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ASSESSMENT OF THE CAUSES OF UNCLAIMED ASSETS IN FINANCIAL INSTITUTIONS LISTED IN NAIROBI SECURITIES EXCHANGE. A CASE OF KENYA COMMERCIAL BANK

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ABSTRACT

Kenya recently through the Unclaimed Financial Assets Act of 2011 joined the list of countries that require companies to account and submit proceeds of unclaimed assets to the government. This regulation is likely to affect the performance of a number of companies more especially those in the banking industry. Since 2012 the unclaimed assets have grown from shs 7B in 2012 to shs 12B in 2013 and moved up to shs 16.9B in 2014. The purpose of this study was to establish the causes of unclaimed assets in banking industry in Kenya. The specific objectives include; To assess whether Legal framework is the cause of unclaimed assets in financial institutions in Kenya, to determine if management support is the cause of unclaimed assets in financial institutions in Kenya unclaimed assets and to establish the whether succession planning is the cause of unclaimed assets in financial institutions in Kenya. The study adopted a survey research design that included all the banks listed in the NSE and they are eleven. The researcher opts for a census since they are view. The study made use of secondary data that collected from published accounts of banks in Kenya. The data was analyzed using simple linear regression with unclaimed assets as the dependent variable and the factors affecting it. Results of the study showed that causes of Unclaimed Financial Assets positively correlates with financial performance of commercial banks in Kenya. The correlation coefficient of causes of unclaimed financial assets with ROA was 0.804 at 95% confidence level. The researcher used legal framework, management support, and succession planning as causes of unclaimed assets in commercial banks in the study. The findings revealed that these factors have a statistical significant relationship of 0.895, -0.867, 0.576, -0.977 respectively. From the secondary data analyzed it showed that so far the Commercial banks have not complied with the Act, hence these banks are still enjoying holding these assets. The duration since the unclaimed assets bill was passed in 2011 and 2013 may not be long enough to get a trend that can give conclusive information.

Keywords: *legal framework, management support, succession planning and unclaimed assets.*

INTRODUCTION

Most governments never used to give much attention to unclaimed property management in various companies. However, in the recent past most countries around the globe have enacted laws that require companies to follow some procedures in the management and reporting of unclaimed assets. The pressure on companies to comply with state regulations on the management of these assets is higher than it used to be previously. Most countries are keen to spend enormous resources in order to ensure that there is transparency and accountability in the management of unclaimed assets. One of the industries that has been under serious scrutiny as far as unclaimed assets are concerned is the life financial industry because of claims that companies in this industry do not make enough efforts to trace the owners of unclaimed assets. This has forced many countries to enact laws that require financial companies to ensure that unclaimed property has been paid over to the government in accordance with unclaimed property laws.

Financial systems are crucial to the allocation of resources in a modern economy. They channel household savings to the corporate sector and allocate investment funds among firms; they allow inter-temporal smoothing of consumption by households and expenditures by firms; and they enable households and firms to share risks. These functions are common to the financial systems of most developed economies. Yet the form of these financial systems varies widely. Ministry of Finance has pointed a number of billions are held by financial institutions as unclaimed and is circulating in the financial system to earn interest. Financial system is the system that allows the transfer of money between savers (and investors) and borrowers.

Kenya is also among the countries in the world that have enacted legislation to regulate the management of unclaimed assets from various companies. The Unclaimed Financial Assets Act of 2011 is the main regulation that outlines the way companies are supposed to handle unclaimed assets in their custody over a specified period of time. The Act provides for the legislative framework for dealing with unclaimed financial assets. The need for this law has been demonstrated by the colossal sums of money being held by financial institutions in Kenya. The law guides companies on how to ensure reporting and dealing with unclaimed financial assets; establishment of the Unclaimed Financial Assets Authority and establishment of the Unclaimed Financial Assets Trust Fund and other connected purposes.

According to Ministry of Finance (2008) quite a number of billions are held by financial institutions as unclaimed is circulating in the financial system to earn interest. Financial system is the system that allows the transfer of money between savers (and investors) and borrowers. A financial system can operate on a global, regional or firm specific level. Financial systems are crucial to the allocation of resources in a modern economy. They channel household savings to the corporate sector and allocate investment funds among firms; they allow inter-temporal smoothing of consumption by households and expenditures by firms; and they enable households and firms to share risks. These functions are common to the financial systems of most developed economies. Yet the form of these financial systems varies widely.

