

**EFFECT OF CORPORATE DISCLOSURES ON THE FINANCIAL PERFORMANCE OF
COMMERCIAL BANKS LISTED IN NAIROBI SECURITIES EXCHANGE**

Agnes Kitembe
Jomo Kenyatta University of Agriculture and Technology
akisembe@yahoo.com

Prof. Willy Muturi
Jomo Kenyatta University of Agriculture and Technology
wmuturi@jkuat.ac.ke

Abstract

The banking sector is featured and prioritized as one of the six key drivers of economic growth in Kenya's Vision 2030. However, in the recent past the banking sector has faced financial distress as the turbulent economic period led mid-sized banks fall into receivership; this generated doubt over the quality of earning, reliability of information and credibility of the banks. Moreover, an emerging pattern suggests existence of systemic challenges in the sector pointing to non-disclosure to the investing public. The study will help the policy makers in the banking industry to formulating effective and implementable policies. This study will be used by managers in the banking industry to promote effective and efficient corporate disclosure systems thus creating a competitive advantage over other plays in the industry. The researcher adopted Correlation research for commercial banks in Kenya. The study was limited to listed banks at the Nairobi Securities exchange. The study focused on liquidity disclosure, dividend disclosure and capital disclosure and its effects on performance of commercial banks in Kenya. The study found that liquidity disclosure significantly influences banks' performance at $p < 0.05$ and $R^2 = 0.07$. The study also found that dividend disclosure affects financial performance of commercial banks positively and significantly $p < 0.05$ and $R^2 = 0.203$. While capital disclosure affects financial performance of banks positively and significant at $p < 0.05$ and $R^2 = 0.123$.

Keywords: corporate disclosure, long term capital, Nairobi securities exchange, return on assets, return on equity

I. NAIROBI SECURITIES EXCHANGE PROFILE

Nairobi Securities Exchange (NSE) Ltd is securities' trading bourse and was the second exchange portal to list its shares just trailing the Johannesburg Stock Exchange. NSE has sixty

three (63) listed companies that are classified into Eleven (11) sectors. NSE has also multiple indices that measure its performance, these include: NSE all share index, NSE 20 Share Index, NSE 25 Share Index; FTSE NSE Kenya 15 Index; FTSE NSE Kenya 25 Index; FTSE NSE Kenya Govt. Bond Index; and FTSE ASEA Pan African Index. It plays a vital role in growth of Kenya's economy as it encouraging savings and investment and helps local and international company's access cost-effective capital. It operates under the jurisdiction of the Capital Markets Authority of Kenya. It is a full member of the World Federation of Exchange, a founder member of the African Securities Exchanges Association (ASEA) and the East African Securities Exchanges Association (EASEA).

II. COMMERCIAL BANKS IN KENYA

There are 39 commercial banks listed in the NSE as at now but for the period under review by the researcher forty two (42) banks were listed some are internationally based. The headquarters of the banks are in Nairobi. These banks serve retail and corporate customers. Banks perform primary and secondary functions; the primary functions are accepting deposits and granting advances while secondary function are agency and utility function. The Central Banks of Kenya falls under Treasury docket. It function is formulation, execution of monetary policy, foster liquidity in the country and to make sure that commercial banks operate properly. This policy formulation and implementation also include commercial banks financial risk management and financial performance (Central bank of Kenya, 2016).

III. STATEMENT OF THE PROBLEM

The financial sector has experienced both financial distress and crisis in the recent past, the evolving financial turmoil has placed emphasis on how risks are managed by banks. Central banks of most countries do not have exposures to mortgage-backed securities which lead to market losses. However there is exposure to financial risks due to holdings of financial assets on the balance sheet. As central banks responds to crisis, it is important for stakeholders to understand the risks they are exposed to and types of risks taken on by banks. Without a common financial reporting framework, it is difficult to compare and evaluate the quality of risk disclosures. The banking sector has witnessed a significant collapse that has affected some of the leading banks. In the Kenyan context the banking sector's turbulent period led to three mid-sized banks fall into receivership where all the cases point to practices like fraud, non-disclosures and inadequate transparency. The linkage between corporate disclosures and bank performance still remain unclear as past studies produce mixed results. Disclosures cases and issues of earnings by financial firms have been witnessed in the banking sector, bringing the question of quality of earnings and reliability of information. The case of Imperial Bank's decision to accept money for a corporate bond and approve listing by Capital Markets Authority and Nairobi Securities Exchange few weeks before the bank was under financial

