

ROLE OF DIRECTORS IN CONTROLLING SHAREHOLDERS FUNDS IN COMMERCIAL BANKS IN KENYA

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ABSTRACT

The role of directors in controlling of shareholders' funds in the banking sector in Kenya has come into sharp focus in the recent past. This study sought to examine the extent to which corporate governance enhances firm objectives; to examine the board characteristics and their influence on shareholders' funds in the banking sector in Kenya and; to find out whether the tenure of the CEO affects shareholders' funds in the banking sector in Kenya.

Descriptive survey design was used to examine the influence of corporate governance on the growth of shareholders' funds at the sampled banks.

Both primary and secondary data in form of Questionnaires and banks annual reports were used. Questionnaires were administered to 112 staff members selected through a simple random sampling out of who 89 responded. Data collected was analyzed using charts, tables and graphs.

The study found out that most respondents agree that corporate governance enhances firm objectives. The research found out the board range to be five with the minimum number of directors was seven and the maximum at twelve whereas the average is nine and half. The study revealed that the minimum board meetings were four while the highest were six with an average of five meetings per year. The CEOs tenure for three banks is long at three to eight years and only family bank's CEO has served for less than one year. Two of the CEOs of Equity bank and CFC Stanbic have also served since the inception of the banks.

Recommendations were made based on the outcome of the study.

Further study could work to determine through survey work the critical structural, composition, processes, and director characteristics that make for good performing boards across various industries. It would be interesting if another study could encompass corporate governance in all banks or other sectors of the economy.