EFFECTS OF CORPORATE GOVERNANCE ON THE FINANCIAL PERFORMANCE OF COMMERCIAL BANKS IN KENYA

BY

GODFREY KIOKO MAUNDU

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DECLARATION

This project is my original work and has never been presented or submitted to any institution, college or university for academic study.

Signed: _____ Date: 15th November 2023

GODFREY KIOKO MAUNDU
D63/25343/2019

This research project has been submitted for examination with my approval authority as the University Supervisor.

Signed: _____ Date: 15/11/2023

PROF. MIRIE MWANGI
DEPARTMENT OF FINANCE AND ACCOUNTING
UNIVERSITY OF NAIROBI

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DEDICATION

I dedicate this project to Miriam,Precious,Joel and Timothy.

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LIST OF ABBREVIATIONS

CAMEL   Capital Adequacy, Asset Quality, Management, Earning, Liquidity

CBK   Central Bank of Kenya

CEO   Chief Executive Officer

CG   Corporate Governance

DPS   Discussion Paper Series

GDP   Gross domestic product

KBA   Kenyan Bankers Association

KBA   Kenyan Bankers Association

MBA   Masters of Business Administration

NSE   Nairobi Securities Exchange

ROA   Return on Assets

ROE   Return on Equity

SPSS   Statistical Package for Social Sciences

US   United States

ABSTRACT

Corporate governance theories suggest a positive relationship between corporate governance and financial performance. Financial performance is an outcome of good corporate governance practices adopted by firms. The study sought to establish the impact of corporate governance on the financial performance of commercial banks in Kenya. The researcher adopted a correlational research design, generally used to measure relationship between variables. Secondary data was obtained from annual reports downloaded from central Bank of Kenya. The data was analyzed using descriptive statistics as well as inferential statistical analytics. Results showed that ownership structure, board independence, board composition and bank size as predictors had a strong collective relationship with financial performance (r=0.560) and contribute 31.4% to the change in financial performance (r2= 0.314). From the regression, ownership structures, board independence and bank size had a positive effect on financial performance. On the other hand, board composition showed a negative effect on financial performance. The study concludes that ownership structures, board independence and bank size have a positive effect on financial performance of commercial banks in Kenya. On the other hand, board composition has a negative effect on financial performance of commercial banks in Kenya. The study recommends reduced number of executive directors within the commercial banks. The study also recommends increased local ownership with an increase in number of independent directors. There is also the need for increased value of assets for increased financial performance. Further research is recommended based on other factors of financial performance, different variable measures, different firms and based on primary data.

CHAPTER ONE: INTRODUCTION

1.1 Background to the Study

The concept of corporate governance was introduced to create an understanding relating to complexities of the organization. It emphasizes on working relationship between stakeholders of the organization. It is critical for a successful organization (Gull et al., 2013). This is because it emphasizes the need for managers to increase shareholder wealth while ensuring they do not divert the capital or are only focusing on increasing their own interests as addressed by the agency theory.

The agency, stewardship and stakeholder theories were adopted in the research. The agency theory states that when individuals are appointed by owners to manage an organization, they are likely to follow own interests, which creates agency problems (Panda & Leepsa, 2017). The stakeholder theory, nevertheless, identifies stakeholders as actors in an organization that are affected by outcomes within an organization. Actors involve managers, staffs, consumers, traders, proprietors, and the local societies which business environment is reliant on (Freeman & Dmytriyev, 2017). The hypothesis stipulates that directors are agents of a company and act in the best interests of the company. Unlike the agency theory, the stewardship theory considers managers as good stewards of the company who are motivated to promote good corporate performance (Davis & Schoorman, 1997). The theory focuses on the quality of the rapport between the owner and management which promotes pro-social behavior that contributes to organizational success

These agency, stewardship and stakeholder theories explained the relationship between corporate governance and financial performance as they address the conflicts of interest that

arise in the firm and how to maximize shareholder wealth. Financial performance is, therefore, an outcome of good corporate governance practices. Corporate governance focuses on the set of relationships and the efficiency of these relationships in reducing operational costs and increasing the return on investments (Dar et al., 2011). The presence of this practice will highlight the causes of poor firm performance and focus on the outcomes that will consider the needs of shareholders and other stakeholders. It designs structures that promote accountability and integrity and uses incentive mechanisms to ensure that the shareholders get a return on their investment.

The number of Commercial Banks in Kenya has been on the rise, and currently, there are 42 listed small and large banks, with a majority-owned by private investors while the rest are state-owned. One mortgage finance company is included in the commercial banks while 14 banks are owned by foreign investors. This study is done in this context to ensure that the findings of the research was applied in real-life situations within Kenyan organizations. This study emphasized the need for incorporating good corporate governance as the absence of thereof lead to principal-agent conflicts, poor decision making by the board, and consequently the poor financial performance of the company.

1.1.1 Corporate Governance

Shleifer and Vishney (1997) define corporate governance as a practice used by "suppliers of finance" to ensure they obtain an increase in return of investment. Wanyama and Olweny (2013) describes corporate governance as methods and framework applied to guide and oversee the business operations towards increasing growth and business efficiency with a final goal of realising shareholders lasting value whilst taking into consideration the interests of various

stakeholders. For Morin and Jarrel (2001), corporate governance is management which protects and balances companies and stockholder's interests.

Studies measure the quality of corporate governance differently. McCahery and Vermeulen (2014) looks at it as board compositions, boards independence, and ownership structures. These components of corporate governance determine the privileges and roles, accountability, the procedures of delegation and supervision, probability of conflicts of interests, and firm value.

1.1.2 Financial Performance

Financial performance are defined as level establishments have used available resources to achieve objectives and increased the firm's financial resources. Heremans (2007) defines it as the extent to which the organization has become successful while Opanga (2011) defines it as efficiency of generating revenue through asset utilization within an establishment. Financial performance is used to analyse the financial health of the firm against the set objectives. It provides the enterprise with a clear view of what influences the company's success and how to achieve intended outcomes.

Financial performance is important to every organization as it shows how healthy a business is (Fatihudin, 2018). This guides decision making within the firm for improved health. It also creates value by gauging the outcomes of decisions and policies like money. Measuring proxies of financial performance will ensure that organizations understand their value to the firms (Gartenberg, Prat& Serafeim, 2019). The study realizes that understanding financial performance of companies will create value to commercial banks.