distress raised questions than answers on compliance as stipulated in the banking Act and CBK prudential regulations as investors lost a total of Sh2billion in the bond issue. These issues have created negative effects on investor confidence and market sentiment for banks in Kenya (cytonn investment 2016). Therefore it remains unclear this performance in the banking sector can be linked to corporate disclosure. Further past studies have exposed more on policies and procedures required to ensure efficient internal controls which are often disregarded (Quadric, 2010). Moreover, there is inadequate link between transparency, disclosure and controls thus casting doubt on the responsibility of banks management to be repositioned in line with international best practices in corporate governance and accountability thus adequate measures should be put in place to ensure transparency, proper disclosure and effective control mechanism as cure for corporate accountability. This study seeks to establish effects of corporate disclosure on financial performance of commercial banks in Kenya particularly those listed in Nairobi Securities Exchange.

IV. STUDY OBJECTIVES

The study's main objective was to establish the effects of corporate disclosures on the performance of commercial banks in Kenya. The specific objectives were to;

- i. Determine the effects of Liquidity Disclosure on performance of commercial banks in Kenya
- ii. Establish the effects of Dividends Disclosure on performance of commercial banks in Kenya
- iii. Assess the effects of Capital Disclosure on performance of commercial banks in Kenya

V. KNOWLEDGE GAP

Adayemi and Adekunle (2013) investigated financial reporting practices and bank's stability in Nigeria the results showed that banks disclosure of information is critical on quality of assets, credit and market risks which banks are exposed to. However disclosure has not been adequate on the true nature of portfolio risks though necessary disclosure done. Relevant risk information is provided in the annual report but the way it is presented it's hard to gauge its importance. Hence there is no clear statement setting key issues for users to consider in understanding the business.

Akpan and Riman (2012) examined how Corporate Governance affects Banks' Profitability the study showed that there was poor disclosure of banks annual reporting as it did not find any element of disclosure regarding the amount of loans granted to bank directors. Oki and Maimako (2015) studied Corporate Governance Disclosure Practices and Bank Performance in Nigeria the findings were that policies and procedures required to ensure efficient internal controls are often disregarded.

VI. RESEARCH METHODOLOGY

The study adopted correlation research design. The target population was 42 banks listed in NSE. The study sample size was six commercial banks listed in NSE classified as tier one by the central bank of Kenya. The study used Secondary data from audited financial statements for the six banks for a period of five years as from 2012 to 2016. The data was analyzed using ratio, mean, standard deviation, multi regression, Pearson correlation and the statistical package for social studies.

Liquidity Disclosure and Performance of Commercial Banks

The study established the effects of Liquidity Disclosure on performance of commercial banks. The study results are presented as in table 1 below the operationalized indicators

Table 1 Liquidity Disclosure on performance of commercial banks

Liquidity Disclosure	Year	KCB	BBK	EQUITY	CO-OP	STD CHART	CBA
Asset Quality %	2012	57.45	28.5	55.8	59.28	56.69	44.90
	2013	58.24	31.5	61.8	59.29	58.84	47.01
	2014	57.86	31.5	62.2	62.90	55.17	50.48
	2015	61.99	35.6	63.1	60.90	49.20	52.16
	2016	64.80	32.4	56.3	66.02	80.32	49.29
Credit risks %	2012	1.8	3.81	3.2	4.5	2.9	3.15
	2013	4.51	4.51	5.4	4.0	6.8	3.47
	2014	2.26	2.20	4.4	4.3	8.8	3.78
	2015	2.56	2.56	3.4	3.4	12.8	7.35
	2016	2.15	2.15	5.2	4.3	13.3	6.67
Net Income ROA %	2012	3.3	2.37	4.97	3.84	4.13	2.64
	2013	3.7	2.69	4.78	3.94	4.30	2.56
	2014	3.4	3.51	4.98	2.81	4.69	1.74
	2015	3.5	4.62	2.45	3.42	2.71	2.33
	2016	3.3	5.39	3.67	3.60	2.65	2.96

