link between bank profitability and client deposits. The results showed that there was a significant and positive relationship between the savings ratio and ROA. In his study, he came to the conclusion that the number of deposits, loans and total assets continued to increase compared to the study period. The study also concludes that the loan-to-deposit ratio has fallen and has continued to decline since 2004 as total assets grew faster than deposits and loans.

Petria, Capraru and Ihnatov (2015) assessed the key factors influencing bank performance in the chosen CEECs countries over the period from 2004 to 2011. The study variables included; ROA,

ROE and NIM. The study findings revealed that MEC capital affect the bank performance. Further, inflation and credit risk influence on the ROA and ROE. Banks with higher capital adequacy or savings from customers are more profitable than those without. The study suggested the need for efficient supervision of capital adequacy and credit risks.

Ozurumba and Chigbu (2013) examined factors influencing FD in Nigeria for the period from 1970 to 2010. The variables explored included; credit cost, investments, savings, clearing activities and private sector credit. The study findings revealed that deposits are important in the success of the banks. The value of cheques cleared was found to have an indirect and significant influence on FD. Further, savings and lending rates had an indirect but insignificant influence on FD. In addition, deposits and private sector credit were having a direct and significant impact on FD. The findings of the study suggested the need to have a strong regulatory structure where the banks and monetary systems can work.

Rachdi (2013) investigated the determinants of profitability in banks before and after the financial crises which impacted most economies in the world. The research sampled 10 banks from Tunisia in the period 2000 and 2010. The results showed that capital volume, liquidity, bank size and real annual growth in GDP all had a positive effect on bank performance. Therefore, the cost-income ratio, annual deposit development and inflation are unfavorably related to all indicators of bank profitability. In extraordinary phases, bank profits are usually illustrated by operational efficiency, annual developments in deposits, developments in GDP and inflation.

2.4 Summary of Literature Review and Research Gap

Theoretical framework provides vital information concerning the various variables under study. Several theories were reviewed and their link to various variables illustrated. The reviewed

theories included: liquidity preference theory, Mckinnon's financial repression theory, financial liberalization theory and theory of financial deepening. The theoretical foundation brought out the clearly the various concepts under study.

Further, various researches relating to the survey constructs were examined. Majorly, the studies were reviewed in terms of the author (s), topic, objectives, methodology, findings and recommendations. Both local and international studies reviewed presented several research gaps which were contextual, methodological and conceptual in Nature. No matter how much research focuses on the impact of financial deepening and commercial bank profitability, no previous research has used government policy as an indicator of financial deepening.

Table 2.1: Summary of Literature Review and Research Gap

Author	Focus of the study	Methodology	Knowledge gaps	Focus on the current study

Ochanda (2014)	Assessed the impact of monetary extending on the development of Small and Medium Enterprises (SMEs) in Nairobi County	The research adopted an exploratory design	Study presents a contextual gap since it focused on SMEs Additionally, there exists a methodological gap since the study employed an exploratory design	The current research used descriptive design.
Mwangi (2014)	Explored the connection between loaning loan fees and the monetary execution of Deposit Taking Microfinance Institutions in Kenya	The study employed a descriptive design	The study presents a contextual gap since it focused on DTMs	The study focused on commercial banks
Mang'eli (2012)	Analyzed the connection between loan fee spread and budgetary execution of business banks.	The study employed a descriptive design	The study presents objective gap since it only focused on interest rates	The study addressed other components of financial deepening including government policies, credit and deposits.
Onyekachi and Okoye (2013)	Inspected the effect of bank loaning rate on the execution of Nigerianian Deposit Money Banks in the vicinity of 2000 and 2010.	The study employed a descriptive design	The study present a contextual gap since it was carried out in Nigeria	The study was conducted in Kenya.

Harash, Al-Tamimi and Al-Timimi, (2014	Analyzed the connection between government arrangements and money related execution in little and medium undertakings (SMEs) in Iraq	The study adopted an exploratory design	The study present a contextual gap since it was carried out in Iraq	The study was conducted in Kenya.
Kenyoru (2013)	Investigated the effects of advancement on money related developing in Kenya	The study adopted an exploratory design	The research presents a conceptual gap since it did not focus on financial performance as the dependent variable	The study focused on financial performance as the dependent variable
Akomolafe (2014)	Explored the connection between budgetary developing and monetary development in from 1980 to 2010.	The study employed a descriptive design	The study reveals a conceptual gap since it concentrated on economic growth	This research focused on banks financial returns
Bakang (2015)	Examined the impacts of monetary extending on financial development in the Kenyan keeping money area.	The study employed a descriptive design	The study reveals a conceptual gap since it concentrated on economic growth and not financial performance of commercial banks.	The study focused on financial performance of commercial banks

Gesaka (2013)	Investigated the impact of money related extending on the execution of the Youth Enterprise Development Fund (YEDF)	The study employed a descriptive design	The study reveals a contextual gap since it concentrated on performance of the Youth Enterprise Development Fund (YEDF)	The study focused on financial performance of banks
Rahman and Mustafa (2015)	Examined the impacts of securities exchange turnover and liquidity, as measures of budgetary extending, on securities exchange returns	The study adopted panel co-integration methodology and panel vector error-correction models.	The study presents a conceptual gap since it did not address the objectives of the proposed study.	The study addressed four indicators of financial deepening including interest rates, government policies, credits and deposits
Rachdi (2013)	Analyzed the determinants of banks productivity previously and amid the global money related emergency	The study employed a descriptive design	The study presents a conceptual gap since it only focused on growth in deposits.	Apart from deposits, the study focused on interest rates, government policies and credits

Source: Author, 2017

2.5 Conceptual Framework

The conceptual framework shows the relationship between financial deepening indicators (interest rates, government policies, loans and deposits) and commercial bank financial results. The independent variable (financial aggregate) and the dependent variable (commercial bank financial results) are depicted in Figure 2.1.