Financial performance is represented via returns on equity, returns on asset, liquidity ratios, solvency and sales growth, and the profitability of the organization (Linyiru, 2006). These proxies are the financial statement variables that ate directly linked to the financial statements. They are present in statements of financial positions; income statements and they determine profitability of the company. Studies have also incorporated non-financial variables as measures of financial performance such as the number of branches of the organization, the status, numbers of staffs, and sizes of organization.

1.1.3 Corporate Governance and Financial Performance

Corporates governance theories suggest a positive relationship to financial performance as they address conflicting interests arising in firms and how to maximize shareholder wealth. The agency theory, for example, realizes that management is likely to act in their own interest which decreases profitability in the company. The stakeholder theory notes that stakeholders are a crucial part of the company when determining organizational success. Their collaboration to work towards the firm's objectives ensures that their efforts are aligned with the interest of shareholders in the firm. The stewardship theory emphasizes the importance of management in creating benefits and meeting high objectives to maximize the company's financial performance.

Well-managed companies are valued more highly by investors because they are perceived as safe investments with lower rates of return (Saidat, Silva, & Seaman, 2019). Similarly, stronger operations and greater projected future earnings lead into improved financial performance for organisations with superior governance. An effective corporate governance structure provides predictability that is needed for best-operating marketplace, both within a specific firm and throughout the entire economy. As a result, capital costs are lesser and corporations are

stimulated to exploit their assets more effectively, promoting returns for improved financial performance (Sekhar, Ashalatha, & Gorkhe, 2022). However, Abdullah and Tursoy (2023) states that corporate governance creates limitations in business operations which may lead to reduction in financial performance through increased corporate governance related costs.

1.1.4 Commercial Banks in Kenya

Thirty-nine commercial banking institutions exist in the republic of Kenya, with 24 of them owned by local investors, one being a mortgage institution while 15 are owned by foreigners. Banking industry has attempted to implement proper governance structures to facilitate profitability with governance done by CBK. The CBK has implemented guidelines to ensure that banks adopt relevant corporate governance structures. As per CBK (2022) commercial banks in Kenya face corporate governance challenges, although the sector has made significant strides to improve their corporate governance. Further, CBK guidelines seek to improve institutional performance among bankers. Theoretically, financial performance can be improved through improved governance within such institutions. But in the past decade, banking institutions have found themselves facing financial difficulties. The purpose of the investigation is to assess how corporate governance affects commercial banks' financial performance in Kenya.

1.2 Research Problem

Corporate governing theories suggest a positive relationship to financial performance as they address conflicting interest and how to maximize shareholder wealth. Studies such as Guzeh (2012) have empirically compared the components of corporate governance and their impacts against the various financial ratios. Global studies such as Afif (2018) have also established

that excellent corporate governing enhances financial performance. However, Saidat, Silva and Seaman (2019) found corporate governance to be a limiting factor to financial performance. Abdullah and Tursoy (2023) showed that corporate governance was a non-factor as far financial performance was concerned.

In Kenya, Ngumo, Collins and David (2020) considered factors of financial performance among microfinance banking institutions in Kenya. On the other hand, Ndungu and Bosire (2020) considered determinants of financial performance of commercial banks listed at NSE; while Murerwa (2015) studied determinants of banks' financial performance in Kenya. The studies showed conceptual gaps where they looked at determinants of financial performance other than corporate governance. The studies were also done in listed firms (Ndungu & Bosire, 2020) and microfinance banks (Ngumo, Collins & David, 2020) other than all commercial banks indicating gaps relating to methodologies. The studies also showed difference in research methodologies displaying methodological gaps. As such, what is the effect of corporate governance in the financial performance of Commercial Banks in Kenya.

1.3 Research Objective

The aim of the research was to evaluate effect of corporate governance on the financial performance of commercial banks in Kenya.

1.4 Value of the Study

Findings will benefit policymakers in Kenya to understand how policies can effectively promote the execution of great corporate governance practices. Policymakers will use findings to come up with policies that guide the banking industry into establishing stability in the global market.

CBK and individual banks will benefit from this study by comprehending the influence of decision-making on the outcomes of the company. It will help the stakeholders understand how risk-taking behaviour such as using capital for personal interest affects the profitability of the company.

The study will benefit employees to understand their benefit and contribution to the organization and how their performance, accountability, and integrity contribute to increased financial performance. The study will also be useful for researchers who intend to gain deeper insight into the topic. It provides recommendations to enable researchers to conduct further studies to add on the literature.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The chapter provides the theoretical review that identifies theoretical foundations related to objectives and research from existing literature. The section also includes conceptual framework that maps out research variables. Final section summarizes the literature review and highlights the research gaps from existing literature.

2.2 Theoretical Review

2.2.1 Agency Theory

Agency theory was discussed by Smith (1776) in his article 'The Wealth of Nations' when he identified the presence of agency problems. He noted that when individuals are appointed by owners to manage an organization, they are probable to toil for their individual advantage. Theory was later developed by Berle and Means in 1932 when they focused on the ownership structures of US firms and discovered that a majority of the firms were controlled by a group of persons appointed by the owners (Stigler & Friedland, 1983). They highlighted the possibility of agency problems when the agents appointed to use the firm for their own benefit. The agency theory has been established in different disciplines ranging from economics to healthcare to highlight the principal-agent relationship. Agency problems have been described as the risk tolerance of the parties and the ability to share the risks for different individuals. Research done by Arrow (1971) described agency problems as the difference in the actions the principals and agents will take to maximize their private benefits.

Principals invest in businesses and prepare for the risks associated with their investment while the agents are risk-averse which creates principal-agent conflicts when risk-sharing is required (Bendickson et al., 2016). The principal expects the agent to yield specified outcomes to achieve goals but self-interests from the agent cause them to act in their best interest. Agency problems also stem from agent monitoring where the agents perceive inequity in the firm, they are likely to portray self-interest behavior. When principals are unable to monitor the agents, their interests are misaligned which leads to problems with risk-sharing. It's been criticized for its inability to focus on the principals' side of the agency problems (Panda & Leepsa, 2017). When principals established inequality in the firm and exploit the efforts of the agents, they work for themselves. Furthermore, the theory assumes that managers are opportunistic and that contracting will solve this behavior. It ignores that managers could act in the best interest of the principal when their role and benefits in the firm are clearly defined. It is essential in examining importance of good corporate governance in establishing relationships between the agents and principals that promote the interests of both parties.