a. Predictors: (Constant), Quality of Assets and Credit Risks

b. Dependent Variable: Return on Assets

The ROA% used is a measure of profit per shilling of assets. It is an accounting rate of return based on return on book assets, it reflects the historical costs. For KCB the liquidity disclosure was reported at 64.8% in terms of asset quality in the year 2016 while at its lowest 57.45% in the year 2012; the credit risk was highest in 2013 at 4.51% and lowest at 1.8% in 2012. The results reveal that in 2012 both credit risks and asset quality are at lowest levels but the net income was at ROA of 3.3%. For Equity bank the highest asset quality is reported at 63.1% in the year 2015 similarly it incurred high credit risks at 5.4% with ROA at 4.78%. For Cooperative bank the asset quality was rated highest at 66.02% at 4.3% credit risks in 2016. The CBA bank the asset

quality was at 52.16% and Credit risk of 7.35% and ROA at 2.33%. For the standard chartered bank asset quality is at 80.32% with credit risk at 13.3% and ROA at 2.65% an indicator of best performance compared across all banks in this study.

The assets quality ratio for KCB, Co-op, Equity and STD Chart was above 50% this implies that stringent credit risk management practices are adopted before lending for the other banks BBK and CBA the ratio was above 30% but below 50%. It shows that though the two banks ratio did not cross the mark of 50% all banks were liquid, as they were above the minimum statutory liquidity ratio of 20% set by CBK. The higher liquidity ratio indicates that banks in the country prefer to invest in safe short-term investments than credit loans. Anjichi (2014) study established that liquidity was 0.370 and a t-statistic of 1.830 statistically significant at 5% significance level, indicating that liquidity positively influences profitability. The implication of this finding is that investing in short-term, less risky securities like government bonds leads to increased profitability.

Disclosure is regarded as a mechanism of accountability. A commitment to comprehensive and high-quality disclosure is expected to reduce information asymmetry. Several new regulations have increased the transparency of financial reporting, particularly the introduction of the International Financial Reporting Standards (IFRSs), which became mandatory for all publicly listed firms in many countries all over the world aiming at providing higher levels of transparency to investors. In their contribution, Mathews (1997) and Gray et al., (1995) indicated that voluntary disclosure on liquidity is centered on the disclosure of non-traditional information by reporting entities. These findings further concur with other past studies which express that profitable companies have good news to share with their stakeholders, they have incentive to disclose more on their financial statements than would a loss making or less profitable enterprise, and thus, a positive relationship may be expected between better performing firms and corporate disclosure. However, studies in impression management (Clatworth and Jones, 2006) and signaling (Ball et al., 2003; Watson et al., 2002) also provide sufficient evidence to support a conjecture that a negative relationship could well exist between firm performance and liquidity disclosures. The International Accounting standard IAS 1 -25 requires that cash basis be used to disclose the cash flow information in statements where consistency of presentation of items is retained from period to period and in line with IFRS 27. Further IAS 1-32 in offsetting assets and liabilities, income and expenses form the basis for reporting income and the related ROA and ROE in firms. The study coincides with the finding by Adelopo, (2017) that current risk disclosure is an indicator for future performance of a company. It gives warning signal that can be picked from the annual reports and be used to correct where the company is not performing well hence integrated reporting should be integrative disclosures.

Dividend Disclosure and Performance of Commercial Banks

The study established the effects of dividend Disclosure on performance of commercial banks. The study results are presented as in table 2 below using the operationalized indicators.

Table 2 Dividend Disclosure on performance of commercial banks

Dividend Disclosure	Year	KCB	BBK	EQUITY	CO-OP	STD CHART	CBA
EPS %	2012	4.1	1.4	6.5	1.8	4.42	0.64
	2013	4.8	2.389	7.2	2.2	5.96	0.76
	2014	5.8	1.164	9.3	1.69	5.72	0.64
	2015	6.7	1.05	5.6	2.14	3.47	0.82
	2016	6.4	1.319	9.5	2.66	3.40	1.17
Payout Ratio %	2012	45.01	10.56	30.65	18.13	41.21	0.32
	2013	39.35	11.06	34.86	22.94	42.51	0.18
	2014	35.43	8.17	32.28	26.04	44.56	31.83
	2015	30.83	23.68	63.68	20.08	62.37	0.41
	2016	30.68	36.11	43.52	30.84	63.56	17.68
Net Income ROE%	2012	22.3	44.4	28.1	26.28	26.71	24.26
	2013	22.6	40.98	25.8	24.90	26.20	24.39
	2014	22.3	10.29	26.9	18.68	25.67	18.28
	2015	24.2	46.13	14.5	23.75	15.37	21.29
	2016	20.4	31.83	21.2	20.92	15.19	25.57