Independent Variables **Dependent Variable**

Financial deepening Indicators **Financial Performance**

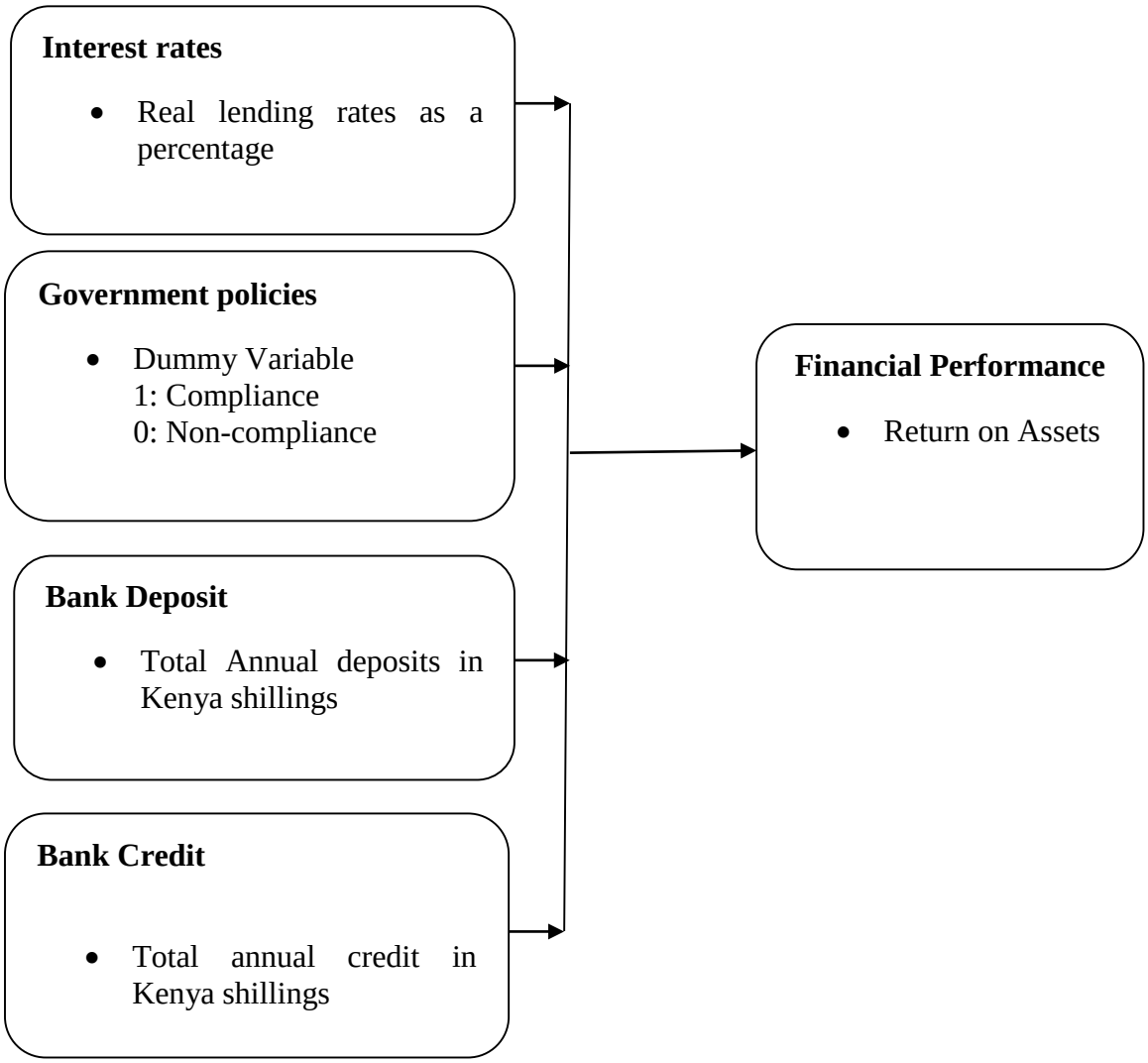

Figure 2.1: Conceptual Framework

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The section describes the methodology. Specifically, the section describes survey design, target population, sample design, information colleting tool, and analysis techniques.

3.2 Research Design

This study used a descriptive research design. This design is suitable for study because it allows an in-depth study of the financial depth and performance of commercial banks (Arvind & Vijay, 2013). The descriptive research design was also suitable for analyzing quantitative data and therefore, it was appropriate in this study since the study used quantitative data. It further allowed the study to bring out the characteristics of the various aspects of the research.

3.3 Target Population

All Kenyan commercial banks are included in the study's sample. According to the CBK report from 2017, Kenya has a total of 43 banks. Data were collected for the period January 2007 to December 2017. The period selected provided insightful and relevant information on the various parameters under study. The total number of observations for the study was 473.

3.4 Sampling Frame and Sample Size

In this study, the sample frame is representative of all 43 Kenyan Commercial Banks. The survey takes a numbered approach because the number of commercial banks is small. Therefore, 43 commercial banks participated in this study.

3.5 Data Collection Procedure

Data was collected from CBK, which serves as the custodian of commercial bank accounts in Kenya. Therefore, it was easier to assess the financial reports from the CBK website. The researcher sought permission from Kenyatta University before carrying out the data collection exercise. The researcher created an Excel template that was used to collect secondary data.

3.6 Data Analysis and Presentation

The collected data were analyzed through descriptive statistics and inference. Included descriptive statistics include minimum, maximum, mean, and standard deviation. In addition, the conclusions of these statistics include correlation and regression analysis to determine the impact of financial immersion on the financial results of commercial banks. This study used SPSS (version 20) to perform the analysis. Multiple regression was used to test the relationship between the independent and dependent variables.

The regression model was a shown below:

$$Y_{it} = \beta_0 + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + \varepsilon_{it} \quad \ldots\ldots (1)$$

Where;

Y is the financial performance measured using Return on Assets

it=Firm i at time t

X_1 is interest rates to be measured annually in percentage

X_2 is Bank deposits, to be measured using customers' annual total deposits

X_3 is Bank credit to be measured using annual total credit

X_4 is government policies to be measured using a dummy variable

The termsβ_0 ,β_1,β_2, β_3 and $\beta_4$represent the regression intercept and the performance sensitivity on every factor.

3.7 Diagnostic Tests

To avoid generation of biased results, the study carried out several diagnostic tests namely; normality, multicollinearity and heteroscedasticity tests. It was justifiable to conduct these tests in order to obtain accurate results. When the data set is biased, then, it results to inaccurate results which adversely affect the inference of the study.

3.7.1 Normality Test

The normalcy test was done using Shapiro-Wilk test to ascertain if the data distribution was within normal range. The threshold was that the probability value should be greater than 0.05($p>0.05$), for the null hypothesis of normal distribution to be accepted.

3.7.2 Multicollinearity Test

For multicollinearity test, Variance Inflation Factors (VIF) for all independent variables was used. The threshold was that the VIF value for all independent values must be less than 10.

3.7.3 Heteroscedasticity Test

Further, heteroscedasticity test was done using Modified Wald test. The threshold was that the chi square probability value should be greater than 0.05($p>0.05$), for the null hypothesis of no heteroscedasticity to be accepted.

3.8 Ethical Consideration

The organizations where the secondary data was sourced were educated, however much as could be expected the nature and reason for the examination, the methods to be utilized, and the normal advantages to their organizations. The researcher asked permission from the university to conduct research. In addition, researchers received study permit from NACOSTI.

CHAPTER FOUR: RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter discusses data analysis and interpretation of results. The main objective of this study was to determine the impact of financial deepening on the financial performance of commercial banks in Kenya. Data were analyzed in a goal-oriented manner, with models examined and interpreted using descriptive and derivative analysis, and conclusions drawn from them.

4.2 Descriptive Statistics Results

Descriptive results in relation to the study variables: financial performance, deposits, lending rates and bank credit are provided in Table 4.1.

Table 4.1: Descriptive Summary

Variable	Obs	Mean	Std. Dev.	Min	Max
Financial Performance	473	2.216554	8.14974	-32.15	160
Bank deposits	473	40521.31	62226.46	0	440164
Interest Rates	473	16.25981	2.414511	8.31	20.34
Bank Credit	471	30559.01	52782.58	40.57597	4116

Source: Research Data (2018)

The results give an average financial result (ROA) of 2.216554 with a standard deviation of 8.14974 for the forecast period. In addition, the average value of bank deposits during the investigation period was KES 40521.31 million with a standard deviation of 62226.46. In addition, the average value of loan interest is 16.25981 with a standard deviation of 2.414511. Finally, the average value of bank loans is 30559.01 million. The results showed that the average number of bank deposits exceeded the number of commercial bank loans. In addition, the average interest

rate for the forecast period is 16.26%. It is hoped that bank deposits and bank loans will help improve the bank's financial results. On the other hand, interest rates are expected to reduce the financial performance of banks.

4.3 Diagnostic Tests Results

The study conducted the diagnostic tests to avoid obtaining inaccurate outcomes.

4.3.1 Normality Test

The normality test was done using Shapiro-Wilk test. The threshold was that the probability value should be greater than 0.05($p>0.05$), for the null hypothesis of normal distribution to be accepted.

Table 4.2: Normality Test

	Shapiro-Wilk		
	Statistic	df	Sig.
ROA	0.293	473	0.000

Source: Research Data, (2018)

Results indicate that the Ho of normal distribution was rejected since the P value of $0.000<0.05$. However, the data was normalized by use of natural logarithm.

4.3.2 Multicollinearity Test

For multicollinearity test, Variance Inflation Factors (VIF) for all independent variables was used. The threshold was that the VIF values for all the predictor values should be less than 10 ($VIF \leq 10$).

Table 4.3: Multicollinearity Test

Variable |	**VIF**	**1/VIF**

Deposits	2.15	0.46406
Interest Rates	1.93	0.51898
Bank Credit	1.67	0.59934
Government Policies	1	0.997907
Mean VIF	1.69	

Source: Research Data, (2018)

Results reveal that there was no multicollinearity between the predictor constructs. This was supported by an average VIF value of 1.69<10.

4.3.3 Heteroscedasticity Test

Heteroscedasticity test was done using Modified Wald test. The threshold was that the chi square probability value should be greater than 0.05(p>0.05), for the null hypothesis of no heteroscedasticity to be accepted.

Table 4.4: Heteroscedasticity Test

Modified Wald test for groupwise heteroskedasticity
H0: sigma(i)^2 = sigma^2 for all i
chi2 (43) = 3.4e+05
Prob>chi2 = 0.0000

Source: Research Data, (2018)

The results in Table 4.4 show that the null hypothesis without heteroscedasticity is rejected because the P-value <0.05. However, the problem was corrected by use of natural logarithm. Heteroskedasticity occurs when error term affects the individual predictor variables and sometimes even the predicted variable. The use of log values corrects the problem of Heteroskedasticity and,

therefore, the error term does not affect the variables. This ensures that the results obtained are not biased.

4.4 Correlation Analysis Results

This section provides findings on the correlation between bank deposits, interest rates, bank credit, government policies and financial performance.