As per the Unclaimed Financial Assets Act (2011), unclaimed assets are tangible or intangible property that has gone unclaimed by its rightful owner or assets where there has been no owner-generated activity for a defined period. They include bank account balances, shares, financial policies and dividends. The Act states that some of the reasons for Unclaimed assets are as a result of Passage of time, emigration, change of name, address or the change in the national postal address system, death, missing records and no tracking mechanism, no requirement for holding institutions to declare assets as unclaimed, Collapse or change in corporate structures, such as with mergers and acquisitions.

Many developed countries have explicit policy frameworks for the management of unclaimed financial assets. International best practice includes the management of information and data related to such assets. This typically entails the identification of unclaimed financial assets according to prescribed definitions as well as the segregation, reporting and remittance of such assets into a central reclaim fund and the establishment of an unclaimed assets agency to regulate and manage these assets.

In Kenya, the Unclaimed Assets Bill was passed in the year 2011 by parliament. The bill gives detailed information on the determination of unclaimed assets; the duties and responsibilities of the company holding the unclaimed assets and the setting of unclaimed assets trust fund and authority. (Unclaimed Assets Bill, 2011). The management of unclaimed financial assets has received a lot of attention in the banking sector for the last three years. The predominant view is the transfer of these financial assets to the Government entity for reunification to the owners or legitimate beneficiaries. The goal of this study is to examine the core causes of unclaimed assets in the financial sector more so the listed financial institutions. The financial institutions use these financial assets to lend to borrowers and earn interest in returns.

The unclaimed Assets Bill of Kenya (2011) gives three possible definitions of unclaimed assets: The first definition indicates that these are assets that have been presumed abandoned and have become unclaimed assets for some time after the company concerned has made fruitless attempts to avail the assets to the rightful owner. The second definition also treats all assets transferred to the authority as unclaimed assets while the third definition considers assets deemed by any other law as unclaimed and payable to the authority as unclaimed assets. Kelly (n.d) also defines unclaimed assets as comprising of any intangible property that remains unclaimed by the rightful owner for a specified period of time.

Many countries around the globe have enacted laws that govern the management of unclaimed assets from various companies. According to Garner (2009), the unclaimed assets law stems from the Term "Bona Vacancia" which implies vacant goods. These were goods without the owner and it was deemed equitable to transfer them to the crown instead to a third party who was not a beneficiary. Kelly (n.d) argues that several countries around the world have in place unclaimed property law that is based on the British Uniform Unclaimed property Act. Diamond (2011) argues that most governments are forced to look for alternative means of raising revenue in the wake of an economic crisis. He further notes that the enactment of unclaimed property laws is one of the alternatives that most governments resort to whenever they need to get additional sources of revenue that are not based on tax increment. In Kenya, the Unclaimed Assets Bill was passed in the year 2011 by parliament. The bill gives detailed information on the determination of unclaimed assets; the duties and responsibilities of the company holding the unclaimed assets and the setting of unclaimed assets trust fund and authority. (Unclaimed Assets Bill, 2011).

From the current surveys done by the government of Kenya (GOK 2008) that lead to creation of new ACT, it showed that commercial banks are holding funds which are not claimed by owners for years thus using the same funds to make money for years. This means that commercial banks can use these funds to invest and lend earn interest for years. Some of the theories that guide this study include; Loan Pricing Theory, Theory of Multiple Lending, Hold-up and Soft-budget constraint Theory and Unclaimed Assets Theory. The study shows the link between the independent variables and the dependent variable (Bank profit). Empirical generally will points to the existence of a relationship between unclaimed financial assets and profitability of commercial banks in Kenya. This study will address whether there is possible relationship of unclaimed financial assets and commercial Banks profitability in Kenya. The study analysis is based on a sample of ten commercial banks in Kenya.