a. Predictors: (Constant), Dividend Payout Ratio and Earning Per Share

b. Dependent Variable: Return on equity

The information contained in table 2 indicate that KCB has the highest EPS of 6.7% and its payout ratio at 30.83% in 2015, but on the same year ROE was 24.2%, but in this bank the payout ratio is highest in 2012 and its EPS was at its lowest 4.1%. For BBK EPS is highest at 2.389% in 2013 with the payout ratio of 11.06% and its ROE was highest at 40.98%. For Equity Bank EPS is highest at 9.5% and Payout ratio at 43.52% in 2016 which is the highest drop from 63.68% in 2015; the ROE is at 21.2%. Cooperative bank EPS is highest at 2.66% and payout ratio at 30.84% in 2016, its ROE is at 20.92% which is a drop from its highest 26.28% in 2012. The information further reveal that Standard Chartered bank EPS was highest in 2013 at 5.96% with payout ratio of 42.51% but its highest payout ratio is reported in 2016 as its net income ROE ratio was at 26.20% which is a significant decrease since 2012. The results further reveal that for CBA bank the highest EPS was reported in 2016 at 1.17% with payout ratio at 17.67% and ROE at 25.57% which is highest in this bank when compared with previous years.

Dividend policy is long-term financial choice on how to utilize net income generated from company undertakings that is, how much to invest in the company, and how much to pay stakeholders as dividends. The determination of the amount of dividends paid is a vital decision that firms take since shareholder wealth maximization is the foremost objective of the companies (Waithaka, Ngugi and Aiyabei, 2012). Stability means consistency in the payment of dividend to shareholders. The stable dividend policy indicate a constant dividend per share; where static dividend per share is paid to shareholders irrespective of the level of earning by the company and in such firms dividend equalization reserve is created for the company to pay

International Journal Of Core Engineering & Management
Volume-5, Issue-7, October-2018, ISSN No: 2348-9510

the dividend even in the year the earnings are insufficient or even if the company makes losses. It is appropriate for firms having a steady income.

Buzby (1975) states that adequate disclosure increases investor confidence which in turn improve marketability of securities and access to external financing. (Easterbrook, 1984) dividend payments signal to the potential investors in the market that it will not exploit them.

This is an indicator of financial performance in the commercial banks in this study. The international accounting standards (IAS 1-95) reveal that the amount of dividends recognized as distributions to equity holders during the period and the related amount per share and IAS 1-125 disclosure on the amount of dividends proposed or declared before the financial statements and any cumulative preference shares dividends are indicators of financial performance.

Capital Disclosure and Performance of Commercial Banks

The study established the effects of capital Disclosure on performance of commercial banks. The study results are presented as in table 3 below the operationalized indicators

Table 3 Capital Position Disclosure on performance of commercial banks

Capital Position Disclosure	Year	KCB	BBK	EQUITY	CO-OP	STD CHART	CBA
Debt %	2012	85.2	94.39	82.4	83.81	84.4	87.51
	2013	83.8	95.34	81.4	84.14	83.6	89.49
	2014	84.6	95.19	81.5	84.89	86.3	90.63
	2015	85.4	94.11	83.2	82.26	82.4	97.71
	2016	83.8	94.12	82.7	82.55	80.3	88.41
Long Term Loan ratio %	2012	2.4	25.85	10.93	2.27	15.2	28.97
	2013	1.9	25.83	9.67	4.43	21.69	32.45
	2014	2.1	32.35	8.68	6.40	28.75	35.57
	2015	3.6	28.95	8.02	5.63	31.8	35.40
	2016	3.9	28.07	9.87	5.63	30.62	34.83
Net Income ROE%	2012	22.3	18.52	28.1	26.28	26.71	24.26
	2013	22.6	21.64	25.8	24.90	26.20	24.39
	2014	22.3	21.59	26.9	18.68	25.67	18.28
	2015	24.2	25.37	14.5	23.75	15.37	21.29
	2016	20.4	31.3	21.2	20.92	15.19	25.57

a. Predictors: (Constant), debt ratio and long term loan ratio

b. Dependent Variable: Net Return on Equity

Information in table 3 indicates that KCB has highest debt ratio of 85.4% in 2015 and long term loan ratio at 3.6% with ROE at 24.2%. These figures are relatively high when compared with