2.2.2 Stakeholder Theory

Stakeholder theory identifies stakeholders as actors in an organization that affects and are affected by the outcomes of the organization (Freeman & Dmytriyev, 2017). The stakeholder theory was first discussed in 1980 and emphasized the importance of corporations taking into consideration the stakeholders that contributed to profit maximization. Freeman (1994) argued that individuals acted in a morally responsible manner by using ethical reasoning to ensure organizations met welfares of every stakeholder group. Stakeholders' theory realizes that stakeholders that are treated well are able to reciprocate these efforts to maximize the outcomes

of the company. This theory, therefore, is useful for organizations to understand how to use the efforts of stakeholders to make informed decisions and promote good corporate governance.

Advocates of the stakeholder theory have asserted that the theory is comprehensive in ensuring fairness, transparency, and accountability among all stakeholders. It is contrasted with the shareholder theory that emphasizes the importance of maximizing shareholder wealth with little focus on the interests of shareholders. The theory argues that the firm is controlled by all stakeholders and they could therefore lay claim to it. It ignores the fact that organization interests are not fixed and are constantly changing hence the organization does not always meet the needs of stakeholders. The stakeholder theory ignores the requirements of modern corporations to maximize market value and compete in the global environment. It describes an organization as a social construct that is only responsible for meeting the demands of the stakeholders and ignores managerial incentives and the need for the company to generate profits.

2.2.3 Stewardship Theory

This was established by Donaldson and Davis in 1991 argues that directors are the stewards of a company and act in the best interests of the company. Unlike the agency theory, the stewardship theory considers managers as good stewards of the company who are motivated to promote good corporate performance.

The theory focuses on the superiority of the association amid the proprietor and the director which promotes pro-social behavior that contributes to organizational success. It argues that collaboration and co-operation lead to collectivist utility since the stewards are more concerned with acting honorably. Both the principal and the agents are stewards and their relationship is solely focused on integrating the ideals of the organization (Kluvers& Tippett, 2011). The

stewardship theory is criticized for its assumption that the relationship between stewards is developed based on trust and collective goals.

Furthermore, the theory oversimplifies the role of the stewards and assumes that their interests align with shareholders'. The theory assumes choices made by stewards are guided by moral and motivational factors with little regard to the need for power and the need to use the company for personal interests. Stewardship theory in corporate governance is used to emphasize the effectiveness of accountability and trust to ensure that shareholders' wealth is maximized (Davis et al., 2018).

This research integrated the concept to emphasize the importance of employees working diligently through good corporate governance to promote financial performance. Donaldson and Davis (1991) note that corporate governance includes corporate social responsibility which is emphasized by the stewardship theory. It emphasized the importance of the sense of stewardship on employees and encouraged them to work towards achieving the objectives of the company.

2.3 Determinants of Financial Performance of Commercial Banks

2.3.1 Board Independence

Independence of board relates to its ability to make decisions without interferences from outsiders in the firm. Particularly, this is useful when members of the board are drawn outside the firm and display a high professionalism level in their processes of decision making (Korir & Cheruiyot, 2017). The board offers essential work in the monitoring of team management in all organizations. Muniandy and Hillier (2015) assert that a significant number of independent directors, commonly known as "outside directors," are preferred by investors.

Numerous works have been published. For instance, Switzer and Tang (2009) looked at the performance of 245 Small-Cap firms between 2000 and 2004 in relation to the degree of board independence. The researchers postulated a connection around performance and board independence. With a sample that included private, standalone, public, and overseas subsidiary organizations, Chatterjee (2011) investigated the board independence of Indian organizations. The outcomes demonstrated a negligible impression on independence of listed companies.

In divergence, Jackling and Johl (2009) demonstrated that independence favourably impacted firm performance. Rhoades et al. (2000) believed that only a weak direct link around the board's independence, composition, and financial performance. Arora (2012) claimed independence possesses a negative impact on performance of companies. Johl et al. (2015) argued that a company's performance was unaffected by board independence and composition. Alternately, Alabdullah et al. (2016) argued that the board's independences had no impacts on an organization's performance. Following this review, independent board positively affects performance of any organization by significantly lowering the agency cost. Thus, it can be assumed that the independence of a board positively affects the financial sector.

2.3.2 Board Composition

In literature, there has been an ongoing debate on whether board composition, in the structure of outside representation (Petra, 2005), might add economic value to an organization. A 2010 study by Rashid et al. assessed its influence -in structure of external directors' representation- on commercial performance of an organization in Bangladesh. The findings showed that independence among directors was of no value, including potentially, to commercial performance of organizations. The idea of introducing 'outside' directors might benefit greater transparency, however, the lack of consideration of the underlying cultural and institutional

differences might not lead to economic value addition to the firm. Ma and Tian (2014) discovered that independent directors effectively enhanced the performance of an organization than any other board factor.

Song et al. (2017) recognized a non-significant bearing of board compositions on performance by means of data collected from 25 restaurants between 2007 and 2013. Nevertheless, market-based performance was improved when there were more inside independent board members, whereas it decreased when there were more outside board members. According to Goel et al. (2022), board size positively influenced the organization's performance. Similarly, performance of organizations were adversely impacted by independent members. But as performance improved, the association became stronger, lending credence to both the Stewardship and Agency Theories. Additionally, the impact by executive directors on performance varied across all quantiles, the impact appeared adverse only at the high and moderate quantiles.

2.2.3 Ownership Structure

According to Murerwa (2015), a debate exists on the classification of ownership structure as a determinant of performance. Some classify ownership structure as firm-specific, while others classify it as an industry-specific determinant. The author uses this argument to classify the factor as both sector-specific and company-specific determinant. Given the duality of the concept, Podder (2012) observes a link around performance and ownership structure.