Statement of the Problem

The regulation on the management of unclaimed financial assets is not new since a number of countries around the world have already enacted laws that assist companies to deal with this issue. The submission of unclaimed assets to governments is one of the strategies that governments use to earn extra revenue to finance their operations in the provisions of public services. Some countries are very strict on these regulations in order to ensure companies comply with the regulations.

Between £400 million and £500 million is currently held in dormant bank and building society accounts in the UK where, for whatever reason, a financial institution has lost contact with an account holder. A large proportion of this money will never be reclaimed by its rightful owner. The Government, working with the banking industry, has therefore proposed the establishment of an unclaimed assets scheme to put these dormant accounts to productive use whilst continuing to recognize the ongoing rights of customers to reclaim their accounts at any stage.

Kenya recently through the Unclaimed Financial Assets Act of 2011 joined the list of countries that require companies to account and submit proceeds of unclaimed assets to the government. This regulation is likely to affect the performance of a number of companies more especially those in the banking industry. Nine months after the Unclaimed Financial Assets Act (2011) became law, the Unclaimed Financial Assets Authority was appointed, opening doors to its implementation would oversee the beneficiaries and owners reclaim their assets. Besides establishment of the Authority's board, the Unclaimed Assets law also provides for formation of an Unclaimed Financial Assets Trust Fund, into which monies such as those held by third parties will be paid. Creation of the Unclaimed Financial Assets Authority (UFAA) is aimed at tracking down owners of huge amounts of unclaimed assets that remain in the hands of institutions like banks, financial companies, social security funds, and utility service providers. Kanyi (2013) stated that previously before the Act was passed, any unclaimed assets were treated as part of the income of the holding institutions. Since 2012 the unclaimed assets have grown from shs 7B in 2012 to shs 12B in 2013 and moved up to shs 16.9B in 2014.

Kenya has embarked on a journey to formulate legislation on unclaimed asset. The publication of the Unclaimed Financial Assets Bill 2011, as expected has stirred up a hornet's nest. Interest groups consisting of mainly financial institutions and some Kenyans based in the diaspora are concerned that the Bill gives government bureaucracies unfettered access to what is considered public's hard earned cash. Controversy surrounds a proposal in the Bill to declare financial assets unclaimed after a period of only three years. There are also worries that a body proposed to manage the unclaimed assets, the Unclaimed Financial Assets Authority, will have heavy government influence fuelling fears that this will pave way for pilferage and misuse of the funds. This study therefore sought to assess the causes of unclaimed assets in financial institutions listed in NSE.