previous year's results. The results for BBK its debt ratio is at 95.34% with long term loan ratio at 25.85% and ROE at 21.64%; while in equity bank debt ratio was at 83.2% and long term loan ratio stood at 8.02% in 2015, this period ROE was 14.5%. the information on cooperative bank indicate that debt ratio is at 84.89% with 6.4% long term loan ration and ROE at 18.68% the same year 2014 which is the least value of ROE when compared with the previous years. The results from Standard Chartered bank indicate that debt ratio is at 86.3% with long term loan of 28.75% and ROE of 25.67% in the year 2014; ROE dropped from 26.71% in 2012 to 15.19% in 2016. The results further indicated that CBA bank has a debt ratio of 97.71% and long term loan ratio at 35.4% and ROE at 21.29% in the same year 2015. The finding is in agreement with the study by Ahmad, (2010) that banks gain revenues and profits on granted loans than the interest paid and when banks are not able to achieve higher returns on loans to the interest paid to depositors, they raise fund by borrowing money from different financial institutions thus have high debt ratios which reduces profits.

Descriptive statistics and Regression Results for selected Banks in the study

The descriptive statistics and regression results for the performance of some banks in this study are presented below:

Table 4 Descriptive Statistics for KCB

	N	Minimum	Maximum	Mean	Std. Deviation
		Statistic	Statistic	Statistic	Statistic
NET INCOME	5	12203736	19722447	1.7E+07	3292454.11
PROPOSED DIVIDENDS	5	5644000	9198171	6582308	1471878.78
TOTAL ASSETS	5	368428000	595239643	4.8E+08	99827129.4
ORDINARY SHARES	5	2970000	3066057	3014142	38025.008
ORDINARY SHARES FUND	5	54705000	96565775	7.4E+07	16199285.5
TOTAL LOANS	5	211664000	385745381	2.9E+08	74748551.4
DEBT FUND	5	7287422	22982348	1.4E+07	7123401.87
NON PERFORMING LOANS	5	6413551	10743891	8634847	1948761.96

International Journal Of Core Engineering & Management
Volume-5, Issue-7, October-2018, ISSN No: 2348-9510

The results in table 4 indicate that net income maximum figure is Kshs 16548100 million and a minimum of kshs 12203736 million with a standard deviation of kshs 3292454.106 million for the period in this study. The proposed dividends value indicates the maximum of Kshs 9198171 million and a minimum of kshs 5644000million with a standard deviation of kshs 1471878.775 million. The disclosure on the ordinary shares fund results reveal the maximum value of kshs 74302781.20 million and minimum of kshs 54705000 with a standard deviation of kshs 16199285.500 million.

The regression model summary for KCB indicate the results below

Table 5 Model Summary for KCB

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics			Durbin-Watson
					R Square Change	F Change	Sig.	
1	.992 ^a	.985	.940	807073.20167	.985	21.860	.0156	2.460

a. Predictors: (Constant), DISCLOSURE OF DIVIDENDS, DISCLOSURE OF FINANCIAL POSITION, CAPITAL DISCLOSURE

b. Dependent Variable: NET INCOME (financial Performance)

The results indicate that the explanatory variables have almost a perfect association with the dependent variable ($R = .992^a$) and explains up to 98.5% of the variation in the dependent variable ($R^2 = .985$) this relationship is statistically significant (adjusted $R^2 = .940$; $p < 0.05$). The Durbin Watson value is within the range indicating that there is no serial correlation in the data used in this study.

Table 4.6 Coefficients for Variables of KCB

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	5625922	6313347		0.891	0.537
LIQUIDITY DISCLOSURE	0.08	0.049	0.064	0.158	0.039
CAPITAL DISCLOSURE	0.184	0.09	1.274	2.036	0.021
DISCLOSURE OF DIVIDENDS	-1.033	0.799	-0.461	-1.292	0.019

International Journal Of Core Engineering & Management
Volume-5, Issue-7, October-2018, ISSN No: 2348-9510

Substituting the coefficients in the regression model it results to;

$$Y = \beta_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \beta_3 X_{3i} + \varepsilon \quad \dots\dots\dots (4.1)$$

$$Y = 5625922.037 + 0.08 X_{1i} + 0.184 X_{2i} - 1.033 X_{3i} \dots\dots\dots (4.2)$$

The equation show that liquidity disclosure indicators affect financial performance by 0.08 unit change and the effect is statistically significant ($p = 0.039 < 0.05$); for capital disclosure indicators cause 0.184 unit change in financial performance and the change is statistically significant ($p = 0.021 < 0.05$); and disclosure of dividends affect financial performance by unit change negatively by 1.033 and the effect is statistically significant ($p = 0.019 < 0.05$).