Existence of relationship is considered a spillover effect from the competitive performance of privately-owned banks. While the notion may be true, it relies on the assumption that the primary goal of publicly-owned banks is not profitability. As a result, banks in the public

domain are characterized by inefficiencies. Murerwa (2015) argues that the available evidence is inconclusive. Nevertheless, the determinant is critical and is worth examining.

2.3.4 Bank Size

Existing research has linked institutional sizes and performance, and this is exemplified in studies such as Terraza (2015), who argues that larger banks exhibit homogeneity of behaviour, and this is why banking institutional size possess a bearing on how its performance is likely to go. This effect is consistent with smaller or medium-sized banks. Nomran et al (2017), who investigated performance in Islamic banks, and whether or not size matters. These authors establish that bank sizes possessed a bearing on performance and that a noteworthy proportion of bank performance is explained by its size. This is why this variable was an important control variable in this study.

2.4 Empirical Studies

Murerwa (2015) adopted descriptive research to study causes of financial performance in banks. During the undertaking, a sample of 44 licensed commercial banks was examined. The author adopted both secondary and primary research. Descriptive and inferential analyses were assumed. The paper finds a noteworthy correlation involving capital adequacy and financial performance. Management efficiency and innovations had vital impacts on profitability. However, factors such as volatility on interests and exchange rates had considerable effects on financial performance.

Ndungu and Bosire (2020) use a census approach to examine determinants of financial performance of 11 banking institutions based on information mined from financial reports to create correlation around variables. They find a direct linkage around government securities

and financial performance. Also, loans, real estate and stock posed a weak favourable bearing on financial performance. While relationship between key variables was examined, it is critical to acknowledge the role of other intervening variables. These variables are likely to either strengthen or weaken the relationships in the model.

Ongore and Kusa (2013) opt to use a multiple linear regression model and generalized least squares to estimate specific parameters. The study used a sample of 37 banks classified as locally-owned and foreign-owned. A total of 24 locally owned and 13 foreign-owned were used. The authors also assumed CAMEL modelling to evaluate the performance of commercial banks. The authors find a significant correlation between all firm-specific factors and financial performance. However, no substantial connection existed around liquidity and the performance of commercial banks. At same time, ownership plays a moderating role in financial performance; however, not substantial. Despite the outcomes, it is critical to recognize management decisions drive that performance.

Afif (2018) aims to examine bank-specific factors that influence financial performance. At a 5% level, regression coefficients had a significant relationship with financial performance. Other indicators such as credit and capital strength ratios were not significant. The study is primarily focused on Sri Lankan banking institutions. Due to the economic variations, its applicability to the Kenyan economy can be questioned.

Ngumo et al. (2020) recognize microfinance as part of the commercial banking system using descriptive research design on secondary info to examine performance of seven microfinance banking institutions in Kenya. The author adopted examined information inferentially. A direct connection existed around operational efficiency, firm size, capital adequacy and financial performance. An insignificant negative relationship exists around credit and liquidity risks, in

relation to financial performance. Therefore, it introduces the need to classify commercial banks into different categories.

Afif (2018) examine the performance of banks in the context of economic reformsof 72 banks in Chinese economy. The authors employ an economic model to examine factors like economic value addition and sectoral reforms. The sample size was stratified into several categories, including national joint-stock commercials, rural commercial, foreign banks. The findings indicate that the economic value and interest margins affect returns and retiring on equality of locally owned banks. Foreign equity investments and bank listing have no significant influence on performance. This study introduces the onset of economic value addition and economic reforms in analyzing the banking system.

Abebe (2014) seeks to analyze the financial performance of banking institutions in Ethiopia. Author uses panel data, therefore, adopted a quantitative research approach. Additionally, a fixed-effect model was also employed. The model allowed the study to account for all parameters. Internal parameters includeds diversification of revenue, operating costs, size and capital structures. External factors include taxation, GDP growth and inflation. Adverse connection existed around performance and bank-specific factors, except size. Size tends to possess a favourable connection with performance. Effect of macroeconomic factors was not significant except taxation, which significantly influences the return on assets. The study introduces a new analytic model that accounts for different sources of variability.

2.5 ConceptualFramework

Independent Variables   Dependent Variable
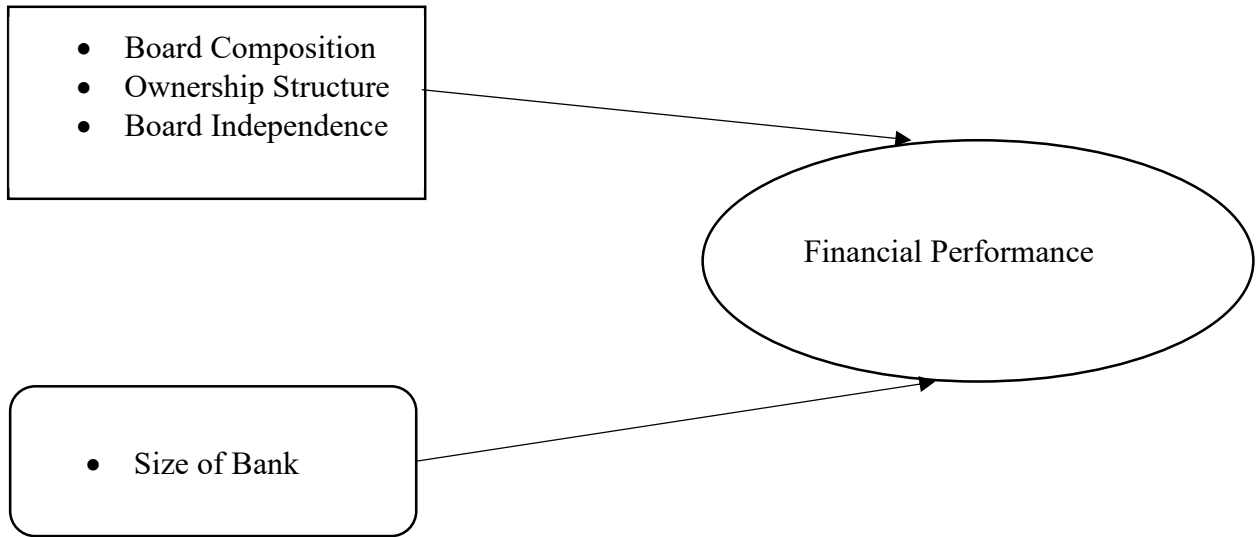
Control Variables