LITERATURE REVIEW

Conceptual Framework

Figure1: Conceptual Framework

Independent Variables | **Dependent Variable**

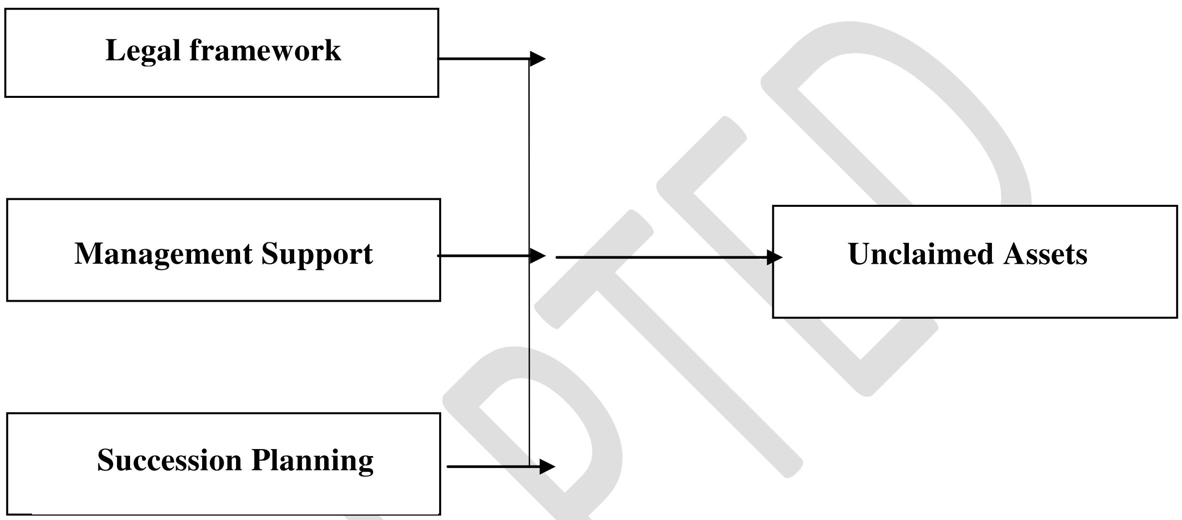

Figure 1 **Conceptual Framework**

According to (KNBS, 2014) it is estimated that unclaimed financial assets in the form of forgotten cash accounts, unpaid dividends, pensions, life assurances and investments, fixed deposits and certificates of deposit currently exceed Sh10 billion, with financial institutions mainly enjoying this undisclosed wealth. The law relates to financial assets considered dormant, unclaimed and abandoned when contact with the owner or his heirs and personal representatives is lost over an extended period. Untimely death is the most common reason for the assets not being claimed. Long illnesses of the owner, name changes after marriage, divorce, unreported changes of address, incomplete or illegal records and fast pace of emigration, all contribute to the assets being forgotten. One individual using multiple names to hide his wealth from the tax authorities is yet another reason.

When rightful owners fail to claim these forgotten assets over a specified number of years known as 'dormancy period' these abandoned funds held by banks, stock-brokers, utilities, employers, life financial companies and the Government normally transfer these assets into "suspense accounts" or trust accounts in a legal process known as 'escheat'. In most cases of forgotten assets, thousands of owners or family members are or remain ignorant or unaware of their entitlement to collect or make a claim on behalf of a deceased relative. It is estimated that one third of financial policies are not paid because family members were not aware of the policy or the financial company was not notified and no effort is made to find the reason for dormancy of the financial asset.

The Act establishes the Unclaimed Financial Assets Authority and its objects and functions are to enforce and generally to administer the provisions of the law and act as trustee to the Unclaimed Assets Trust Fund, created for the control of unclaimed assets. Travellers cheques and money orders unclaimed for two years after issuance are presumed abandoned as are cheques, drafts or similar instruments on which a bank or financial institute is directly liable. The same time limit is applicable to life or endowment policies.

Controversies around the process of formulating legislation on unclaimed assets are not new, and neither is it unique to Kenya. The world over, attempts to introduce regulation around unclaimed assets have been met with strong resistance from the usual suspects; financial institutions, who honestly profiteer unjustly on assets that do not belong to them. It is a well-known fact that some financial institutions use unclaimed assets to bolster their financial performances. A recent attempt in Britain resulted in a watered down, Dormant Bank and Building Society Accounts Act 2008. British financial institutions put up a spirited fight that saw a Bill, first proposed by Gordon Brown when he was the Chancellor, reduced into a shell. In the US, the Uniform Unclaimed Property Act 1995, despite being enacted close to two decades ago is yet to be fully adopted by all States.

An effective framework is useful in ensuring that there is an enabling environment for all players to conduct business. The absence of a legal framework has led to institutions developing their own internal polices to address the management of unclaimed assets. There are those that disclose them and those that don't and this is not healthy for the progress of the sectors in the financial system at a time when the global community is moving to adopting best practices in different issues. It is imperative that Kenya moves ahead with the work that it has started in addressing the subject of unclaimed assets, particularly now that it has taken the preliminary steps by appointing a Taskforce to undertake a baseline survey on the issue of unclaimed assets.

The issue of unclaimed assets has caught the attention of many governments in the world today with a number of them enacting laws geared towards the management of these assets. The House of Commons Finance Committee (2007) indicates that in between £400 million and £500 million was held in dormant bank and building society accounts where, for whatever reason, a financial institution has lost contact with an account holder. The Committee further argues that a large proportion of this money will never be reclaimed by its rightful owner. This realization forced the government, working with the banking industry, to propose the establishment of an unclaimed assets scheme to put these dormant accounts to productive use whilst continuing to recognize the ongoing rights of customers to reclaim their accounts at any stage.

