EFFECT OF TRANSPARENCY AND ACCOUNTABILITY ON SUSTAINABILITY OF THE BANKING INDUSTRY IN KENYA

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International Academic Journal of Economics and Finance (IAJEF) | ISSN 2518-2366

Received: 20th August 2019

Accepted: 30th August 2019

Full Length Research

Available Online at: http://www.iajournals.org/articles/iajef_v3_i3_382_397.pdf

Citation: Mbithi, P. K. & Wasike, S. (2019). Effect of transparency and accountability on sustainability of the banking industry in Kenya. *International Academic Journal of Economics and Finance, 3*(3), 382-397

ABSTRACT

The actions of the board, administrators and top management staff are instrumental in developing strategies, objectives and assigning tasks to the implementers. One of the main goals of corporate governance is to increase and sustain shareholder value. It is on the basis of this that it can be urged that corporate governance is a key factor to sustainability of any business operation. The study sought to determine effect of transparency and accountability on banking sector sustainability. The study was guided by the agency theory, stewardship theory and the stakeholders' theory which all provide key information to corporate governance practices and how interests of different stakeholders are taken care of. The type of design adopted by the study was descriptive design. The target population comprised 495 employees within the banking industry in Kenya. A representative sample of 222 respondents was selected. The study collected both primary and secondary data using a questionnaire and a data schedule. Collected data was analyzed using mean, standard deviation, percentages and frequencies. To present the study findings, tables as well as figures were used. The study established that transparency, accountability, fairness and responsibility all have significant effect on sustainability of the banking industry. The study concludes that transparency and accountability have positive and significant influence on sustainability of the banking industry. The study recommends that the management of all banks in Kenya should strictly enforce transparency in all operations and activities conducted by employees for realization of sustainability. Commercial banks should enforce accountability among all employees for increased sustainability.

Key Words: *transparency, accountability, banking industry, Kenya*

INTRODUCTION

Many organizations across the world have experienced negative effect of poor governance. A number of successful businesses have collapsed because of poor corporate governance leading to huge losses for investors and other stakeholders and this has increased calls for major reforms in corporate governance (Servaes & Tamayo, 2013).

Good corporate governance is a means to create a business environment of trust, transparency and accountability that supports investment, financial stability and sustainable economic growth. Corporate Governance can be explained as a process and structure used to direct and manage affairs of the company towards enhancing prosperity with the ultimate goal or objective of realizing shareholders long term value while taking into account the interests of other stakeholders. The other definition of corporate governance was advanced by Tate and Bals (2017) as the way individuals in authority in an organization exercise their power in realization of the objective of maximization of the shareholder wealth. According to Fanta, Kemal and Waka (2013), good corporate governance ethical values include: responsibility, accountability, fairness and transparency with its main purpose being increasing the value

and benefits to a firm, cutting financial and business risks, prevent dishonest and fraudulent operational activities, refuse unethical work behavior and increase the confidence levels that the shareholders and investors have on the firm.

It is on the basis of the above that many organizations / countries have invested heavily in terms of finances and resources in setting up ideal corporate governance structures to support and implement corporate governance practices. The corporate governance structure of any organization generally specifies the distribution of rights and responsibilities among different participants in the corporation such as the board, managers, shareholders and other stakeholders and spells out the rules and procedures for making decisions in corporate affairs (Bokpin, 2013). In doing this, it provides the structure through which the company's objectives are set, the means of attaining those objectives and the instruments for monitoring performance.

Corporate governance involves the relationship between different stakeholders all tied to a singular organization. The actions of the board, administrators and top management staff are instrumental in developing strategies, objectives and assigning tasks to the implementers. However, it is paramount for all the stakeholders to abide by the regulations and codes of conduct for a successful business unit (Gitonga, 2016).