Table 4.5: Correlation Results

		Financial performance	Bank Deposits	Interest Rates	Bank Credit	Government Policies
Financial performance	Pearson Correlation	1.000				
	Sig.(2-tailed)					
Bank Deposits	Pearson Correlation	.267**	1.000			
	Sig. (2-tailed)	0.003				
Interest Rates	Pearson Correlation	-.270**	-.554**	1.000		
	Sig. (2-tailed)	0.001	0.000			
Bank Credit	Pearson Correlation	.324**	.627**	-.661**	1.000	
	Sig. (2-tailed)	0.000	0.000	0.000		
Government Policies	Pearson Correlation	.351**	.293**	-.447**	.482**	1.000
	Sig. (2-tailed)	0.000	0.001	0.000	0.000	

** Correlation is significant at the 0.01 level (2-tailed).

Source: Research Data (2018)

Table 4.5 show that bank deposits (r = 0.267, P = 0.003) have a weak and significant positive correlation with financial outcomes. This indicates that the increase in bank deposits is accompanied by increase in performance.

The results also show that interest rates (r = -0.270, P = 0.001) negatively and substantially correlates with financial outcomes. This indicates that the increase in interest rates is accompanied by decline in performance.

The results also showed that bank credit (r = 0.324, P = 0.000) had a weak and significant positive correlation with financial outcomes. This indicates that the increase in bank lending is accompanied by increase in performance.

In addition, the results show that government action (r = 0.351, P = 0.000) has a weak and significant positive correlation with financial outcomes. This indicates that the improvement of government policies is accompanied by increase in performance.

4.5 Multiple Regression Analysis Results

The main aim of the study was to examine the effect of financial deepening on financial performance of commercial banks in Kenya. Having established the existence of a significant association between each of the predictor variables (bank deposits, interest rates, bank credit and government policies) and financial performance, it was essential to establish how a combination of the four variables jointly affect financial performance. Therefore, multiple linear regression analysis was performed where the predictor variables were regressed to the dependent variable. Tables 4.6, 4.7 and 4.8 summarize the models, ANOVA and coefficients, respectively.

Table 4.6: Model Summary; Financial Deepening and Financial Performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.402a	0.161	0.154	7.514

a Predictors: (Constant), Government Policies, Bank Deposits, Lending Rates, Bank Credit

Source: Research Data (2018)

Table 4.6 revealed that the explanatory constructs in this study jointly explains 16% (R2= .161) of the total variations in financial performance. R squared is low, implying that there are additional factors that influence commercial bank financial performance but are not considered in this study.

Table 4.7: ANOVA; Financial Deepening and Financial Performance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5064.311	4	1266.078	22.422	.000b
	Residual	26313.25	466	56.466		
	Total	31377.56	470			

Source: Research Data, (2018)

The results reveal that the overall model is meaningful. The findings also indicate that deepening financial element is a good predictor of the financial outcome as also confirmed by an F test of 22.422 and a P value of 0.000<0.05.

Table 4.8: Coefficients; Financial Deepening and Financial Performance

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-10.966	3.423		-3.203	0.001
Bank Deposits	0.466	0.233	0.106	1.994	0.049
Interest Rates	-0.065	0.246	-0.016	-0.262	0.793
Bank Credit	0.525	0.266	0.125	1.972	0.048
Government Policies	5.151	1.01	0.252	5.101	0.000

a Dependent Variable: ROA

Source: Research Data, (2018)

The multiple regression results in Table 4.8 indicate that bank deposits (β= 0.466, P = .049); bank credit (β= 0.525, P =.048); and government policies (β= 5.151, P = .000) positively and meaningful influence on monetary outcome. However, the effect of interest rate (P>0.000, 0.793) on financial performance is not statistically significant.

Thus, the hypothesized model: $Y_{it}= \beta_0 +\beta_1X_{1it} + \beta_2X_{2it} + \beta_3X_{3it} + \beta_4X_{4it} + \varepsilon_{it}$, now becomes:

Y=-10.966+0.466X2+0.525X3+5.151X4

Where;

Y = Financial performance of commercial banks

X2 = Bank deposits

X3 =Bank credit

X4 = Government policies

From regression weights in Table 4.8, it is evident that all the independent variables except interest rate are significantly influencing the dependent variable in varying degrees. When all of them are combined in one model, the most significant predictor of financial performance is government policies (β= 5.151, P = .000), followed by bank credit (β= 0.525, P = .048), and then bank deposits (β= 0.466, P = .049).

4.6 Discussion of the Findings

The first objective of this study was to determine the impact of interest rates and financial performance of commercial banks in Kenya. The regression results show that interest rates have a negative but not significant effect on the financial results of commercial banks. These results are in line with research by Ochanda (2014) which states that interest rates are an obstacle to business development. Similarly, Mwangi (2014) found that interest rate inflates the borrowing cost and this translates into reduced profitability.

The second objective of this study was to examine the impact of government policies on the outcome. The regression results show that government actions positively and meaningfully determine financial outcome of Kenyan commercial banks. The results showed that increasing the uniformity of government policies would enhance banks financial outcome by 5,511 units. The results contradict Harash, Al-Tamimi, and Al-Timimi (2014), who argue that laws and regulations hinder the work of organizations.

The study's third goal was to assess the impact of bank deposits on commercial banks' financial outcome. Bank deposits have a favorable and substantial influence on financial performance, according to the regression results. The results showed that the increase in bank deposit units was equivalent to an increase in financial income of 0.466 units. This result is in line with Ozurumba

and Chigbu (2013) who found that savings are important for bank success. Okun (2012) also came to the conclusion that the number of deposits, loans and the total balance sheet has been increasing steadily compared to the investigation period.

The study's fourth goal was to evaluate the impact of bank loans on commercial banks' financial outcome. Bank loans have a favorable and substantial influence on financial performance, according to the regression results. The results showed that an increase in bank loan units by 0.525 units increased financial results.

Bakang (2015) concluded that loans to the private sector, commercial bank assets, liquid liabilities, and commercial-central bank assets had statistical relevance on GDP effect. Further, Kanyingi (2011) established that one of the ways of realizing financial deepening is through increased private credit to the economy.

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a summary of findings, conclusion and recommendations of the study. The presentation took place in accordance with the research objectives. Areas for further research are also offered. There is a review of the empirical literature based on the research objectives; connecting previous research with this research. The studies reviewed show that there are gaps in knowledge. The study was informed by liquidity preference theory, Mckinnon's financial repression theory, financial liberalization theory and theory of financial deepening. The study targeted 43 commercial banks in Kenya. Data collection was carried out for the period January 2007 to December 2017. This survey used a transitional approach, so that 43 commercial banks participated in the survey. Data was analysed using descriptive and inferential analysis.

5.2 Summary of the study

The correlation outcome showed that interest rates and bank financial results are negatively and significantly related. However, the regression results show that interest rates have no significant effect on bank performance.

The correlation results showed that government policies and bank financial performance have a positive and significant relationship. The results of the regression analysis show that the government's actions positively and meaningful determine bank outcome.

The correlation results showed that bank deposits and bank financial results have a positive and significant relationship. The regression output demonstrated that there was a favorable and meaningful effect of bank deposits on bank performance.

The correlation results show that the results of credit and bank finance are positively and significantly related. The regression output indicated that there was a favorable and meaningful effect of bank loans on bank performance.

5.3 Conclusions

The study concluded that interest rate has a statistically significant and negative relationship with financial performance of commercial banks. However, when combined with other variables, interest rate did not have a meaningful predictive ability to determine bank outcome.

Based on the results of objective 2, the study concludes that government policies have a meaningful connection with the banks' financial outcome. In addition, government policies, combined with other variables, have significant predictive power to affect the bank performance.

In line with the results for objective 3, the conclusion was that bank deposits have a meaningful connection with the banks' financial outcome. In addition, when combined with other variables, bank deposits have a meaningful predictive ability to affect the bank outcome.

From the results of objective 4, the conclusion was that bank loans have a meaningful and connection with the financial performance of commercial banks. In addition, when combined with other variables, bank loans have a predictable ability to significantly affect the bank performance.

From the multiple regression findings, the research concluded that when combined, all the independent variables except interest rate directly and meaningfully influence bank performance.

In particular, government policies best explained bank performance, followed by bank credit, followed by bank deposits and lastly interest rate.

5.4 Recommendations of the study

The commercial banks management should consider lowering the interest rates they charge on credit. This will enable more people to access loans and will also translate into increased financial returns.

The study recommended that the CBK should streamline banking policies in order to enhance performance of the banks. Commercial banks should also ensure strict adherence with the banking policies. This is because non-compliance could have devastating effect on their financial performance. Failure to comply with the policies could results to penalties, which could adversely the profitability of the banks.