Most countries enacted the laws over the last one decade but some countries have had the legislation for over a decade. The content of the laws differs from one country to another. Countries also share features of the legislation on unclaimed assets. For instance the Republic of Ireland has had an unclaimed assets scheme since 2001. Its law and that of the UK shares many features but differs in some (The House of Commons Finance Committee, 2007). Whereas the Irish scheme is mandatory and obliges banks, building societies and the Irish post office to transfer the balance of any account that has not had a customer-initiated transaction for 15 years to the National Treasury Management Agency (NTMA), the United Kingdom scheme customers have the right to reclaim their account in perpetuity, and do so through their account-holding bank rather than through the government appointed authority. The Irish government also requires that disbursement of dormant account funds is controlled by the Government, and monitored by an appointed board. In 2003, unclaimed life assurance policies were added to the Irish dormant accounts scheme (The House of Commons Finance Committee, 2007).

Banks and non-bank financial institutions have been set up by local private-sector investors in several African countries. The local banks can provide benefits to the domestic economies but they also present risks, with many having suffered financial distress and bank failure as a result of nonperforming loans. The severity of bad debt problems was attributable to moral hazard on bank owners and the adverse selection of bank borrowers, with many banks pursuing imprudent lending strategies, in some cases involving insider lending. Low levels of capitalization, the political connections of bank owners, and access to public-sector deposits contributed to moral hazard. Regulatory policy should aim to strengthen prudential supervision of local banks, particularly of credit policies, to enforce banking regulations and improve the incentives on bank owners to pursue prudent management.

The government of Australia also established that Australian Securities and Investment Commission (ASIC) whose work is to manage unclaimed assets that are remitted or surrendered from financial institutions. ASIC (2012) indicates that the commonwealth laws governing the management of unclaimed assets were amended to include the Banking Act, Life Financial Act and the First Home Saver Accounts Act. The essence ofthe amendments was to cast the net wider so that the government could bring on board other institutions that were initially not required to remit unclaimed assets.

It is evident that different governments have different uses for the unclaimed assets that they get from financial institutions. Whereas some governments treat unclaimed assets as a source of additional revenue to assist in meeting their expenses, some governments have an elaborate plan on how to use the money. For instance in the UK, the Commission on Unclaimed Assets addresses three main issues: reuniting customers with their money and consumer protection; the transfer of unclaimed assets to a new entity; and the best use of unclaimed assets, which is the major focus of the commission. The Commission published an interim report setting out proposals to create a social investment bank, which would redistribute unclaimed assets to communities most in need. The commission proposes to support a range of activities, including: funding for third sector organizations, supporting communities to acquire land or buildings and promoting enterprise in disadvantaged communities (NCVO, 2013).

According to Henri (2014), performance measurement entails the focus is on the internal process of quantifying the effectiveness and the efficiency of action with a set of metrics. The measures and indicators act as surrogates or proxies for organizational phenomena. Performance measurement represents management and control systems that produce information to be shared with internal and external users. It also encompasses all aspects of the business management cycle which constitutes a process for developing and deploying performance direction. Henri further argues that there are performance measurement models that evolved from a cybernetic view whereby performance which were based mainly on financial measures. They considered a component of the planning and control cycle to a holistic view based on multiple nonfinancial measures where performance measurement acts as an independent process integrated in a broader set of activities. Traditionally, performance measurement is viewed as an element of the planning and control cycle that captures performance data, enables control feedback, influences work behavior and monitors strategy implementation (Simons, 2000).

The concept of organizational performance is based upon the idea that an organization is the voluntary association of productive assets, including human, physical, and capital resources, for the purpose of achieving a shared purpose (Barney, 2002). Those providing the assets will only commit them to the organization so long as they are satisfied with the value they receive in exchange, relative to alternative uses of the assets. As a consequence, the essence of performance is the creation of value. So long as the value created by the use of the contributed assets is equal to or greater than the value expected by those contributing the assets, the assets will continue to be made available to the organization and the organization will continue to exist.

Therefore, value creation, as defined by the resource provider, is the essential overall performance criteria for any organization. Carton (2004) however argues that there are several issues associated with the assessment of value creation for organizations. First, value creation is situational since different types of organizations have different concepts of what outcomes are valuable. It is also clear that organizations perform on multiple dimensions, such as growth, profitability, and legitimacy, often trading positive outcomes in one dimension for worse outcomes in another. Third, performance is in part perceptually based upon what the observer finds valuable. Finally, timing plays a role in value creation as opportunities created in the present, which will be realized in the future, are valued in the present based upon individual assumptions about future actions and conditions. These assumptions about future outcomes vary based upon the perceptions of the observer.