For KCB the results indicate that liquidity and capital disclosure is positively related to net income, the financial performance measure. The coefficient of determination is 0.08 and 0.184 which indicates that the relationship is positive though not strong, the effect is significant at ($p = 0.039 < 0.05$) and ($p = 0.021 < 0.05$) respectively. Dividend disclosure is negatively related to income at -1.033 the change is statistically significant ($p = 0.019 < 0.05$). These results indicate that, the more the banks disclose their liquidity and capital level the better the financial performance as investors will view the bank to be stable hence invest more in it. However dividend disclosure affects performance negatively this implies that dividend policy was not favorable. On the other hand Equity banks' liquidity disclosure is positively related to net income, the financial performance measure. The coefficient of determination is 0.097 which indicates that the relationship is weak. Dividend and capital disclosure is negatively related to income at -0.948 and -0.055. Meaning disclosure of dividend affects performance negatively.

Table 7 Coefficients for EQUITY

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	1.1E+07	9246448		1.137	0.014
Disclosure Of Dividends	-0.948	0.765	-0.892	-1.238	0.043
Liquidity Disclosure	0.097	0.232	1.33	0.419	0.017
Capital Disclosure	-0.055	0.397	-0.421	-0.139	0.029

International Journal Of Core Engineering & Management
Volume-5, Issue-7, October-2018, ISSN No: 2348-9510

Substituting the coefficients in the regression model it results to;

$$Y = \beta_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \beta_3 X_{3i} + \epsilon \quad \dots\dots\dots (4.3)$$

$$Y = 10510893.787 - 0.948X_{1i} + 0.097X_{2i} - 0.055X_{3i} \quad \dots\dots\dots (4.4)$$

The equation show that liquidity disclosure indicators affect financial performance by 0.097 unit change and the effect is statistically significant ($p = 0.017 < 0.05$); for capital disclosure indicators cause negative 0.055 unit change in financial performance and the change is statistically significant ($p = 0.029 < 0.05$); and disclosure of dividends affect financial performance by unit change negatively by 0.948 and the effect is statistically significant ($p = 0.043 < 0.05$).

Multi Regression Results

Table 8: Multi Regression Coefficients aggregate for all Banks

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	
	B	Std. Error	Beta			
1	(Constant)	0.666	0.764		0.872	0
	Disclosure of Dividends	0.203	0.108	0.317	1.877	0.019
	Liquidity Disclosure	0.077	0.067	1.281	1.158	0.021
	Capital Disclosure	0.123	0.052	2.775	2.349	0.016

$$\text{Financial Performance of the banks} = 0.666 + 0.203X_1 + 0.077X_2 + 0.123X_3$$

The information in table 9 shows that aggregately the financial performance of banks is a function of capital disclosure, dividends disclosure and liquidity disclosure. The regression model show that disclosure of dividends affect financial performance by 0.203 unit change while liquidity causes 0.077 unit change in financial performance while capital disclosure causes 0.123 unit change in financial performance of banks in this study.

The results show that liquidity disclosure is positively related to income, the financial performance measure. The coefficient of correlation is 0.077 this tell us that the relationship is not strong. These results indicate that, for better results banks should disclose their liquidity more and more disclosure means illiquid banks borrow or liquidate their long term investments to cover the cash needs thus reducing financial performance. Meaning high liquidity levels leads to an increase in financial performance of banks. The positive impact is significant at 5% test level as ($p = 0.021 < 0.05$). This implies that an increase in liquidity by 1% leads to an

increase in financial performance by 0.077%. The findings of the study agree with similar studies done Maaka (2013) established that there is a relationship between liquidity risk and banks performance, Nimer et al., (2013) study found that liquidity significantly influence profitability. Admati et al., (2000) confirmed that strict disclose has great impact on investor confidence, which increases liquidity and market efficiency the study concurs with Adekunle et al., (2013) findings that disclosure is not adequate on the true nature of risk portfolio though they make necessary disclosure. Elijah, et al., (2017) also found that there is a positive relationship between liquidity management and financial performance of commercial banks thus banks management should manage risk so as to maximize returns. Njoroge, (2016) established that liquidity significantly influences profitability of commercial bank as increase in liquidity of the banks provides adequate funds for lending which in turn increases interest income and profitability. Erlend et al., (2003) study exposed that banks that disclose more information in their published accounts have low realized risk and their market discipline is strong.