A country's economy depends on the drive and efficiency of its companies and hence this has seen some countries develop strict code of corporate governance such as gender balance, independent directors, formulation of committees among other key aspects that promote transparency, integrity and accountability (Georgiadou, Lungo & Richter, 2014). In some countries the regulators are imposing onerous risk coverage requirements on directors that require oversight of internal controls and risk management in terms of establishing company's risk management policy, risk appetite, regular review of risks in relation to the risk appetite and evaluation of management response to the significant risks with adequate disclosure being made on material maters (Kabue & Aduda, 2017). In addition, more control has been given to the shareholders in as far as selection and removal of directors is concerned. The board has also been called upon to increase their focus on strategy and value creation.

One of the main goals of corporate governance is to increase and sustain shareholder value. It is on the basis of this that it can be urged that corporate governance is a key factor to sustainability of any business operation. Sustainability is seen as operations into the future times. Any organization seeking to have a lifeline in the future must make measures today to have a sound governance structure that will push them to survive the future changes. Self-sufficiency is one element that helps organizations know that they can sustain all their operations in future. Other measures include market sustainability, financial and project / mission sustainability (Gitonga, 2016). For sustainability to work, the banks must have sufficient financial reserves which will be invested and earn more returns that will be used in future times. The finances must be safe and used to grow the business (Dyllick & Muff, 2016).

STATEMENT OF THE PROBLEM

Trends in the banking industry in Kenya show that 12 banks in 2016 were in violation of the Banking Act and CBK Prudential Guidelines as compared to 4 banks in 2015, this can mainly be attributed to weakness in the general corporate governance structure and/or required practices. The violations included lending to a single borrower an amount more than 25 percent of its Core Capital which contravenes Banking Act 10(1), failure by banks to seek Board approval for any loan granted to the Executive Committee members and ensuring loans are fully secured as per section 11(1) of the Kenyan banking act. Again, some 2 banks violated the CBK Prudential Guideline (CBK/PG/02) on Corporate Governance clause 3.3.3 requiring every member of the Board to attend at least 75 percent of the Board meetings of an institution in any financial year. Seven institutions were in violation of Section 19(1) of the Banking Act and CBK Prudential Guideline (CBK/ PG/05) on Liquidity Management, which requires institutions to have a minimum liquidity ratio of 20 percent. Therefore, this study intended to fill the gap as to why it is important to determine the effect of transparency and accountability by the implementers (i.e. The Board of Directors and the Senior Management) and the End users (i.e. Clients) and their effect on sustainability of the banking industry in Kenya.

RESEARCH OBJECTIVE

The study's research objective was to determine the effect of transparency and accountability on sustainability of the banking industry in Kenya.

REVIEW OF THEORIES

Agency Theory

Agency theory is the foundation of corporate governance issues and matters in an economic system. From the initial studies by Berle and Means (1932), the key focus of corporate governance has been separating ownership from control of the firm. However, this brings about the principal agent issues and concerns. The principals (shareholders) own the company, but the agents (managers) control it. The pure finance view of the firm is that managers must maximize the shareholders 'wealth. The shareholder wealth maximization may not work because of the agency problem (Peter Rawlings Osebe, 2016). In most cases the principal's trust that the agents will act and make decisions aligned to their goals. The Agents on the contrary may not necessarily make decisions in the best interests of the principals, resulting to a conflict of interest between the two parties. Berle and Means (1932) viewed corporate governance as a mechanism where a board of directors is an essential monitoring device to minimize the problems brought about by the principal-agent relationship. From corporate governance context, there are two critical factors as far as governance of a corporation is concerned. Cannella, Dalton and Daily (2003) gave the first factor as the firms and entities which are completely compressed into two players; the shareholders as well as the management team. The assumption made is that each of these

parties has clear as well as consistent assumptions. A second notion is that humans are self-interested and unwilling to sacrifice their personal interests for the interests of the others

As a result of the above many organizations end up designing their own concepts and / mechanisms e.g. auditing, budgeting, control and compensation systems to ensure that the cost associated with such divergent interests is minimal as this will affect the organizations performance in terms of profitability and over time if this is not well checked it will affect the value of the company in terms of shareholders value. In most cases the share price paid by shareholders usually reflects such costs and hence to increase the value of the firm, one must reduce the agency costs.