Figure 2.1: Conceptual Framework

2.6 Summary of Literature Review

Both internal in addition to external factors influence commercial banks. Many studies have classified the determinants of performance into three main categories. These categories include firm-specifics, industries-specifics and macroeconomics influencers. Given classification, most of the studies have adopted a generalized approach to the analysis of the financial performance of commercial banking institutions. Some opted to relate influences like banking size, technology and interest rate to indicators such as return on investment, asset or equity. Further, many studies perceive commercial banks as a whole entirety. The failure to acknowledge different types of commercial banks has resulted in generalization relationships between determinants and financial performance. Therefore, a gap exists in the classification of commercial banks for improved analysis of financial performance. Also, a framework to include economic reforms and economic value is still lacking.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter highlights procedures assumed in undertaking the academic investigation. It further summarizes researching designs, targeted populations and sample, as well as the sampling technique used. This chapter also outlines the data collection procedure, the model used for analysis, and any statistical tests that would be carried out.

3.2 Research Design

A research design relates to general stratagem that the researcher adopted to answer main research question (Kothari, 2004). It is the blueprint of collecting and analyzing data. The current study adopted a correlational research design, which is generally a non-experimental research method that is used to measure two sets of variables. Design ensures researcher understands and assesses statistical connections around dependent and independent variables, without considering any extraneous variables. This made the design the best for this research.

3.3 Population and Sample Design

Population for current research were the 42 commercial banks in Kenya. The study involved all the 42 commercial banks in the study out of the possible 42. The study adopted a census survey where all the 42 banks were involved in the research.

3.4 Data Collection

Secondary information from company reports and websites was recorded on a schedule, and as such, this was the data collection tool. Data was on company's corporate governance and financial performance, for example. These reports had information on the number of

independent directorship (board independence), ownership structure and board composition. The data extracted from these sources was then organized in excel and then exported in a statistical software (SPSS) for analysis.

3.5 Data Analysis

3.5.1 Diagnostic Tests

Diagnostical testing in this study were to determine whether or not information utilized meets regression assumptions. Three main regression assumptions were investigated in this study were heteroscedasticity, Multicollinearity and normality. If the data met these assumptions, then the researcher proceeded to carry out regression analysis. The variables that did not meet these assumptions were excluded from the analysis.

3.5.2 Analytical Model

The regression modeling was analytical modeling for study, and the general representation of the model was;

$$Y_{it} = \alpha + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + \beta_5 X_{5it} + \varepsilon$$

This can be represented on the regression model as follows;

Y (Financial performance) $_t$ = $\alpha + \beta_1$(ownership structures)$_t$ + β_2(board independence)$_t$ + β_3(board composition)$_t$ + β_4(Bank size)$_t$ + ε

3.5.3 Significance Tests

Using the F tests to determine the critical values, the study compared the p values (significance values) and the critical values.

3.5.4 Operationalization Framework

Table 3.1: Operationalization of Variables

Variable	Operationalization
Financial performance	Profitability Ratios such as ROE, Net profit margin, and ROA
Ownership Structure	1- Government ownership, 2- local nominee, 3- foreign nominee
Board Independence	No. of independent members/No of members on the board
Board Composition	Ratio of non-executive directors/no of board members
Bank sizes	Total Assets

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

Analyses was done in this part of the paper. Based on data availability, the researcher gathered unbalanced data on the key variables from commercial banks in Kenya between 2018 and 2022. This gave 194 data points.

4.2 Descriptive Statistics

This section used averages and standard deviations to describe the data. Outcomes are tabulated as below.

Table 4.2: Descriptive Statistics

	Unit	N	Minimum	Maximum	Mean	Std. Deviation
Financial performance	Percent	194	-375.70	127.30	5.01	43.30
Ownership structures	1-Government 2-Local 3-foreign	194	1.00	3.00	2.24	0.66
Board independence	Percent	194	0.00	71.40	36.13	15.16
Board composition	Percent	194	42.90	150.00	72.08	12.90
Bank size	Ksh. Billions	194	2.88	971.35	138.20	197.04

From the descriptive statistics, between 2018 and 2022, the average returns on equity (financial performance) was 5.01%. Some banks experienced a significantly low performance, with a

minimum return on equity of -375.7%. On the other hand, the best-performing banks achieved a maximum of 127.3% in return on equity. The fact that the standard deviation is quite high at 43.3% indicates that there was a wide range of performance levels among these commercial banks, showing that they differed significantly in how well they managed their financial resources.

For ownership structure, the banks showed an average rate of 2.24 suggesting that majority of banks were local. Further, a substantial number of these banks had a significant foreign ownership stake between 2018 and 2022. This means that local investors had a considerable influence on the strategic decisions and direction of the banks. A small number of the banks were government owned indicating that the government has not invested highly within the Kenyan banking sector.

For the board independence, the findings showed an average independent directorship of 36.13% between 2018 and 2022. This indicates that, on average, more than one-third of the board members within the commercial banks were independent within the period. Hence, they were not affiliated with the company in a way that could compromise their objective judgment. The variation between 0.00% and 71.40% with a standard deviation of 15.2% highlights that different companies had varying degrees of independence on their boards, which could impact decision-making processes and governance dynamics.

On average, the board composition was 72.08%, indicating that, across the commercial banks in Kenya, more than 70% of the board members were non-executive between 2018 and 2022;potentially contributing to broader range of insights in their decision-making processes. The banks had a minimum proportion of non-executive directors of 42.9% with a maximum

of 150%. This shows low difference in the board composition as supported by variation of 12.9%.

From findings, the average bank size, measured in billions of shillings, was Ksh. 138.20 billion. However, the range was quite wide, with the smallest bank indicate a size of Ksh. 2.88 billion in terms of assets and the largest at a Ksh. 971.35 billion. This significant variation in bank size, as indicated by the standard deviation of 197.04 billion show that the banks differed highly in terms of size with a number being small banks.

4.3 Correlation Analysis

Researcher also undertook correlational analyses to investigate relationship with different variables, but more importantly, about how the various predictors are related to outcome variables (financial performance).

