



Board activity and risk-taking. A study of commercial banks in Kenya

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Abstract

Owing to the recent financial crises, the role of the board and board effectiveness in monitoring bank risk-taking has become necessary. The intensity of board activity is a crucial indicator of the board's effectiveness in monitoring managers' risk-taking behaviour. Therefore, using a sample of 36 commercial banks in Kenya and panel data for 2008 – 2018, the study sought to examine the relationship between board activity and risk-taking. Further, the study controlled for bank capitalization, bank age, and bank size. Findings show that board activity ($\beta_2 = 0.008$, $p = 0.000 < 0.05$) significantly and positively affects risk-taking, supporting the tenets of modern portfolio theory. Thus the study has managerial and policy implications.

Key Word: Board activity, risk-taking, bank capitalization, bank age, bank size

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