According to Kirkendall (2010) a well-defined system of organizational performance measures can be a powerful means for prioritizing organizational goals and achieving them. Performance measures are intended to be used in the Strategic Planning Process. Therefore Measures should inform planners as to problems that require attention, and should allow planners to monitor progress toward goals. Poister (2003) also indicates that performance measurement is intended to produce objective, relevant information on program or organizational performance that can be used to strengthen management and inform decision making, achieve results and improve overall performance, and increase accountability.

Many countries around the globe have enacted laws that govern the management of unclaimed assets from various companies. According to Garner (2009), the unclaimed assets law stems from the Term "Bona Vacancia" which implies vacant goods. These were goods without the owner and it was deemed equitable to transfer them to the crown instead to a third party who was not a beneficiary. Kelly (2013) argues that several countries around the world have in place unclaimed property law that is based on the British Uniform Unclaimed property Act. Diamond (2011) argues that most governments are forced to look for alternative means of raising revenue in the wake of an economic crisis. He further notes that the enactment of unclaimed property laws is one of the alternatives that most governments resort to whenever they need to get additional sources of revenue that are not based on tax increment.

RESEARCH METHODOLGY

A descriptive research design will be used in this study. The target population was all employees of Kenya Commercial Bank. The sample size for this study was 30% of employees working at different departments at KCB headquarters. According to Mugenda 2003 a 30% sample of the population is considered sufficient for social sciences. Random sampling technique was used to select the 58 respondents who were used in the study.The study used the secondary data of published financial reports of banks and reported unclaimed financial assets and primary data collected using the questionnaire. Completed questionnaires were corded and analyzed to ensure accuracy of information, and then the data collected was summarized and classified both qualitatively and quantitatively. Descriptive analysis was employed; which include frequencies, percentages and ANOVA. The organized data was interpreted on account of concurrence to objectives using assistance of computer packages to communicate research findings. Frequency distribution tables and charts was used for data presentation.

RESULTS AND FINDINGS

Summary Statistics

Table 4. 3: Summary Statistics

Year	Model	Unstandardized	Standardized	t	Sig.	Year
		B	Std. Error			
2012	(Constant)	.542	.208		3.056	.004
	Unclaimed assets	.362	.123	.544	3.382	.002
2013	(Constant)	.246	.143		1.758	.789
	Unclaimed assets	.000	.000	.147	2.333	.879
2014	(Constant)	.312	.236		2.367	.784
	Unclaimed assets	.000	.000	.168	3.254	.986

It is evident from the findings tabulated above that in the year 2012; the unclaimed assets had a positive coefficient of 0.362. If there were no causes of unclaimed assets in the year 2012, the causes unclaimed assets in the financial institutions would be represented the constant which is 0.542. It is also evident from the findings tabulated above that in the year 2013, that the unclaimed assets had a coefficient of 0.000 if there were no causes of unclaimed assets in the year 2013, the causes of unclaimed assetsin the financial institutions would be represented the constant which is 0.246. The table of coefficients for the year 2014 confirms that the unclaimed assets have a coefficient of 0.000. This is an indication that there is an insignificant level of unclaimed assets that were factored by financial institutions in Kenya. The causes of unclaimed assets is represented by the constant 0.312.

The researcher sought to find out the relationship between the unclaimed assets and the profitability of financial institutions and the unclaimed assets as the dependent variable in the year 2011. The year 2011 is the time when the unclaimed assets bill was passed in Kenya hence financial institutions did not include the unclaimed assets in their financial statements. The findings are presented next.

The findings from the study indicate that the regression coefficient for unclaimed assets is 0. This is an indication that the financial institutions in Kenya did not factor the unclaimed assets figures into their annual profits. It is also clear that the profitability of the companies as represented by the constant seems to have dropped due to removal of the unclaimed assets from the profit and loss account of the financial institutions since the constant seems to have dropped from 0.528 in 2010 to 0.246 in 2011.