The coefficient of correlation of 0.203, suggests a positive correlation between financial performance and dividend disclosure. Dividend disclosure has a positive beta of 0.317. Implying that increase in dividend disclosure improves financial performance of banks. This is significant at ($p = 0.019 < 0.05$); hence increase in dividend disclosure by 1% leads to increase in financial performance by 0.203 %. This impact is significant at least at 5% test level.

Capital disclosure also affects performance positively. The relationship between financial performance and capital disclosure coefficient of correlation is 0.123 indicating that the more banks disclose information on their capital better results are achieved. This is statistically significant at ($p = 0.016 < 0.05$).

Table 9 Model Summary aggregate for all Banks

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics			Durbin-Watson
					R Square Change	F Change	Sig.	
1	.830 ^a	.690	.241	3437502.6269	.690	.741	.016	2.550

a. Predictors: (Constant), Capital Disclosure, Disclosure Of Dividends, Disclosure Of Financial Position

b. Dependent Variable: Net Income

The results in table 9 reveal that explanatory variables in this study explain up to 69% of the variation in financial performance of the banks ($R^2 = 0.690$). Therefore all disclosures relating to these variables as anchored in the generally accepted accounting principles and in the international financial reporting standards when well used in the preparation of financial statements the reported figures in monetary terms indicate positive relationship to financial

performance of banks in this study. The findings agree with signaling theory that profitable Company's disclose more information to the public to show their impressive performance (Ghazali and Weetman, 2006). The study concurs with literature that insider loans should be disclosed as they forms significant part of the banks debts and bank managers still disclose information selectively this does not give the true picture of banks performance to stakeholders. The study finding agree with recommendation by Elijah, Jaya and Jackline (2017) study on effect of liquidity management on financial performance of commercial banks in Rwanda that banks should establish the dividend payment policy that reflect financial market dynamics and prudent investment policy of commercial banks funds.

VII. SUMMARY OF MAJOR FINDINGS

This section provides summary of results and discussion of the findings which is provided as per the study objectives. The discussion of the results is done in relation to empirical studies and theories that had been used as basis for the study.

a. Liquidity Disclosure and Performance of Commercial Banks

The results indicated that liquidity disclosure affects financial performance of banks positively. The study found that liquidity disclosure significantly and positively influences banks' performance $p=0.021 < 0.05$ and $R^2 = 0.07$. It means that disclosure of liquidity puts banks under pressure to set cash ceilings which helps them to monitor liquidity thus invest more and generate high returns.

b. Dividend Disclosure and Performance of Commercial Banks

Dividend disclosure affects financial performance of commercial banks positively and significantly $p < 0.05$ and $R^2 = 0.203$. This means that banks should develop a stable dividend policy which will help them to pay and disclose dividends to investors for them to make informed decisions.

c. Capital Disclosure and Performance of Commercial Banks

The study found that capital disclosure affects financial performance of banks positively and significant at $p < 0.05$ and $R^2 = 0.123$. Thus banks should always disclose their capital status to the investing public.

VIII. CONCLUSIONS

Based on the findings on effects of liquidity disclosure on financial performance of commercial banks in Kenya the study concludes that liquidity disclosure influences financial performance of banks.

Based on the findings on effects of dividend disclosure on financial performance of banks the study concludes that dividend disclosure affects financial performance of commercial banks.

Based on the findings on effects of capital disclosure on financial performance of commercial banks the study concludes that capital disclosure influences financial performance of banks.

IX. RECOMMENDATIONS

BASED on the finding and conclusion on liquidity disclosure and financial performance the study recommends that banks should embrace liquidity disclosure to improve their performance.

Based on the findings and conclusion on dividend disclosure and financial performance of commercial banks the study recommends that banks should put in place measure to ensure dividend disclosure so as to better their performance.

Based on the research findings and conclusion on capital disclosure and financial performance of commercial banks the study recommends that in order for banks to improve its financial performance capital disclosure should be a mandatory practice.

X. SUGGESTIONS FOR FURTHER RESEARCH

There is need for further study on time series analysis on asset quality and return on capital employed to confirm its effects over time. A study should be conducted on creative accounting to establish the effects of window dressing on financial performance of banks. Also a study should be conducted to establish the link between financial disclosure and financial distress in banks.