Bank deposits exhibited a statistically significant and positive link with commercial bank financial performance, according to the findings for objective three. Commercial banks should establish successful savings mobilization tactics, such as product creation and marketing techniques, according to the report. This will ensure that the banks have enough savings inform of deposits, which they can re-invest in viable investment projects.

In addition, the results of objective 4 show that bank loans have a statistically significant and positive relationship with the financial performance of commercial banks. This study recommends that commercial bank management expand their credit base and provide loans to more customers. This will ensure that they make more profits.

5.5 Areas of Further Studies

The research examined the impact of financial deepening on bank financial performance in Kenya. Similar studies targeting MFIs and SACCOs should be conducted to determine whether financial deepening affects their financial performance. In addition, the variables in this study only explain 16% of changes in the financial outcome. Future studies may focus on other variables that might make up the remaining 84% but are not included in this study.

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Appendix I: List of Commercial Banks in Kenya

1. Co-operative Bank of Kenya
2. UBA Bank
3. Consolidated Bank
4. Development Bank
5. United Bank for Africa
6. Kenya Commercial Bank (KCB)
7. Equity Bank
8. Barclays Bank
9. Commercial Bank of Africa (CBA)
10. Standard Chartered Bank
11. I&M Bank
12. NIC Bank
13. Diamond Trust Bank
14. Bank of Africa
15. Housing Finance
16. Ecobank
17. Prime Bank
18. Bank of Baroda
19. CFC Stanbic Bank
20. Citibank
21. Guaranty Trust Bank
22. National Bank
23. Bank of India
24. Family Bank
25. Jamii Bora Bank
26. ABC Bank
27. Credit Bank
28. Paramount Universal
29. Consolidated and Development Bank
30. Fidelity Bank
31. Equatorial Commercial Bank
32. Giro Bank
33. Guardian Bank
34. Middle East Bank
35. Oriental Commercial Bank
36. Paramount Universal Bank
37. Trans-National Bank
38. Victoria Bank
39. First Community Bank
40. Habib A.G Zurich Bank
41. Habib Bank
42. Gulf Africa
43. Sidian Bank

Appendix II: Raw Data

Banks	Year	ROA	Bank Deposits (Ksh)	Interest Rates (%)	Bank Credit (Ksh)	Government Policies (Dummy)
KCB Bank Kenya Limited	2007	2.8	71495	13.67	13304.7323	1
KCB Bank Kenya Limited	2008	-3.3	85638	16.59	29566.07179	0
KCB Bank Kenya Limited	2009	3.57	125869	17.45	53756.49416	1
KCB Bank Kenya Limited	2010	5.17	123826	16.9	89594.15693	1
KCB Bank Kenya Limited	2011	5.17	210174	17.73	137837.1645	1
KCB Bank Kenya Limited	2012	7.4	223493.28	20.34	196910.235	1
KCB Bank Kenya Limited	2013	7.7	237213	13.87	231659.1	1
KCB Bank Kenya Limited	2014	5.93	276750	20.04	257,399	1
KCB Bank Kenya Limited	2015	5.01	347564	15.09	324,284	1
KCB Bank Kenya Limited	2016	5.64	386391	14.8	373,031.31	1
KCB Bank Kenya Limited	2017	4.94	440164	13.32	411,666	1
Equity Bank (Kenya) Limited	2007	2	93837	13.67	9974.607931	1
Equity Bank (Kenya) Limited	2008	0.7	109097	16.59	22165.7954	1
Equity Bank (Kenya) Limited	2009	-5.3	55786	17.45	40301.44619	0
Equity Bank (Kenya) Limited	2010	6.24	72778	16.9	67169.07698	1
Equity Bank (Kenya) Limited	2011	6.24	122323	17.73	103337.0415	1
Equity Bank (Kenya) Limited	2012	5.2	140524.85	20.34	147624.345	1
Equity Bank (Kenya) Limited	2013	5.5	157684	13.87	173675.7	1
Equity Bank (Kenya) Limited	2014	7.26	161904	20.04	192,973	1
Equity Bank (Kenya) Limited	2015	6.56	266614	15.09	229,394	1
Equity Bank (Kenya) Limited	2016	6	256796	14.8	132,497.35	1

Equity Bank (Kenya) Limited	2017	5.68	285566	13.32	139,406	1
Co-operative Bank of Kenya Limited	2007	3.3	48201	13.67	9374.858868	1
Co-operative Bank of Kenya Limited	2008	3.4	54775	16.59	20833.01971	1
Co-operative Bank of Kenya Limited	2009	5.39	91553	17.45	37878.21765	1
Co-operative Bank of Kenya Limited	2010	3.61	124012	16.9	63130.36275	1
Co-operative Bank of Kenya Limited	2011	3.61	124207	17.73	97123.635	1
Co-operative Bank of Kenya Limited	2012	7	137915.39	20.34	138748.05	1
Co-operative Bank of Kenya Limited	2013	6	160125	13.87	163233	1
Co-operative Bank of Kenya Limited	2014	6.42	176915	20.04	181,370	1
Co-operative Bank of Kenya Limited	2015	4.14	237025	15.09	212,711	1
Co-operative Bank of Kenya Limited	2016	5.15	277135	14.8	176,348.53	1
Co-operative Bank of Kenya Limited	2017	4.31	298703	13.32	177,224	1
Barclays Bank of Kenya Limited	2007	-4.5	16337	13.67	6626.754184	0
Barclays Bank of Kenya Limited	2008	5	31536	16.59	14726.12041	1
Barclays Bank of Kenya Limited	2009	3.26	65825	17.45	26774.76438	1
Barclays Bank of Kenya Limited	2010	5.37	95204	16.9	44624.6073	1
Barclays Bank of Kenya Limited	2011	5.37	142705	17.73	68653.242	1
Barclays Bank of Kenya Limited	2012	5.9	162267.23	20.34	98076.06	1
Barclays Bank of Kenya Limited	2013	5.8	176614	13.87	115383.6	1
Barclays Bank of Kenya Limited	2014	4.43	219416	20.04	128,204	1
Barclays Bank of Kenya Limited	2015	5.01	188820	15.09	148,846	1
Barclays Bank of Kenya Limited	2016	-5.1	198515	14.8	19,354.22	0
Barclays Bank of Kenya Limited	2017	3.68	186245	13.32	20,771	1
Standard Chartered Bank Kenya Limited	2007	4.2	64879	13.67	4923.80386	1

Standard Chartered Bank Kenya Limited	2008	4.7	73841	16.59	10941.78636	1
Standard Chartered Bank Kenya Limited	2009	1.35	137968	17.45	19894.15701	1
Standard Chartered Bank Kenya Limited	2010	6.95	163189	16.9	33156.92835	1
Standard Chartered Bank Kenya Limited	2011	6.95	74335	17.73	51010.659	1
Standard Chartered Bank Kenya Limited	2012	4.8	75632.93	20.34	72872.37	1
Standard Chartered Bank Kenya Limited	2013	4.7	111181	13.87	85732.2	1
Standard Chartered Bank Kenya Limited	2014	5.44	102244	20.04	95,258	1
Standard Chartered Bank Kenya Limited	2015	-3.83	174462	15.09	128,266	0
Standard Chartered Bank Kenya Limited	2016	4.02	191082	14.8	38,089.50	1
Standard Chartered Bank Kenya Limited	2017	3.34	213349	13.32	43,943	1
Diamond Trust Bank Kenya Limited	2007	3.1	28639	13.67	6655.906858	1
Diamond Trust Bank Kenya Limited	2008	1.5	34722	16.59	14790.90413	1
Diamond Trust Bank Kenya Limited	2009	5.66	86774	17.45	26892.55296	1
Diamond Trust Bank Kenya Limited	2010	1.96	100504	16.9	44820.9216	1
Diamond Trust Bank Kenya Limited	2011	1.96	121774	17.73	68955.264	1
Diamond Trust Bank Kenya Limited	2012	10.4	140285.67	20.34	98507.52	1
Diamond Trust Bank Kenya Limited	2013	-4.1	158682	13.87	115891.2	0
Diamond Trust Bank Kenya Limited	2014	5.64	202560	20.04	128,768	1
Diamond Trust Bank Kenya Limited	2015	5.66	148321	15.09	122,905	1
Diamond Trust Bank Kenya Limited	2016	3.64	161197	14.8	105,082.15	1
Diamond Trust Bank Kenya Limited	2017	3.05	178378	13.32	107,038	1
I & M Bank Limited	2007	3	19760	13.67	5064.708449	1
I & M Bank Limited	2008	2.4	22692	16.59	11254.90766	1
I & M Bank Limited	2009	-3	12405	17.45	20463.46848	0
I & M Bank Limited	2010	4.24	19784	16.9	34105.7808	1
I & M Bank Limited	2011	5.03	18475	17.73	52470.432	1
I & M Bank Limited	2012	5.2	18282.19	20.34	74957.76	1