In the year 2012 for example, the financial institutions did not also include the unclaimed assets in their financial reports as part of the profit and loss statement. The study sought to establish the relationship between this action and the profitability of the companies in the absence of the unclaimed assets figure that formed averagely 20% of the profitability of the companies in 2008, 2009 and 2010. The findings are discussed next.

It is evident that the results of the regression analysis from the year 2012 confirm that the regression coefficient of unclaimed assets is 0. This is an indication that the financial institutions in Kenya did not include any unclaimed assets in their financial reports. The profitability of the financial institutions is therefore represented by the constant 0.312 that seems to be lower than the years 2012, 2013 and 2014 but slightly higher than 2011. This implies that after the unclaimed assets bill was passed in 2011 the financial institutions had to look for other alternatives of maintaining their profitability hence the reason why the constant appears to be slightly higher in 2012. The estimated model for the relationship can therefore be represented by Y = 0.528+ 0.344x +0.376.

Estimated Model

Regression analysis

Regression analysis is a statistical tool for the investigation of relationship between variables. Usually, the investigator seeks to mantain the casual effect of on variable upon another. Regression analysis allows you to model, examine and explore spatial relationship, and can help explain the factors behind observed spartial patterns. Regression analysis is also used for prediction

Regression analysis for construct legal framework

The overall model for the legal framework was tested. The findings shows the coeffient of determination R Square= 0.839 and R=.916 at 0.05 at significance level. This shows that there existed a strong positive corelation coefficient between Legal framework and Causes of unclaimed assets.

Table 4. 4: Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std Error of the Estimate
	.916	.839	.826	.999
Predictors: (constant) Legal framework				

Regression analysis for construct Management Support

Table below presents the regression model the regression model of Management Support with a coefficient of determination of R^2 = 0.772 and R= 0.722 at 0.05 significance level. The coefficient of determination indicates that 72.2 % of the variation on Causes of unclaimed assets is influenced by Management Support. This shows that there exists a strong positive relationship between Management Support on Causes of unclaimed assets.

Table 4. 5: Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std Error of the Estimate
	.722	0.772	.790	0.9362
Predictors: (constant) Management Support				

Regression Analysis For Construct Succession planning

Table below presents the regression model the regression model of Succession planning with a coefficient of determination of $R^2 = 0.772$ and R= 0.752 at 0.05 significance level. The coefficient of determination indicates that 75.2 % of the variation on Causes of unclaimed assets is influenced by Succession planning. This shows that there exists a strong positive relationship between Succession planning on Causes of unclaimed assets.

Table 4. 6: Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std Error of the Estimate
	.752	.772	.790	0.8244
Predictors: (constant) Succession planning				

Overall Model

Multiple regression analysis was used to determine whether independent variables; Legal framework(X1), Management Support (X2) and Succession planning (X3) simultaneously affect the dependent variable Y which is causes of unclaimed assets. The sub-section examines whether the multiple regression equation can be used to explain the hypothesis of the independent variables on causes of unclaimed assets. The model used for regression analysis was expressed in the general form as given below

$$Y = a + B1x1 + B2x2 + B3x3 + e$$

Where;
Y = Causes of unclaimed assets (Dependent variable)
a = Constant (Co-efficient of intercept)
X1 = Legal framework (independent variable)
X2 =Management Support (independent variable)
X= Succession planning (independent variable)
e =Error term
B1 ……………….B3= Regression co-efficient of five variables.

For this model, Causes of unclaimed assets was used as the dependent variable (Y) and independent variables included X1-X3. The relationships between dependent and independent variables and the results of testing significance of the model were also respectively interpreted. In interpreting the results of multiple regression analysis, the three major elements considered were: the coefficient of multiple determinations, the standard error of estimate and the regression coefficients. R^2 was used to check how well the model fitted the data. $R^{2.}$ Is the proportion variation in the dependent variable explained by the regression model?

Table below reports the model of causes of unclaimed assets with the coefficient of determination $R^{2=}$ .801 and R =0.819 at 0.05 significant level. The coefficient of determination indicates that 81.9% of the variation on causes of unclaimed assets of financial institutions can be explained by Legal framework(X1), Management Support (X2) and Succession planning (X3. The remaining 19.9% of the variation is affected by other variable not included in the model. This shows that the model has a good fit since the value is above 75%.