Stewardship Theory

To the degree that executives feel that their future fortunes are bound to their current corporate employers through an expectation of future employment or pension rights, then the executives may perceive their interest as aligned with that of the corporation and its owners, even in the absence of any shareholding by that executive. The executive manager, under this theory, far from being an opportunistic seeker, essentially wants to do a good job, to be a good steward of the corporate assets i.e. protect and generate revenues for equity owners (shareholders) of the entity.

Unlike agency theory, the model of man in stewardship theory is based upon the assumption that the manager will make decisions in the best interest of the organization, putting collectivist options above self-servicing options / individualism and integrating their goals as part of the organization. This type of person is motivated by doing what's right for the organization, because he/she believes that he/she will ultimately benefit when the organization thrives. Donaldson, Schoorman and Davis (1997) argue that stewards play important roles as far as protection and maximization of shareholders' wealth is concerned. This is because doing this brings about maximization of the utility functions of managers as stewards of the firm. This is best achieved through working, protecting and generating profits by use of either assets or equities of the business entity. This was supported by (Mallin, 2010) who believed that a steward manager main focus is to maximizes the performance of the organization, working under the premise that both the steward and the principal benefit from a strong organization. The managers are satisfied and motivated when the organizations that they are working for are successful.

Stakeholders Theory

The stewardship theory was advanced by Puxty and McDonald in the year 1997. The theory holds that firms are not merely shareholders' instruments but they are however driven by the need to realize additional responsibility to the community where they operate. In other words, any business activity has the objective of generating profits as well as meeting the expectations of the community from which it is established or it operates. Abrams (1951) indicated that a firm strives to ensure that there is equality and balance between the

community and stakeholders' interests as well as the ones guiding the firm. In most cases, these two types of interests may be conflicting (Abrams, 1951).

Wheeler et al. (2002) indicate that two schools of thought formed the basis of development of the stakeholder theory; the organizational as well as the sociological school of thought. The theory concerns the beliefs as well as values in regards to the link between the state, people as well as the businesses. The theory incorporates the need to balance between powers, responsibilities as well as accountability all throughout the community. Blair (1995) defined stakeholders to be those actors who have interest in specific assets. Stakeholders can also be defined as any person or entity affected by the firms actions or inactions.

Stakeholders can also be considered as individuals or group of people that either can effect or are affected by the progress and success of the firm as it strives to attain the formulated goals and objectives. The theory indicates the management team of an organization should be aware and manage networks both internal and external including trade payables, partners as well as staff of the firm. Blair (1995) further holds that corporate governance need to be considered and understood as institutional interconnection that govern how stakeholders add value to the firm. It is acknowledged that the interrelated networks are key in shaping corporate governance mechanisms in an organization.

It is believed that firms have a duty to ensure that it compensate all the parties affected by the operations. It therefore requires that the management as well as the oversight body (directors) in an organization should have greater accountability and responsibility as they go by doing their various duties and responsibilities. Organizations need to seek a balance and ensure all parties receive some degree of satisfaction. Freeman et al., (2004), value is created whenever individuals and employees in an organization unite and come together in the name of realizing the formulated goals and objectives.

The view of stakeholder theory is on the efficiency of the firm structures in working to realize or attain investment on long term horizon and commitment between numerous stakeholders (Williamson, 1985). According to Kester (1992), the key issue with governance is ensuring that there an adequate system of rewarding the efforts of employees in the organization. Such a system should also strive to ensure that resources of the business are properly safeguarded while safeguarding continuity in operations of the firm. This theory states the importance of stakeholder participation in the sustainability and decision making of banks. The managers are supposed to act in the interests of the stakeholders as well as the corporate while safeguarding the long-term stakes of each party.

The theory suffers from a number of criticisms. For instance, Jones and Wicks (1999) indicate that it focuses on single value objective. It is documented that one should not limit assessment of organizational performance in terms of the gains that accrue to its stakeholders. There exists other key issues which are key that need to receive consideration for instance the cash inflows of the firm, relationship between individuals at a personal level as well as interrelationship etc.