Table 4.3: Correlation Analysis

		Financial performance	Ownership structures	Board independence	Board composition	Bank size
Financial performance	Pearson Correlations	1				
	Sig. (2-tailed)					
	N	194				
ownership structure	Pearson Correlations	0.148*	1			
	Sig. (2-tailed)	0.040				
	N	194	194			
board independence	Pearson Correlations	0.273**	0.009	1		
	Sig. (2-tailed)	0.000	0.897			
	N	194	194	194		
board composition	Pearson Correlations	-0.215**	0.019	0.132	1	
	Sig. (2-tailed)	0.003	0.798	0.067		
	N	194	194	194	194	
Bank size	Pearson Correlations	0.273**	-0.115	0.035	0.060	1
	Sig. (2-tailed)	0.000	0.110	0.630	0.407	
	N	194	194	194	194	194

From the correlation analysis,ownership structurehad a Pearson correlation of 0.148 (p=0.040).

This shows that a weak positive connection existed around ownership structure and financial

performance. Further, board independencehadaPearson correlation of 0.273 (p=0.000). This shows that boards independence possessed a weak positive connection to financial performance. For board composition the Pearson correlation was-0.215 (p-value= 0.003). This indicates weak inverse association exists between board composition and financial performance. However, bank size had a Pearson correlation of 0.273 (p=0.000). Therefore, bank sizes and financial performance possessed strong positive relationship.

4.4 Diagnostic Tests

This research undertook tests on the regression model. These included heteroskedasticity, Multicollinearity and Normality testing.

Table 4.4: Heteroskedasticity

Breusch-Pagan Test for Heteroskedasticity

Chi-Square	df	Sig.
1.168	1	0.280

The Breusch-Pagantest for heteroskedasticity adopts that error terms is continuous across time. The assumption is not met where the values of significance fall below 0.05. From the study results, the model had a Chi-Square value (1.168; p=0.280>0.05). Therefore, the researcher makes an assumption that heteroscedasticity is not a problem.

Table 5: Multicollinearity Test

	Tolerance	VIF
ownership structures	0.808	1.238
board independence	0.929	1.077
board composition	0.972	1.029

Bank size	0.924	1.083

The decision rule for this assumption is: if the value of VIF <2 there is no multicollinearities problem. Further, when VIF>5 then there is a multicollinearity problem, and any variable that has this problem is to be removed from the model or adopt a different indicator. Otherwise, there is no multicollinearity, and the researcher proceeds with the analysis. From the outcome, all VIFs fell below 2. Therefore, it is concluded that there is no problem relating to multicollinearities.

Table 4.6: Normality Test

	Statistic	df	Sig.
Financial Performance	0.688	194	0.001
ownership structures	0.674	194	0.000
board independence	0.735	194	0.009
board composition	0.945	194	0.023
Bank size	0.872	194	0.019

The assumption of normality states that the variable data is normal in its distribution. Assumption is met where the value of significance falls above 5% and vice versa. From normality test, p-values fell below 0.05. This goes against theassumption of normal distribution and conclude that the data adopted in this research does not follow a normal distribution.

4.5 Regression Analysis

Table 4.7: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.560[a]	0.314	0.299	4.39991

a. Predictors: (Constant), Bank size , board composition, ownership structures, board independence

From summary, R value (coefficient of correlation) was 0.560 which indicates the strength of association with predictors (ownership structures, board independence, board composition and bank size) and financial performance. A figure of 0.560 suggests a strong association with predictors and financial performance. Model summary, however, displays an R Square of 0.314. The predictors, therefore, predicts a 31.4% in changes of financial performance were accounted for by the combined influence ownership structures, board independence, board composition and bank size. The remaining 68.6% was accounted by other factors other than ownership structures, board independence, board composition and bank size.

Table 4.8: Analysis of Variances

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1674.428	4	418.607	21.623	.000[b]
	Residual	3658.890	189	19.359		
	Total	5333.318	193			

a. Dependent Variable : Financial performance
b. Predictors: (Constant), Bank size , board composition, ownership structures, board independence

The F-value of 21.623>fcrictical (2.4194) depicts a model fitting to data. This is supported by the pvalue < 0.05 signifying a significant modeling. This stipulates that bank size, board composition, ownership structures and board independence, collectively holds significance in explaining the variation in financial performance.

Table 4.9: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-47.371	5.566		-8.511	.000
	ownership structures	.254	.118	.218	2.149	.033
	board independence	.092	.024	.049	3.819	.000
	board composition	-.241	.095	-.115	-2.541	.012
	Bank size	2.090	.230	1.554	9.073	.000

a. Dependent Variable : Financial performance

Equation :

Y (Financial performance)$_t$ =α+β_1(ownership structures)$_t$ + β_2(board independence)$_t$ + β_3(board composition)$_t$ + β_4(Bank size)$_t$ +ϵ

was fitted to;

Y (Financial performance)$_t$ =-47.371 + 0.254(ownership structures)$_t$ + 0.092(board independence)$_t$-0.241(board composition)$_t$ + 2.090(Bank size)$_t$

From regression, ownership structures had a regression coefficientof 0.254 (P =0.033<0.05). P-value wereless than 0.05 indicating a significant effect. This indicates that ownership structures displayed asubstantial directinfluence on financial performance. Hence, for every unit increase in ownership structures, there would be an increase of 0.254 units in financial performance.

Board independence, additionally, had regression coefficient of 0.092 (p=0.000<0.05)indicating a substantially positive effects on financial performance. Hence,for every unit rise in boards independences, financial performance is expected increase of 0.092

units.For board composition, the coefficient was -0.241 (p=0.012).It depicts that board composition possessed a substantial negative effecton financial performance. Therefore, for every unit increase in board composition, there is an expected decrease of 0.241 units in financial performance.Bank size, nevertheless, exhibited a regression of 2.090 (p=0.000;below 0.05)indicating bank size exhibited a positive effect on financial performance.Hence,for every unit rise for bank sizes, financial performance is expected to increase by 2.090 units.