I & M Bank Limited	2013	5.5	22778	13.87	88185.6	1
I & M Bank Limited	2014	4.31	24668	20.04	97,984	1
I & M Bank Limited	2015	3.56	126577	15.09	111,286	1
I & M Bank Limited	2016	5.27	170421	14.8	40,170.01	1
I & M Bank Limited	2017	4.09	190469	13.32	39,763	1
Commercial Bank of Africa Limited	2007	3.7	32517	13.67	4789.877305	1
Commercial Bank of Africa Limited	2008	7	33362	16.59	10644.17179	1
Commercial Bank of Africa Limited	2009	4.13	18634	17.45	19353.03962	1
Commercial Bank of Africa Limited	2010	4.8	25600	16.9	32255.06603	1
Commercial Bank of Africa Limited	2011	4.24	30264	17.73	49623.1785	1
Commercial Bank of Africa Limited	2012	3.5	38382.46	20.34	70890.255	1
Commercial Bank of Africa Limited	2013	4.9	41877	13.87	83400.3	1
Commercial Bank of Africa Limited	2014	4.47	48683	20.04	92,667	1
Commercial Bank of Africa Limited	2015	3.69	109132	15.09	107,683	1
Commercial Bank of Africa Limited	2016	-3.6	122888	14.8	241,394.75	0
Commercial Bank of Africa Limited	2017	3.13	153009	13.32	7,232	1
Citibank N.A Kenya	2007	-3.1	18507	13.67	4712.136842	0
Citibank N.A Kenya	2008	-0.5	20820	16.59	10471.4152	0
Citibank N.A Kenya	2009	5.92	13005	17.45	19038.93674	1
Citibank N.A Kenya	2010	4.64	16076	16.9	31731.56123	1
Citibank N.A Kenya	2011	4.8	67303	17.73	48817.7865	1
Citibank N.A Kenya	2012	4.9	79996.16	20.34	69739.695	1
Citibank N.A Kenya	2013	4.6	91001	13.87	82046.7	1
Citibank N.A Kenya	2014	4.44	121963	20.04	91,163	1
Citibank N.A Kenya	2015	3.99	104988	15.09	104,302	1
Citibank N.A Kenya	2016	3.37	103402	14.8	68,615.72	1
Citibank N.A Kenya	2017	6.49	130561	13.32	68,153	1
NIC Bank Kenya PLC	2007	3.5	18220	13.67	4641.52948	1
NIC Bank Kenya PLC	2008	3.3	23626	16.59	10314.50996	1
NIC Bank Kenya PLC	2009	3.44	10117	17.45	18753.65447	1
NIC Bank Kenya PLC	2010	4.49	16880	16.9	31256.09078	1

NIC Bank Kenya PLC	2011	4.64	28872	17.73	48086.2935	1
NIC Bank Kenya PLC	2012	4.2	36714.62	20.34	68694.705	1
NIC Bank Kenya PLC	2013	7	40497	13.87	80817.3	1
NIC Bank Kenya PLC	2014	2.57	45022	20.04	89,797	1
NIC Bank Kenya PLC	2015	3.14	104466	15.09	103,535	1
NIC Bank Kenya PLC	2016	5.84	118553	14.8	7,108.71	1
NIC Bank Kenya PLC	2017	2.94	132801	13.32	7,741	1
Stanbic Bank Kenya Limited	2007	-0.5	21978	13.67	3519.66844	0
Stanbic Bank Kenya Limited	2008	1.5	24806	16.59	7821.485422	1
Stanbic Bank Kenya Limited	2009	5.66	33247	17.45	14220.88259	1
Stanbic Bank Kenya Limited	2010	4.9	38215	16.9	23701.47098	1
Stanbic Bank Kenya Limited	2011	4.49	56728	17.73	36463.8015	1
Stanbic Bank Kenya Limited	2012	4	55191.43	20.34	52091.145	1
Stanbic Bank Kenya Limited	2013	-3.6	78508	13.87	61283.7	0
Stanbic Bank Kenya Limited	2014	5.22	104458	20.04	68,093	1
Stanbic Bank Kenya Limited	2015	6.33	110864	15.09	72,842	1
Stanbic Bank Kenya Limited	2016	3.66	97851	14.8	28,241.78	1
Stanbic Bank Kenya Limited	2017	-2.34	94544	13.32	38,080	0
Bank of Baroda (K) Limited	2007	3	16726	13.67	2051.076665	1
Bank of Baroda (K) Limited	2008	3.7	24409	16.59	4557.948145	1
Bank of Baroda (K) Limited	2009	3	44273	17.45	8287.178445	1
Bank of Baroda (K) Limited	2010	4.41	53195	16.9	13811.96408	1
Bank of Baroda (K) Limited	2011	4.9	46534	17.73	21249.1755	1
Bank of Baroda (K) Limited	2012	5.5	44012.19	20.34	30355.965	1

Bank of Baroda (K) Limited	2013	4.8	51219	13.87	35712.9	1
Bank of Baroda (K) Limited	2014	3.08	56518	20.04	39,681	1
Bank of Baroda (K) Limited	2015	3.55	65121	15.09	57,975	1
Bank of Baroda (K) Limited	2016	4.67	65170	14.8	37,480.16	1
Bank of Baroda (K) Limited	2017	5.26	64369	13.32	33,589	1
Bank of India	2007	3.7	25331	13.67	2391.139501	1
Bank of India	2008	2.1	29605	16.59	5313.643335	1
Bank of India	2009	4.13	36274	17.45	9661.1697	1
Bank of India	2010	2.37	44904	16.9	16101.9495	1
Bank of India	2011	4.41	23986	17.73	24772.23	1
Bank of India	2012	3.6	35099.55	20.34	35388.9	1
Bank of India	2013	5.8	42081	13.87	41634	1
Bank of India	2014	4.35	49674	20.04	46,260	1
Bank of India	2015	3.99	62731	15.09	54,624	1
Bank of India	2016	3.57	41473	14.8	10,317.36	1
Bank of India	2017	4.72	47425	13.32	9,882	1
Prime Bank Limited	2007	3.1	3308	13.67	1812.221161	1
Prime Bank Limited	2008	-2.6	4484	16.59	4027.158135	0
Prime Bank Limited	2009	5.92	10819	17.45	7322.1057	1
Prime Bank Limited	2010	1.91	16494	16.9	12203.5095	1
Prime Bank Limited	2011	2.37	24822	17.73	18774.63	1
Prime Bank Limited	2012	2.7	36506.01	20.34	26820.9	1
Prime Bank Limited	2013	2.9	54960	13.87	31554	1
Prime Bank Limited	2014	4.75	79149	20.04	35,060	1
Prime Bank Limited	2015	3.65	52929	15.09	41,617	1
Prime Bank Limited	2016	4.57	64874	14.8	8,360.64	1
Prime Bank Limited	2017	2.59	73005	13.32	10,171	1
Victoria Commercial Bank Limited	2007	2.8	10122	13.67	2028.074999	1
Victoria Commercial Bank Limited	2008	-3.1	12673	16.59	4506.833331	0
Victoria Commercial Bank Limited	2009	3.44	10490	17.45	8194.24242	1
Victoria Commercial Bank Limited	2010	5.65	15731	16.9	13657.0707	1
Victoria Commercial Bank Limited	2011	1.91	19245	17.73	21010.878	1
Victoria Commercial Bank Limited	2012	2.7	27581.36	20.34	30015.54	1