EMPIRICAL REVIEW

Transparency and Sustainability of the Banking Industry

Burritt and Schaltegger (2010) carried out a study on sustainability accounting and reporting in Australia. The study adopted desk review where relevant information and past studies on sustainability accounting and reporting were critically reviewed. The key finding was that sound corporate governance principles are the foundation upon which the trust of investors and lenders is built and hence being transparent is a must if businesses are to be sustainable in the future. The study was however carried out in Australia and not Kenya which creates a contextual gap that the current study will seek to fill.

Marcinkowska (2012) used a case of banks to determine how corporate governance influence performance. Specifically, the study looked at the challenges and solutions to the challenges with corporate governance in the banking sector. The study was carried out in France and its objective was attained by reviewing and collecting relevant secondary data on corporate governance indicators including the board size, board composition and CEO duality. It was established that the key issue as far as commercial banks are concerned is the issue of transparency in regards to its activities and how the same is reported in the reports.

Using a case of the Chemical industry in Germany, Zimara and Eidam (2015) analyzed the benefits that accrue from social sustainability reporting among firms and their stakeholders. The study tested 14 Corporate Social Responsibility reports with regard to the fulfillment and use of Global Reporting Guidelines. The key finding was that transparent and detailed reports can lead to an improved reputation among stakeholders and, although the benefits are non-monetary in the short-term, sustainability reporting enables companies to expand and secure their social and human capital and provides an enhanced competitive position. The study was however conducted in Germany and not in Kenya hence resulting in a research gap. Since sustainability reporting in most countries is not mandatory , in order to make those reports comparable, several frameworks emerged including; GRI (GRI's Sustainability Reporting Guidelines), the United Nations Global Compact (the Communication on Progress), the International Organization for Standardization (ISO 26000, International Standard for social responsibility) and the organization for Economic Co-operation and Development (OECD Guidelines for Multinational Enterprises). The GRI Sustainability Reporting Guidelines are the most developed and used outline that enables organizations worldwide to quantify their impact on the environment, society and the economy.

Bouten and Hoozée (2015) examined the challenges encountered in integrated and sustainability reporting using Belgium as the case study. To gather data, both primary as well as secondary sources were used. Regression analysis was used for generation of the findings. The study revealed that the future communication of companies will certainly be characterized by the integration of their financial and non-financial (societal and environmental) strategies and the accompanying results. This can be seen as in the case of the European union directive 2014/95/EU on non-financial reporting of large companies,

listed companies and public interest entities for the financial year starting on January, 1st 2017 (or during the calendar year 2017), those entities (with an average number of 500 employees or more during the financial year) shall include in the consolidated management report a consolidated non-financial statement containing information to the extent necessary for an understanding of the company's development, performance, position and impact of its activities, relating to, as a minimum, environmental, social and employee matters, respect for human rights as well as anti-corruption and bribery matters. The integrated report is essential for organizations to make more sustainable decisions, and for investors and other stakeholders to understand how well a company is performing. Moreover, it generates a more complete picture of the organization within the boundaries of the materiality criteria.

In Kenya, Kariuki (2015) sought to determine how sustainable the financial sector is. The study employed a descriptive design and both secondary and primary data was collected. The population of interest was 9 commercial banks and questionnaires were issued to these institutions. The analyzed findings confirmed the need for synergistic approach to sustainability in the financial sector in Kenya.

Accountability and Sustainability of the Banking Industry

In Nigeria, Gberevbie, Joshua, Excellence-Oluye and Oyeyemi (2017) carried out an assessment of sustainable development and the leadership challenges. The study adopted panel data methodology covering the period from 1999 to 2015. The study collected secondary data within this period from published reports among commercial banks in Nigeria. The findings indicated that development of any society is meant to enhance the living standard of its citizens. On the other hand, presence of accountability facilitates development. Literature in Nigerian context dwelling on issues and concerns of leadership and sustainable development points out inadequate skills and corruption as key factors. It is further argued that insufficient accountability as it regards sustainable development covers issues of leadership, behavior that is regarded as unethical, inability to maintain culture as well as mismanagement of resources.