4.6 Discussions

From outcomes,ownership structure had a positive effect on financial performance. This shows that ownership structure had positive effects on financial performance. Therefore, an increment in ownership structure increased financial performance of banks. The observed positive effect of ownership structure on financial performance highlights the significant role that ownership plays in shaping the success of banks. Ownership structure refers to the distribution of shares and control among various stakeholders, such as shareholders, management, and possibly government entities. When ownership is well-defined and concentrated, it often leads to more effective decision-making processes and strategic alignment. In the context of banks, a clear and robust ownership structure can result in better governance, increased accountability, and a more streamlined approach to risk management. Consequently, these factors contribute to enhanced financial performance, as demonstrated by the positive correlation observed in the study.

Furthermore, the implication that an increment in ownership structure corresponds to an increase in financial performance suggests that investors and stakeholders should pay close attention to ownership dynamics when evaluating a bank's potential. A higher ownership stake can signify a greater level of commitment and confidence from key stakeholders, fostering a conducive environment for prudent financial management. Additionally, it may signal a more efficient allocation of resources and a stronger alignment of interests among those with a significant ownership stake. This insight is valuable for both investors seeking profitable opportunities and policymakers aiming to implement measures that encourage a favorable ownership structure within the banking sector. The findings are similar to those of Podder (2012) who observed a link performance and ownership structure.

On board independence, a significant regression coefficient existed against financial performance. This shows board independence positively influenced financial performance. This shows than increased board independence leads to improved financial performance. Jackling and Johl (2009) also demonstrated that independence favourably impacted firms'performance. However, they differed with those of Arora (2012) who claimed that independence of the board had a negative bearing on performance of companies. They also differed with Johl et al. (2015) and Alabdullah et al. (2016) who argued that board's independence had no impact on an organization's performance.

The identified significant regression coefficient between board independence and financial performance underscores the critical role that a strong and independent board of directors plays in shaping the financial outcomes of a company. Board independence refers to the extent to which a company's board is comprised of directors who are not affiliated with the organization in a managerial or executive capacity. The positive influence of board independence on

financial performance suggests that having a board that is capable of objective decision-making, free from undue influence, can contribute to enhanced financial outcomes.

Increased board independence is often associated with improved corporate governance. Independent directors bring diverse perspectives, expertise, and objectivity to the decision-making process. This independence can result in more effective oversight of management, better risk management practices, and a commitment to shareholder value. Consequently, the positive relationship observed in the regression analysis implies that as board independence increases, so does the likelihood of making strategic decisions that positively impact the financial performance of the organization.The implication of this finding extends beyond the boardroom, affecting how investors and stakeholders evaluate the governance structure of a company. A board with a higher level of independence may be seen as more transparent, accountable, and aligned with the interests of shareholders.

Board composition showed a significant and negative regression coefficient against financial performance. This shows that board compositions possessed adverse effects on financial performance. This stipulates that increase in board composition leads to decrease in financial performance.This suggests that certain aspects of the composition of a company's board of directors may have adverse effects on its financial outcomes. Board composition encompasses factors such as the diversity of skills, experience, and backgrounds of board members.

The negative relationship implies that a board composition that lacks diversity, relevant expertise, or effective collaboration might hinder the decision-making process and strategic direction of the company. This finding underscores the importance of carefully considering the mix of skills and perspectives within a board to avoid potential pitfalls that could impede financial performance.Ma and Tian (2014) supported the assertions that independent directors

effectively enhanced the performance of an organization than any other board factor. They, also, differed with those of Song et al. (2017) who found a non-significant effect of board composition on performance.

Size of bank, nevertheless, had a positive and substantial regression coefficient against financial performance.Therefore, bank size displayed a direct bearing on financial performance. The positive coefficient suggests that larger banks tend to exhibit better financial performance compared to their smaller counterparts. Larger banks often benefit from economies of scale, allowing them to spread fixed costs over a larger asset base, reducing the average cost per unit. Additionally, a larger scale enables these banks to diversify their portfolios, manage risk more effectively, and access a broader range of financial markets. This shows that increases banking size leads to financial performance.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

A summary of the study outcomes is done within this part of the paper. Further, conclusions are made in line with the outcomes followed by recommendations. Limitation of the study indicates areas for future studies.

5.2 Summary of findings

From the outcomes, between 2018 and 2022, the average financial performance, return on equity, was 5.01%. On the other hand, for ownership structure, majority of the banks were locally owned. Further, board independence had average of 36.13% between 2018 and 2022. On average, the board composition was 72% for the banks across the period between 2018 and 2022 while bank size (assets) had a mean of Ksh. 138.20 billion.

From the correlation analysis, ownership structures showed positive association with financial performance similar to board independence. Nevertheless, board composition displayed a negative association with financial performance. However, bank size and financial performance had a strong positive relationship.

From the regression analysis, ownership structures, board independence, board composition and bank size as predictors displayed strong collective relationship with financial performance. From R Square, ownership structures, board independence, board composition and bank size contributed a 31.4% to the change in financial performance. From the ANOVA, ownership structures, board independences, board compositions and bank sizes displayed significant

effects on financial performance. From the regression coefficients, ownership structures, board independence and bank size possessed positive effects on financial performance. On the other hand, board composition, showed negative effects on financial performance.

5.3 Conclusions

From the outcomes, ownership structure possessed a positive bearing on financial performance. This means that for ownership structure, banks with a higher number of local investors display high levels of financial performance compared to banks with small number of local investors. This finding supports the idea that local ownership frequently results in a more inherent connection to the native market and its unique traits, which could result in more perceptive and region-specific tactics that translate into better financial performance.

Board independence displayed positive regression coefficient. This depicts that board independence positively influences financial performance of commercial banking institutions in Kenya. This shows that bankers overall financial health tends to improve when they have independent board members. Further, an independent board is better equipped to exert efficient monitoring, uphold openness, and reduce any conflicts of interest. As a result, the banks are able to make wiser decisions, stay clear of possible pitfalls, and seize development possibilities.

Bank size possessed a positively significant regression coefficient. Hence, banking size possess a positive influencing capability on financial performance of commercial banks in Kenya. The positive regression coefficient implies that a rise in a bank's asset size and an improvement in its financial performance are associated. As per the findings, larger banks in Kenya exhibit a higher performance compared to the smaller banks. Bigger banking institutions normally profit from economies of scales, which let them adopt spreading fixed expenditures across many

clients, cutting unit operational costs. Enhanced profitability may result from this efficiency. Greater access to a variety of revenue streams, including a bigger range of financial goods and services, investment possibilities, and increased lending capacity, may also be available to larger banks. Increased trust, greater deposits, and stronger client connections might result from their expanded customer base and market presence.