Victoria Commercial Bank Limited	2013	-3.8	35027	13.87	35312.4	0
Victoria Commercial Bank Limited	2014	4.24	48168	20.04	39,236	1
Victoria Commercial Bank Limited	2015	3.49	53167	15.09	41,075	1
Victoria Commercial Bank Limited	2016	2.12	36646	14.8	7,026.35	1
Victoria Commercial Bank Limited	2017	3.27	31572	13.32	7,365	1
National Bank of Kenya Limited	2007	-0.6	7146	13.67	1499.088366	0
National Bank of Kenya Limited	2008	0.3	8608	16.59	3331.30748	1
National Bank of Kenya Limited	2009	-3.3	12270	17.45	6056.92269	0
National Bank of Kenya Limited	2010	0.7	13678	16.9	10094.87115	1
National Bank of Kenya Limited	2011	5.65	62009	17.73	15530.571	1
National Bank of Kenya Limited	2012	1.7	77466.04	20.34	22186.53	1
National Bank of Kenya Limited	2013	1.9	84033	13.87	26101.8	1
National Bank of Kenya Limited	2014	1.9	91997	20.04	29,002	1
National Bank of Kenya Limited	2015	4.42	50798	15.09	32,263	1
National Bank of Kenya Limited	2016	3.55	49165	14.8	118,483.10	1
National Bank of Kenya Limited	2017	0.67	57555	13.32	135,443	1
Habib Bank A.G Zurich	2007	1	7011	13.67	1246.53524	1
Habib Bank A.G Zurich	2008	0.5	7551	16.59	2770.078311	1
Habib Bank A.G Zurich	2009	3.94	34799	17.45	5036.50602	1
Habib Bank A.G Zurich	2010	1.81	45995	16.9	8394.1767	1
Habib Bank A.G Zurich	2011	0.7	16566	17.73	12914.118	1
Habib Bank A.G Zurich	2012	2.7	21475.3	20.34	18448.74	1
Habib Bank A.G Zurich	2013	4	25242	13.87	21704.4	1
Habib Bank A.G Zurich	2014	4.18	32363	20.04	24,116	1

Habib Bank A.G Zurich	2015	3.38	41881	15.09	30,902	1
Habib Bank A.G Zurich	2016	2.78	38772	14.8	15,022.00	1
Habib Bank A.G Zurich	2017	2.19	36898	13.32	16,371	1
HFC Limited	2007	1.4	7074	13.67	1268.503123	1
HFC Limited	2008	-0.2	8588	16.59	2818.89583	0
HFC Limited	2009	2.33	41995	17.45	5125.265145	1
HFC Limited	2010	2.45	47805	16.9	8542.108575	1
HFC Limited	2011	1.81	56944	17.73	13141.7055	1
HFC Limited	2012	1.3	65640.24	20.34	18773.865	1
HFC Limited	2013	4.1	74846	13.87	22086.9	1
HFC Limited	2014	3.74	87185	20.04	24,541	1
HFC Limited	2015	1.86	34257	15.09	27,683	1
HFC Limited	2016	2.23	32239	14.8	112,509.00	1
HFC Limited	2017	0.63	43686	13.32	118,459	1
Guaranty Trust Bank (Kenya) Limited	2007	4.3	4160	13.67	642.9094922	1
Guaranty Trust Bank (Kenya) Limited	2008	6.1	6024	16.59	1428.687761	1
Guaranty Trust Bank (Kenya) Limited	2009	3.24	36977	17.45	2597.61411	1
Guaranty Trust Bank (Kenya) Limited	2010	2.48	45318	16.9	4329.35685	1
Guaranty Trust Bank (Kenya) Limited	2011	2.45	59772	17.73	6660.549	1
Guaranty Trust Bank (Kenya) Limited	2012	2.4	72505.12	20.34	9515.07	1
Guaranty Trust Bank (Kenya) Limited	2013	2	84964	13.87	11194.2	1
Guaranty Trust Bank (Kenya) Limited	2014	4.61	102060	20.04	12,438	1
Guaranty Trust Bank (Kenya) Limited	2015	2.72	26660	15.09	17,973	1
Guaranty Trust Bank (Kenya) Limited	2016	0.91	31852	14.8	27,392.64	1
Guaranty Trust Bank (Kenya) Limited	2017	0.81	31286	13.32	21,456	1
Guardian Bank Limited	2007	2.9	8289	13.67	727.1627864	1
Guardian Bank Limited	2008	-5	10358	16.59	1615.917303	0
Guardian Bank Limited	2009	1.53	19184	17.45	2938.03146	1
Guardian Bank Limited	2010	5.04	25512	16.9	4896.7191	1

Guardian Bank Limited	2011	2.48	21444	17.73	7533.414	1
Guardian Bank Limited	2012	2.9	24630.28	20.34	10762.02	1
Guardian Bank Limited	2013	-4.3	34597	13.87	12661.2	0
Guardian Bank Limited	2014	2.08	47318	20.04	14,068	1
Guardian Bank Limited	2015	3.53	19418	15.09	15,864	1
Guardian Bank Limited	2016	3.65	17051	14.8	8,319.31	1
Guardian Bank Limited	2017	0.87	15141	13.32	6,867	1
First Community Bank Limited	2007	1.4	4347	13.67	698.475315	1
First Community Bank Limited	2008	1.7	5012	16.59	1552.167367	1
First Community Bank Limited	2009	3.91	7208	17.45	2822.122485	1
First Community Bank Limited	2010	6.43	8353	16.9	4703.537475	1
First Community Bank Limited	2011	5.04	18674	17.73	7236.2115	1
First Community Bank Limited	2012	-4.8	22968.21	20.34	10337.445	0
First Community Bank Limited	2013	2.9	26589	13.87	12161.7	1
First Community Bank Limited	2014	5.29	36310	20.04	13,513	1
First Community Bank Limited	2015	4.74	18408	15.09	15,538	1
First Community Bank Limited	2016	3.7	21213	14.8	6,242.85	1
First Community Bank Limited	2017	1.44	26074	13.32	6,345	1
African Banking Corporation Limited	2007	-1.3	5199	13.67	579.6419879	0
African Banking Corporation Limited	2008	-0.8	6670	16.59	1288.093307	0
African Banking Corporation Limited	2009	5.09	4882	17.45	2341.98783	1
African Banking Corporation Limited	2010	-1.07	8008	16.9	3903.31305	0
African Banking Corporation Limited	2011	6.43	4718	17.73	6005.097	1
African Banking Corporation Limited	2012	6.5	5194.69	20.34	8578.71	1

African Banking Corporation Limited	2013	6.2	5599	13.87	10092.6	1
African Banking Corporation Limited	2014	3.68	6399	20.04	11,214	1
African Banking Corporation Limited	2015	-3.03	15774	15.09	13,317	0
African Banking Corporation Limited	2016	3.94	16078	14.8	10,497.28	1
African Banking Corporation Limited	2017	1.25	19701	13.32	9,929	1
Credit Bank Limited	2007	-0.7	4081	13.67	567.4950406	0
Credit Bank Limited	2008	-9.6	5084	16.59	1261.10009	0
Credit Bank Limited	2009	-7.13	2793	17.45	2292.909255	0
Credit Bank Limited	2010	2.22	3258	16.9	3821.515425	1
Credit Bank Limited	2011	1.07	3694	17.73	5879.2545	1
Credit Bank Limited	2012	4.2	4806.22	20.34	8398.935	1
Credit Bank Limited	2013	4.3	5377	13.87	9881.1	1
Credit Bank Limited	2014	3.11	6231	20.04	10,979	1
Credit Bank Limited	2015	1.61	14024	15.09	13,124	1
Credit Bank Limited	2016	2.05	15696	14.8	13,418.47	1
Credit Bank Limited	2017	0.82	18677	13.32	13,746	1
M-Oriental Bank Limited	2007	0.4	4493	13.67	664.257106	1
M-Oriental Bank Limited	2008	2	4915	16.59	1476.126902	1
M-Oriental Bank Limited	2009	2.5	2411	17.45	2683.867095	1
M-Oriental Bank Limited	2010	2.46	4105	16.9	4473.111825	1
M-Oriental Bank Limited	2011	2.22	6661	17.73	6881.7105	1
M-Oriental Bank Limited	2012	2.8	7747.85	20.34	9831.015	1
M-Oriental Bank Limited	2013	2.7	8317	13.87	11565.9	1
M-Oriental Bank Limited	2014	5.63	8929	20.04	12,851	1
M-Oriental Bank Limited	2015	2.25	13380	15.09	12,826	1
M-Oriental Bank Limited	2016	0.99	13684	14.8	15,292.83	1
M-Oriental Bank Limited	2017	1.24	2080	13.32	18,887	1
Paramount Bank Limited	2007	3.2	3995	13.67	516.3744836	1
Paramount Bank Limited	2008	-7.6	4544	16.59	1147.498853	0