Another related study in Nigeria by Sunday and Lawal (2016) looked at fical accountability and how it influences sustainable development. The type of design employed was descriptive and information was sought from auxiliary sources. The key finding from the analysis was that poor governance in Nigeria is explained by inadequate resource management and fiscal accountability. Margreet (2017) analyzed the influence on accountability and transparency on loan portfolio. The study was done among commercial banks in Dutch. This was an empirical study that focused on review of past studies on accountability, transparency and its influence on loan portfolio. The reviewed literature confirmed that a high level of accountability positively influenced loan portfolio.

Chelangat (2018) sought to establish the role played by accountability as far as financial sustainability in the public sector context is concerned. The specific objective variables of the study were financial planning, financial monitoring and evaluation and financial control.

The key theories that guided the study included resource mobilization, agency and fraud theory. A descriptive design was employed and targeting 550 public governance NGOs in the county of Nairobi. Respondents were sampled systematically. The findings showed that accountability has positive and significant influence on sustainability of an organization.

RESEARCH METHODOLOGY

Research Design

A research design is a plan that specifies and outlines procedures and methods that are used in collection as well as analysis of data on a given topic of research and reporting of findings in a manner that is detailed (Lewis, 2015). The study adopted a descriptive research design. Creswell and Creswell (2017) define a descriptive research design as a framework within which a research is conducted and it consists of a set of outlined guidelines of data collection for the study. Mugenda and Mugenda (2003) opine that a descriptive research design describes data and features in relation to study population. This design provides information in relation to who, what and how of the research questions in a study. This design is appropriate for this study because the study seeks to establish the status of aspects as they are without alterations. This design has been successfully applied by Marcinkowska (2012) in examining how corporate governance influence performance; Bouten and Hoozée (2015) in examining the challenges encountered in integrated and sustainability reporting; and Chelangat (2018) in assessing the influence of accountability and financial sustainability of public governance non- government organization in Nairobi County, Kenya.

Target Population

A population is a set of members who belong to a group within which research is carried out that possess homogeneous observable characteristics (Barasa, Ikamari, Kiplang'at & Oladipo, 2015). The study looked at all the registered 44 commercial banks operating in the Kenyan market under the Central Bank of Kenya. Collecting data from all the banks meant representative information was sought for the study. The respondents were senior management staff and the board committee representatives from 44 commercial banks operating in Kenya. The senior managers were drawn from four departments: Finance / Credit, Legal, Human Resources, Risk and Audit from each of the 44 commercial banks. These office bearers were selected upon because of the key role they played in promoting corporate governance in the banking sector. The board committee representatives were drawn from Executive / Strategy, Nomination & Remuneration, Audit, Risk, Credit and Human Resource Committees. The study also incorporated listed companies as they represent both shareholders by virtue of owning stakes in these banks and banking with them as customers. To establish the adherence to policies and regulations on governance, the study included the regulator i.e. Central Bank of Kenya (CBK).

Description of Research Instruments

According to Kothari (2004), data collection instruments are tools and methods used in collection of data. Primary and Secondary methods are the two ways in collection of data. Primary data involves collection of fresh data and secondary involves collection of data that have been analyzed. In this study, data was sought from primary as well as secondary sources with the aid of structured questionnaires as well as data collection sheets respectively. Structuring questionnaires eased the analysis of the findings of the study for the purpose of reporting. According to Cresw, Kaushal and Singh (2017), a questionnaire is an inquiry tool used in the collection of data in order to find answers of a set of research questions. The questionnaire was designed in a scale method consisting of a 5-point opinion scale (Likert scale Format) where 1 represents strongly disagree and 5 represented Strongly Agree in order to make it easy when conducting qualitative analysis and to minimize biasness (Mugenda & Mugenda, 2003). The questionnaire contained six distinct sections covering background information in the first one, followed by questions seeking information on transparency and sustainability of banking industry, section C covered questions relating to accountability. Section D contained questions relating to sustainability of the banking industry. Secondary data was collected to determine sustainability. This data was collected from the Published Financial Reports of the respective commercial banks and the Central Bank of Kenya (CBK). Secondary data was collected on the Profitability, Liquidity, Leverage/Debt, Customer base and Market share. Secondary data was collected over a five year time horizon (2014-2018). The use of secondary data was useful in supplementing primary data.