REFERENCES

- [1] Adelopo, I. (2017). Non-financial risk disclosure: The case of the UKs distressed banks. *Australasian Accounting, Business and Finance Journal*, 11(2), 2017, 23-42.
- [2] Akpan, E., Riman, H. B. (2012). Does corporate governance affect bank profitability? Evidence from Nigeria; *American International Journal of Contemporary Research*
- [3] Buzby, S.L. (1975), Company size, listed versus unlisted stocks, and the extent of Financial disclosure, *Journal of Accounting Research*, 13(1), pp 16-37.
- [4] Central Bank of Kenya, (2015). Annual Reports of Banks performance in 2014 by central bank Nairobi Kenya.
- [5] Central Bank of Kenya, (2016). Annual Report of Banks performance in 2014 by central bank Nairobi Kenya.
- [6] Elijah, M., Dr. Jaya, Jackeline, K. (2017). Effect of Liquidity Management on Financial Performance of Commercial Banks in Rwanda. A study on selected banks in Rwanda *European journal of business and social sciences*, vol. 6, No. 07, 01 - 11
- [7] Erlend, N., Ursel, B. (2003). Market Discipline, Disclosure and Moral Hazard in Banking *Financial Reporting Council*, (2011). *Effective Corporate Governance*.
- [8] Easterbrook, F., & Fischel, D. (1984). *The Economic Structure of Corporate Law*. Cambridge, MA: Harvard University Press.

- [9] Financial Accounting Standards Board. (2007). Statement of Financial Accounting Standards No. 159, the fair value option for financial assets and liabilities: Financial Accounting Standards Board, Norwalk, CT.
- [10] Grant Kirppatrick, (2007). Corporate Governance Strategy. African Development Bank.
- [11] International Accounting Standards Board. (2009). Derecognition, Proposed amendments to IAS 39 and IFRS 7: International Accounting Standards Board, London, UK.
- [12] Lev, B., & Penman, S.H. (1990). Voluntary forecast disclosure, non-disclosure and stock prices, *Journal of Accounting Research*, 28(1), pp. 49-76.
- [13] Mark Penno (1984) Asymmetry of pre-decision information and managerial accounting. *Journal of accounting* 177-191
- [14] Mary E Barth and Wayne R Landsman (2013) financial reporting and the crisis. What role did financial reporting play in the financial crisis that started in 2007? By All accounts
- [15] Njoroge, J. M. (2016). Determinants of Profitability of Commercial Banks in Kenya: A Research Project Submitted to University of Nairobi for the Award of the Degree of Master of Science in Finance, School of Business.
- [16] Oki, E. U., S., Maimako, S. (2015). Corporate Governance Disclosure Practices and Bank Performance in Nigeria: an Empirical Investigation *International Journal of Managerial Studies and Research (IJMSR)* vol 3 issue 1 49-59.
- [17] Price, C. P., Jhangiani, R. S., Chiang, I. A. (2015) research methodology in psychology 2nd Canadian edition.
- [18] Quadric, H. A. (2010): Conceptual framework for corporate governance in Nigeria. *P.M. world today* vol.12 issue 9. University of Maryland U.S.A.
- [19] Ross, S.A. (1977). The determination of financial structure: the incentive signaling approach, *Bell Journal of Economics*, 8(1), 23-40.
- [20] Uwuigbe, O.R. (2011): Corporate Governance and Financial Performance of Banks: A Study Of Listed Banks in Nigeria. Covenant University, Ota.
- [21] Van, D. (2007). Theories of Bank Behaviour under Capital Regulation, *Journal of Banking and Finance*, Vol 31, 3680-3697.
- [22] Waithaka, M. Simon, Ngugi, K. John, Aiyabei, K. Jonah Julius. Kirimi Itunga, and Patrick Kirago(2012). Effects of dividend policy on share prices: A case of companies in Nairobi Securities Exchange. *Prime Journal of Business Administration and Management (BAM)* Vol. 2(8), 642-648 ISSN: 2251-1261.
- [23] Watson, A., Shrivies, P., & Marston, C. (2002). Voluntary disclosure of accounting ratios in the UK, *British Accounting Review*, 34(4), pp. 289-313.
- [24] Wepukhulu, M. J. (2016). Relationship Between Corporate Governance and Performance of Commercial Banks in Kenya: Thesis Submitted to Jomo Kenyatta University of Agriculture and Technology.