Paramount Bank Limited	2009	2.42	986	17.45	2086.36155	1
Paramount Bank Limited	2010	-0.32	1206	16.9	3477.26925	0
Paramount Bank Limited	2011	2.46	2703	17.73	5349.645	1
Paramount Bank Limited	2012	2	3906.54	20.34	7642.35	1
Paramount Bank Limited	2013	160	4522	13.87	8991	1
Paramount Bank Limited	2014	3.13	4632	20.04	9,990	1
Paramount Bank Limited	2015	2.39	12806	15.09	11,532	1
Paramount Bank Limited	2016	0.14	12942	14.8	9,604.09	1
Paramount Bank Limited	2017	1.1	12761	13.32	10,303	1
Development Bank of Kenya Limited	2007	2.7	3741	13.67	334.1185848	1
Development Bank of Kenya Limited	2008	0.7	4322	16.59	742.485744	1
Development Bank of Kenya Limited	2009	0.18	3522	17.45	1349.97408	1
Development Bank of Kenya Limited	2010	4.67	8037	16.9	2249.9568	1
Development Bank of Kenya Limited	2011	-0.32	1561	17.73	3461.472	0
Development Bank of Kenya Limited	2012	3.7	1360.92	20.34	4944.96	1
Development Bank of Kenya Limited	2013	3	1582	13.87	5817.6	1
Development Bank of Kenya Limited	2014	2.59	1751	20.04	6,464	1
Development Bank of Kenya Limited	2015	1.05	10815	15.09	10,767	1
Development Bank of Kenya Limited	2016	1.53	4677	14.8	104,302.16	1
Development Bank of Kenya Limited	2017	-1.01	6429	13.32	126,983	0
Transnational Bank Limited	2007	4.6	3235	13.67	597.2679838	1
Transnational Bank Limited	2008	3.6	4276	16.59	1327.262186	1
Transnational Bank Limited	2009	2.82	4888	17.45	2413.203975	1
Transnational Bank Limited	2010	6.2	7204	16.9	4022.006625	1

Transnational Bank Limited	2011	4.67	12010	17.73	6187.7025	1
Transnational Bank Limited	2012	3.2	13324.85	20.34	8839.575	1
Transnational Bank Limited	2013	2.8	12023	13.87	10399.5	1
Transnational Bank Limited	2014	1.49	11125	20.04	11,555	1
Transnational Bank Limited	2015	-1.6	11700	15.09	10,400	0
Transnational Bank Limited	2016	1.3	6635	14.8	10,082.53	1
Transnational Bank Limited	2017	0.35	6249	13.32	10,710	1
Bank of Africa Kenya Limited	2007	-4.3	4936	13.67	556.4852543	0
Bank of Africa Kenya Limited	2008	3.2	5523	16.59	1236.633899	1
Bank of Africa Kenya Limited	2009	2.27	9986	17.45	2248.42527	1
Bank of Africa Kenya Limited	2010	0.49	11590	16.9	3747.37545	1
Bank of Africa Kenya Limited	2011	-6.2	3937	17.73	5765.193	0
Bank of Africa Kenya Limited	2012	2.9	4781.15	20.34	8235.99	1
Bank of Africa Kenya Limited	2013	2.5	5667	13.87	9689.4	1
Bank of Africa Kenya Limited	2014	1.88	7323	20.04	10,766	1
Bank of Africa Kenya Limited	2015	0.18	10946	15.09	10,155	1
Bank of Africa Kenya Limited	2016	1.11	7924	14.8		1
Bank of Africa Kenya Limited	2017	0.52	5383	13.32	6,680	1
UBA Kenya Bank Limited	2007	3.1	2463	13.67	541.0302022	1
UBA Kenya Bank Limited	2008	4.9	2851	16.59	1202.289338	1
UBA Kenya Bank Limited	2009	-2.1	3642	17.45	2185.980615	0
UBA Kenya Bank Limited	2010	4.59	5611	16.9	3643.301025	1
UBA Kenya Bank Limited	2011	0.49	5283	17.73	5605.0785	1
UBA Kenya Bank Limited	2012	1.9	6535.4	20.34	8007.255	1

UBA Kenya Bank Limited	2013	1.8	7172	13.87	9420.3	1
UBA Kenya Bank Limited	2014	1.8	7659	20.04	10,467	1
UBA Kenya Bank Limited	2015	0.35	10376	15.09	10,037	1
UBA Kenya Bank Limited	2016	0.58	8531	14.8	141,702.28	1
UBA Kenya Bank Limited	2017	0.06	6816	13.32	156,843	1
Middle East Bank (K) Limited	2007	2.6	2433	13.67	532.1396706	1
Middle East Bank (K) Limited	2008	4.4	2730	16.59	1182.532601	1
Middle East Bank (K) Limited	2009	3.85	5943	17.45	2150.059275	1
Middle East Bank (K) Limited	2010	3.05	8308	16.9	3583.432125	1
Middle East Bank (K) Limited	2011	4.59	10471	17.73	5512.9725	1
Middle East Bank (K) Limited	2012	1.7	15255.41	20.34	7875.675	1
Middle East Bank (K) Limited	2013	1.8	15894	13.87	9265.5	1
Middle East Bank (K) Limited	2014	0.33	16050	20.04	10,295	1
Middle East Bank (K) Limited	2015	0.75	12396	15.09	9,926	1
Middle East Bank (K) Limited	2016	0.3	12660	14.8		1
Middle East Bank (K) Limited	2017	0.21	4744	13.32	235	1
Mayfair Bank Limited	2007	2.8	3281	13.67	402.4516246	1
Mayfair Bank Limited	2008	3	4117	16.59	894.3369435	1
Mayfair Bank Limited	2009	-3.76	5760	17.45	1626.06717	0
Mayfair Bank Limited	2010	1.39	6971	16.9	2710.11195	1
Mayfair Bank Limited	2011	3.05	10069	17.73	4169.403	1
Mayfair Bank Limited	2012	1.8	10419.78	20.34	5956.29	1
Mayfair Bank Limited	2013	2.5	11461	13.87	7007.4	1
Mayfair Bank Limited	2014	1.86	12455	20.04	7,786	1

Mayfair Bank Limited	2015	0.49	12494	15.09	9,389	1
Mayfair Bank Limited	2016	0.89	12313	14.8	14,487.83	1
Mayfair Bank Limited	2017	-0.81	1181	13.32	12,330	0
SBM Bank (Kenya) Limited	2007	3.1	3654	13.67	482.3630312	1
SBM Bank (Kenya) Limited	2008	-5.6	3430	16.59	1071.917847	0
SBM Bank (Kenya) Limited	2009	2.63	6425	17.45	1948.94154	1
SBM Bank (Kenya) Limited	2010	1.44	8163	16.9	3248.2359	1
SBM Bank (Kenya) Limited	2011	1.39	9834	17.73	4997.286	1
SBM Bank (Kenya) Limited	2012	0.8	12962.77	20.34	7138.98	1
SBM Bank (Kenya) Limited	2013	1	13850	13.87	8398.8	1
SBM Bank (Kenya) Limited	2014	1.32	14331	20.04	9,332	1
SBM Bank (Kenya) Limited	2015	0.22	10319	15.09	9,094	1
SBM Bank (Kenya) Limited	2016	-0.03	9535	14.8	221,038.83	0
SBM Bank (Kenya) Limited	2017	-8.38	13120	13.32	221,698	0
Consolidated Bank of Kenya Limited	2007	3.2	1745	13.67	304.2939525	1
Consolidated Bank of Kenya Limited	2008	0.9	1875	16.59	676.2087833	1
Consolidated Bank of Kenya Limited	2009	1.54	5839	17.45	1229.470515	1
Consolidated Bank of Kenya Limited	2010	-2.5	6672	16.9	2049.117525	0
Consolidated Bank of Kenya Limited	2011	1.44	3674	17.73	3152.4885	1
Consolidated Bank of Kenya Limited	2012	0.9	6084.29	20.34	4503.555	1
Consolidated Bank of Kenya Limited	2013	1.2	6602	13.87	5298.3	1
Consolidated Bank of Kenya Limited	2014	0.67	8035	20.04	5,887	1
Consolidated Bank of Kenya Limited	2015	0.07	10082	15.09	7,388	1
Consolidated Bank of Kenya Limited	2016	-0.28	11753	14.8	53,485.10	0