Sample and Sampling Procedures

Sampling is a process that involves selection of members of a population that represents entire population (Ogula, 2005). Barasa, Ikamari, Kiplang'at and Oladipo (2015) define sampling as a process of selection of a section of respondents from the target population in a manner that is representative. Probability and Non-probability are the two popular sampling techniques. Probability sampling is where every member of the population has a likelihood of being selected whereas, where elements of the target population do not have equal chance of selection is Non-probability sampling (Lewis, 2015). To sample respondents, probability techniques were employed such that all elements of the population had equal chances of being represented. More specifically, stratified random techniques of sampling were used in the study. The sampling technique was chosen based on the target population being heterogeneous (different category of peoples, all of which must be represented in the sample). According to Mugenda (2008), stratified technique is advantageous as it samples each sub-population (stratum) independently by grouping members of the population into relatively homogeneous subgroups before sampling. This improves the representativeness of the sample by reducing sampling error. Simple random sampling technique was used to select samples from the stratum (individual categories). Yamane (1973) formula with 95% confidence level was used in determining the sample size. The calculation of sample size using the formula of Taro Yamane is presented as follows;

$$n = \frac{N}{1 + N(e^2)}$$

Where: n = sample size; N = number of people in the population; e = Margin error (%)

Thus; n = N/ (1+N (e) ^{2} = 495 / (1+495 (0.05) ^{2} = 222

Data Collection Procedures

A letter from the National Commission for Science Technology and Innovation (NACOSTI) was sought which gave authority to carry out the study. The researcher also sought approval from the school department in charge and after receiving approval the researcher contacted the study' respondents and later on dropped the questionnaires with an attached letter explaining the purpose of conducting the study. To administer the instruments of the study, drop and pick methodology was employed. The structured questionnaire provided well thought answers since it ensured anonymity.

Data Analysis Procedures

According to Mugenda and Mugenda (2003), data collected must be edited, cleaned and analyzed to establish accuracy, completeness, consistency and usefulness of data collected. Steps undertaken to organize data in order to deduce and make inference about data with the aim of finding correct answers of the research questions is known as Data analysis (Barasa et al., 2015). The analysis of the findings was conducted with the help of SPSS software. The study employed descriptive statistics to explain the distribution of scores, such as mean ,frequency distributions,standard deviation and percentages. Findings of the study were presented using tables, pie charts, bar charts. The regression model below was used to establish the relationship between Perceived Corporate Governance Practices and their effect on Sustainability of the Banking Industry in Kenya.

$$\mathbf{Y = \beta 0 + \beta_1 X_1 + \beta_2 X_2 + + \varepsilon}$$

Where: **Y** = Sustainability of commercial banks; $\mathbf{X_1}$ = Transparency; $\mathbf{X_2}$= Accountability; **β0** = Intercept; **β1 and β2** = Beta coefficient; **ε** = error term.

RESEARCH RESULTS

The study was guided by two specific objectives that formed the basis of research questions. The theoretical underpinning of the study included the stakeholders' theory, agency theory and stewardship theory in anchoring the study through its variables; transparency, accountability, fairness and responsibility.