Table 4. 7: Regression Model Summary

	Model Summary			
Model	R	R Square	Adjusted R Square	Std Error of the Estimate
	.819	**.801**	**.826**	**5.73**

The variance of the residuals (or errors) is the value of the mean square which is 5.73. As can be observed in table, the predictors X1-X3 represent the independent variables, which are the factors enhancing causes of unclaimed assets.

Discussion of Findings

The study findings confirm that; legal framework, management support and succession planning, are major causes of unclaimed assets in financial institutions in Kenya. This is an indication that initially before the enactment of the unclaimed assets bill in Kenya, the financial institutions used to factor unclaimed assets into their profit and loss accounts. This is the reason why the profits of the financial institutions have a significant portion of their variance explained by the unclaimed assets. The findings confirm the view held by NCVO (2013) which states that unclaimed assets initially held by financial institutions that may end up not be accounted for need to be put into good use.

The findings also reveal that for two consecutive years, the financial institutions in Kenya did not factor into their profit and loss accounts the unclaimed assets in compliance with the unclaimed assets regulation. This resulted to a significant decrease in the profitability of the financial institutions in Kenya. This happened because the government requires through the regulation that financial institutions should remit all the unclaimed assets in their custody to the government. This regulation has been enacted in many other countries in order to streamline the management of unclaimed assets. Regulation of the financial industry was supported by Acharya (2009) who asserts that it is commonly agreed in economics that there is an important role for public sector involvement and regulation even in a competitive financial industry. Financial markets are exposed to the two fundamental problems of asymmetric information. They further indicate that regulations such as those governing unclaimed assets are one way of ensuring transparency and accountability in the financial industry.

Conclusion

Unclaimed assets formed a significant percentage of the profits that were declared by financial institutions in Kenya before the year 2011. However, after the enactment of the bill on unclaimed assets in 2011, all the financial institutions were required to submit their unclaimed assets to the government and this significantly affected their total profits. Their profits seemed to significantly drop for the years 2011 and 2012 when the unclaimed assets were removed from the profit and loss accounts of the financial institutions. During this year, the total unclaimed assets that were part of the profits of financial institutions were estimated to be 32.1%. However in the year 2011, the trend changes when the unclaimed assets bill was enacted requiring financial institutions to remit all unclaimed assets in their custody to the government. This meant that in the profit and loss account of these companies, there was reflection of unclaimed assets. The study confirms that in the year 2011 the coefficient for unclaimed assets was zero and indication that it did not feature in the profits of the companies. The profitability of the financial institutions seemed to reduce significantly with the removal of the unclaimed assets. This reduction in the profitability due to removal of unclaimed assets may however be short-lived since the companies are keen on pursuing other alternatives of maintaining their profitability.

Recommendations of the study

Since the study findings confirm that unclaimed assets formed a significant percentage of the profits of life assurance companies in Kenya. This is an indication that initially before the enactment of the unclaimed assets bill in Kenya, the commercial banks used to factor unclaimed assets into their profit and loss accounts. This is the reason why the profits of the commercial banks have a significant portion of their variance explained by the unclaimed assets. It is therefore recommended that unclaimed assets initially held by financial institutions need to be put into good use by the government or given to the rightful owners.

As the findings also reveal that for two consecutive years, the commercial banks in Kenya did not factor into their profit and loss accounts the unclaimed assets in compliance with the unclaimed assets regulation. This resulted to a significant decrease in the profitability of the commercial banks in Kenya and it thus recommended the government to account for this difference.

The government is required through the regulation that commercial banks should remit all the unclaimed assets in their custody to the government. This regulation has been enacted in many other countries in order to streamline the management of unclaimed assets. Regulation of the industry was supported by Acharya (2009) who asserts that it is commonly agreed in economics that there is an important role for public sector involvement and regulation even in a competitive industry. Financial markets are exposed to the two fundamental problems of asymmetric information. They further indicate that regulations such as those governing unclaimed assets are one way of ensuring transparency and accountability in the industry.

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