Consolidated Bank of Kenya Limited	2017	-3.07	8646	13.32	46,928	0
Sidian Bank Limited	2007	8.8	1264	13.67	341.6135097	1
Sidian Bank Limited	2008	4	1800	16.59	759.1411328	1
Sidian Bank Limited	2009	0.83	3525	17.45	1380.256605	1
Sidian Bank Limited	2010	5	3933	16.9	2300.427675	1
Sidian Bank Limited	2011	-2.5	393	17.73	3539.1195	0
Sidian Bank Limited	2012	1.2	1213.12	20.34	5055.885	1
Sidian Bank Limited	2013	1.3	3420	13.87	5948.1	1
Sidian Bank Limited	2014	0.73	8497	20.04	6,609	1
Sidian Bank Limited	2015	-1.74	7589	15.09	7,339	0
Sidian Bank Limited	2016	-1.93	7922	14.8	16,685.77	0
Sidian Bank Limited	2017	-3.26	12468	13.32	20,144	0
Jamii Bora Bank Limited	2007	1.3	1960	13.67	278.552762	1
Jamii Bora Bank Limited	2008	3.4	2657	16.59	619.0061378	1
Jamii Bora Bank Limited	2009	0.94	155	17.45	1125.465705	1
Jamii Bora Bank Limited	2010	4.34	532	16.9	1875.776175	1
Jamii Bora Bank Limited	2011	5	12395	17.73	2885.8095	1
Jamii Bora Bank Limited	2012	1.3	13746.53	20.34	4122.585	1
Jamii Bora Bank Limited	2013	1.4	18980	13.87	4850.1	1
Jamii Bora Bank Limited	2014	1.07	23030	20.04	5,389	1
Jamii Bora Bank Limited	2015	-1.84	6861	15.09	6,485	0
Jamii Bora Bank Limited	2016	-1.99	8215	14.8	11,925.98	0
Jamii Bora Bank Limited	2017	-3.28	7874	13.32	10,995	0
DIB Bank Kenya Limited	2007	2.2	3154	13.67	262.4774402	1
DIB Bank Kenya Limited	2008	2.5	170	16.59	583.2832005	1
DIB Bank Kenya Limited	2009	4.22	4436	17.45	1060.51491	1
DIB Bank Kenya Limited	2010	3.33	5454	16.9	1767.52485	1
DIB Bank Kenya Limited	2011	4.34	5907	17.73	2719.269	1
DIB Bank Kenya Limited	2012	1.5	7560.89	20.34	3884.67	1

DIB Bank Kenya Limited	2013	1	9044	13.87	4570.2	1
DIB Bank Kenya Limited	2014	1.28	12289	20.04	5,078	1
DIB Bank Kenya Limited	2015	-3.91	8147	15.09	5,582	0
DIB Bank Kenya Limited	2016	-3.12	7708	14.8	3,126.70	0
DIB Bank Kenya Limited	2017	-5.93	7729	13.32	3,309	0
Family Bank Limited	2007	0.6	733	13.67	177.9657004	1
Family Bank Limited	2008	1.4	823	16.59	395.4793343	1
Family Bank Limited	2009	4.16	1893	17.45	719.053335	1
Family Bank Limited	2010	4.01	2527	16.9	1198.422225	1
Family Bank Limited	2011	3.33	7648	17.73	1843.7265	1
Family Bank Limited	2012	0.8	10373.57	20.34	2633.895	1
Family Bank Limited	2013	0.5	11181	13.87	3098.7	1
Family Bank Limited	2014	0.21	12643	20.04	3,443	1
Family Bank Limited	2015	-4.53	6218	15.09	5,329	0
Family Bank Limited	2016	-7.01	6937	14.8	56,785.56	0
Family Bank Limited	2017	-32.15	7463	13.32	52,630	0
Ecobank Kenya Limited	2007	3.4	2338	13.67	243.3007702	1
Ecobank Kenya Limited	2008	2.3	1904	16.59	540.6683783	1
Ecobank Kenya Limited	2009	-14.7	2012	17.45	983.033415	0
Ecobank Kenya Limited	2010	0.74	3266	16.9	1638.389025	1
Ecobank Kenya Limited	2011	4.01	4171	17.73	2520.5985	1
Ecobank Kenya Limited	2012	-13.6	6952.88	20.34	3600.855	0
Ecobank Kenya Limited	2013	-0.8	10683	13.87	4236.3	0
Ecobank Kenya Limited	2014	-1.02	10800	20.04	4,707	0
Ecobank Kenya Limited	2015	-2.07	7520	15.09	4,271	0
Ecobank Kenya Limited	2016	-6.13	8972	14.8	4,489	0
Ecobank Kenya Limited	2017	-1.99	10940	13.32	4471.65	0
Spire Bank Limited	2007	5.3	1977	13.67	192.2319024	1
Spire Bank Limited	2008	0.1	2749	16.59	427.1820053	1
Spire Bank Limited	2009	1.69	2547	17.45	776.694555	1

Spire Bank Limited	2010	6.35	3562	16.9	1294.490925	1
Spire Bank Limited	2011	0.74	9490	17.73	1991.5245	1
Spire Bank Limited	2012	-4.6	10526.7	20.34	2845.035	0
Spire Bank Limited	2013	-7.5	11519	13.87	3347.1	0
Spire Bank Limited	2014	-1.82	14216	20.04	3,719	0
Spire Bank Limited	2015	-1.34	4099	15.09	4,009	0
Spire Bank Limited	2016	0	3894	14.8	3,864	0
Spire Bank Limited	2017	-2.68	3908	13.32	3533.05	0
Charterhouse Bank Limited	2007	2.2	801	13.67	40.57597294	1
Charterhouse Bank Limited	2008	4.7	1000	16.59	90.16882875	1
Charterhouse Bank Limited	2009	-3.42	4308	17.45	163.943325	0
Charterhouse Bank Limited	2010	5.11	0	16.9	273.238875	1
Charterhouse Bank Limited	2011	6.35	0	17.73	420.3675	1
Charterhouse Bank Limited	2012	-4.8	2124	20.34	600.525	0
Charterhouse Bank Limited	2013	-3.3	3613	13.87	706.5	0
Charterhouse Bank Limited	2014	-6.97	3613	20.04	785	0
Charterhouse Bank Limited	2015	0	3446	15.09	2,790	0
Charterhouse Bank Limited	2016	0	1731	14.8	1787.5	0
Charterhouse Bank Limited	2017	-14.14	2993	13.32	745.75	0
Chase Bank (K) Limited	2007	3.6	1351	13.67	2886.166371	1
Chase Bank (K) Limited	2008	3.3	1624	16.59	6413.703046	1
Chase Bank (K) Limited	2009	2.15	1857	17.45	11661.27827	1
Chase Bank (K) Limited	2010	-5.85	3037	16.9	19435.46378	0
Chase Bank (K) Limited	2011	5.11	6446	17.73	29900.7135	1
Chase Bank (K) Limited	2012	0	6649.54	20.34	42715.305	0
Chase Bank (K) Limited	2013	2.6	9165	13.87	50253.3	1
Chase Bank (K) Limited	2014	-2.78	12066	20.04	55,837	0

Chase Bank (K) Limited	2015	0	3784	15.09	3,196	0
Chase Bank (K) Limited	2016	0	3809	14.8	29,517	0
Chase Bank (K) Limited	2017	0	2209	13.32	53045.15	0
Imperial Bank Limited	2007	1.1	126	13.67	1645.110179	1
Imperial Bank Limited	2008	3.8	231	16.59	3655.800398	1
Imperial Bank Limited	2009	2.36	189	17.45	6646.909815	1
Imperial Bank Limited	2010	0.18	1168	16.9	11078.18303	1
Imperial Bank Limited	2011	-5.85	10865	17.73	17043.3585	0
Imperial Bank Limited	2012	0	11684.32	20.34	24347.655	0
Imperial Bank Limited	2013	0	12592	13.87	28644.3	0
Imperial Bank Limited	2014	-1.09	15335	20.04	31,827	0
Imperial Bank Limited	2015	0	7619	15.09	30235.65	0
Imperial Bank Limited	2016	0	8788	14.8	26495.9775	0
Imperial Bank Limited	2017	0	12235	13.32	28365.81375	0
Gulf Africa	2007	2.5	3202	16.12	217.5078906	1
Gulf Africa	2008	3.6	3497	17.28	483.350868	1
Gulf Africa	2009	1.37	4073	13.65	878.81976	1
Gulf Africa	2010	-4.85	4935	14.15	1464.6996	0
Gulf Africa	2011	0.18	7812	11.11	2253.384	1
Gulf Africa	2012	-5.93	8832.86	9.68	3219.12	0
Gulf Africa	2013	0.6	9933	16.98	3787.2	1
Gulf Africa	2014	-1.4	13339	8.77	4,208	0
Gulf Africa	2015	4.11	1343.12	8.31	2,314	1
Gulf Africa	2016	4.05	2299	10.26	3503.16	1
Gulf Africa	2017	3.12	3136	12.98	3997.6	1