

Title: CAPITAL ADEQUACY REQUIREMENTS FOR KENYAN BANKS

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ABSTRACT

This research sought to analyze the relationship between Kenyan bank performance and levels of capital held. Using cross sectional data from bank annual reports and the Nairobi Securities Exchange (NSE) Handbook from 2006-2012, a regression analysis was conducted. Evidence from the results suggested that bank profitability could either vary positively or negatively to the levels of capital held. In certain banks, the relationship was positive while in others, it was negative. Based on these findings, it is therefore, necessary that Kenyan banks hold adequate levels of capital in order to experience an enhanced profitability through interest income on loan and advances.