The first objective was to determine transparency and its influence on sustainability of Kenya's banking industry. A positive link was revealed between transparency as well as

sustainability. In most banks, financial Statements are prepared in accordance to the Generally Acceptable Accounting Standards. Most banks have incorporated the integrated sustainability reporting besides providing equal access to information for shareholders. Majority of the banks have incorporated the integrated social reporting. Related party transactions in most banks are well explained in the financial statements. The Banks' core activities are well defined in the financial statements and related party transactions are clearly captured in the financial statements. Burritt and Schaltegger (2010) carried out a study on sustainability accounting and reporting in Australia and established that sound corporate governance principles are the foundation upon which the trust of investors and lenders is built and hence being transparent is a must if businesses are to be sustainable in the future.

The second objective was to assess the effect of accountability on sustainability of the banking industry in Kenya. The study established that accountability has positive and significant effect on sustainability of the banking industry in Kenya. The regulation of the banking industry is of particular importance to the bank. The organization structure of most banks clearly defines the reporting lines in the organization. The Banks KPI's are measurable, clear and they relate to the banks operations. The finding is in line with Margreet (2017) who analyzed the influence on accountability and transparency on loan portfolio and established that a high level of accountability positively influenced loan portfolio.

INFERENTIAL STATISTICS

Regression analysis was carried out to determine the effect of transparency and accountability on sustainability of the banking industry in Kenya. Table 1 presents the findings of the model summary containing the value of the coefficient of determination R square and the adjusted R square.

Table 1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.929[a]	.862	.859	.80201

a. Predictors: (Constant), Accountability, Transparency

From Table 1, the value of R is 0.929; R square is 0.862 and the adjusted R square is 0.859.

An Analysis of Variance (ANOVA) was carried out at 5% level of significance. The findings are as shown in Table 2.

Table 2: Analysis of Variance

	Sum of Squares	df	Mean Square	F	Sig.
Regression	656.940	4	164.235	255.331	.000[b]
Residual	104.845	163	.643		
Total	761.786	167			

a. Dependent Variable: Sustainability of the banking sector
b. Predictors: (Constant), Accountability, Transparency

The ANOVA findings in Table 2 indicate the value of F calculated as 255.331 while F critical (at degrees of freedom 4 and 163) is 2.427.

Table 3 presents an analysis of the findings on regression coefficients of the study with the p-values showing significance of individual variables.

Table 3: Regression Coefficients

	Unstandardized Coefficients		Standardized Coefficients		
	B	**Std. Error**	**Beta**	**t**	**Sig.**
(Constant)	7.323	3.283		2.231	.027
Transparency	.151	.058	.298	2.589	.011
Accountability	.177	.063	.277	2.805	.001

a. Dependent Variable: Sustainability of the banking sector

From Table 3, the following equation is formulated;

$$\mathbf{Y = 7.323 + .151X_1 + .177X_2}$$

Where: **Y** = Sustainability of commercial banks; $\mathbf{X_1}$ = Transparency; $\mathbf{X_2}$= Accountability

From the above findings, when all the variables are held constant, sustainability of the banking industry would be at 7.323. A unit changes in transparency other factors kept constant would result into 15.1% increases in ssustainability of commercial banks. A unit change on accountability while other factors kept constant would lead to 17.7% change in sustainability of commercial banks.

On the basis of significance at 5%, the study established that transparency has a p-value of 0.011 which is lower than 0.05; this means that transparency has significant influence on sustainability of the banking industry. Accountability, $p=0.001<0.05$ has significant effect on sustainability.

CONCLUSION

The study ought to determine the effect of transparency on sustainability of the banking industry in Kenya. The findings of inferential statistics confirmed a positive link between transparency and accountability.

The study ought to determine the effect of Accountability on sustainability of the banking industry in Kenya. From inferential analysis, it was identified that accountability and sustainability are positively corrected.

RECOMMENDATIONS

Transparency was established a critical factor influencing sustainability of the banking industry. This study therefore recommends that the management of all banks in Kenya should strictly enforce transparency in all operations and activities conducted by employees for realization of sustainability. This can be done by strict adherence to International Accounting Standards including GAAPs.

The study found out that accountability has positive and significant effect on sustainability of the banking industry. Therefore, this study recommends that commercial banks should enforce accountability among all employees for increased sustainability.

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