From the findings board composition showed a negative regression coefficient. Hence, board composition had a negative consequence on financial performance of commercial banks in Kenya. This indicates that increase in board composition through non-executive directors would lead to reduced financial performance within the banks. One rationale is that high level of directors not in the executive line can reduce decision-making effectiveness and competence directly relevant to the bank's operations. Although non-executive directors can contribute significant outside insights and independent judgment to the board, having too many of them could cause a reduction in alignment with the strategic goals and day-to-day operations of the bank. Additionally, non-executive directors' propensity to concentrate more on governance and less on operational matters may result in a lack of direct influence on the bank's fundamental operations, which may ultimately affect financial performance.

5.4 Recommendations

Ownership structure had a positive influence on financial performance. This means that ownership structure significantly influences the performance of Kenyan commercial banking institutions. Management should increase the number of local investors within the banks. This would lead to increased acceptance of banks and their services to the local consumers leading to increased returns on equity.

In addition, board independence positively influenced financial performance of commercial bankers in Kenya. Hence, high boards independence within commercial banks would lead to increased return on equity among them. The banks should bring in more independent members in their management boards. This would create diversity in decision making as well as increased independence in decision making by the board of management. In turn, the banks would experience increased financial performance levels reflected in high return on equity.

Bank size positively influenced financial performance of commercial bankers in Kenya. This shows that financial performance is high in large commercial bankers compared to the small banks. Therefore, the banks ought to purchase more assets which would enable them to generate increased returns on equity reflecting improved financial performance. The banks also need to reduce the non-productive assets as they may reduce the positive effects of assets on financial performance. This would also ensure that the productivity of assets is high hence improved financial performance.

Nevertheless, boards composition negatively influences financial performance of commercial banks in Kenya. This indicates that banks having high non-executive boards perform poorly financially with those with low number of such directors experiencing high level of performance. Commercial banks should reduce the non-executive proportions of their boards of management. They should retain independent directorship who provide fair supervision as a top priority, while streamlining committees and matching the board's makeup to the bank's strategic goals.

5.5 Limitations of the Study

First, there was the issues of generalizability due to its focus on banking, potentially limiting the applicability of findings to other sectors. The study looked at corporate governance and financial performance. Further, researcher involved board independence, board composition and ownership structure as the measures of corporate governance. Further, it involved return on assets for financial performance. Hence, the research was limited by variables and their measures given that there are other measures. Other influencers were assumed in the research.

Further, secondary information which was quantitative in nature, was gathered, hence overlooking the significance of qualitative and primary data in the topic of study. This shows data created a limiting factor in the paper. Recommendations for further research areas enabled the researcher to overcome the limitation. The credibility of data was also a limitation. However, the adoption of data from reports published by CBK enhanced the credibility of the data.

5.6 Suggestions for Future Research

Related studies should be done on other influencers of financial performance. These can include capital structure, asset quality or/and liquidity. This would enable the scholars to show the influencing variables that contributed 68.6% of the change in financial performance among banks. Further, similar research should be done with different measures of corporate governance and financial performance. This would enable readers to compare outcomes on the effect of corporate governance and performance.

Further, since the study has focused on commercial banks, there is need for focus on other financial institutions. They can involve Saccos, microfinance banks and microfinance

institutions in their further research. This would enable the readers to compare the way results differ among the financial institutions. As based on primary data, similar studies be done, for comparison of results. Secondary data ought to be based on quarterly or semi-annual configuration for comparison of outcomes.

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APPENDICES

Appendix I: List of Commercial Banks In Kenya

1. ABC Bank (Kenya)

2. Absa Bank

3. AccessBank

4. Bank of Africa

5. Bank of Baroda

6. Bank of India

7. Citibank

8. Consolidated Bank of Kenya

9. Cooperative Bank of Kenya

10. Credit Bank

11. Development Bank of Kenya

12. Diamond Trust Bank

13. Dubai Islamic Bank

14. Ecobank Kenya

15. Equity Bank

16. Family Bank

17. First Community Bank

18. Guaranty Trust Bank

19. Guardian Bank

20. Gulf African Bank

21. Habib Bank AG Zurich

22. Housing Finance Company of Kenya

23. I&M Bank

24. Imperial Bank Kenya (In receivership)

25. Kenya Commercial Bank

26. Kingdom Bank

27. M Oriental Bank

28. Mayfair Bank

29. Middle East Bank Kenya

30. National Bank

31. NCBA Bank

32. Paramount Universal Bank

33. Prime Bank (Kenya)

34. SBM Bank Kenya

35. Sidian Bank

36. Spire Bank

37. Stanbic Holdings Plc

38. Standard Chartered Kenya

39. United Bank for Africa

40. Victoria Commercial Bank

Source

https://infotradekenya.go.ke/media/Kenya%20Bankers%20Association%20Member%20Banks.pdf

Appendix II: Research Data

	Year	Profit/(Loss) Before Tax (Ksh.M)	Total Assets (Ksh.M)	Total Shareholder's Funds (Ksh.M)	Ownership	Board Members	independent members	non-executive directors
Absa Bank Kenya Plc	2018	10250.07	325362.74	43393.44	3	12	4	9
	2019	11857.47	374109.2	44079.41	3	12	4	9
	2020	8300	377936	44969	3	11	4	8
	2021	14725	428746	54353	3	10	3	9
	2022	19,832	477,291	60,811	3	10	2	8
Access Bank Plc	2018	-98.46	10235.52	1928.59	2	5	2	4
	2019	-56.23	9317.7	1817.76	2	5	3	4
	2020	-2010	10147	1413	3	4	2	3
	2021	92	13211	1549	3	3	1	2
	2022	-354	14,602	1,315	3	2	0	3
African Banking Corporation Ltd	2018	157.6	27212.71	3556.82	2	6	3	4
	2019	164.26	28680.49	3689.48	2	5	2	3
	2020	147	32643	3816	2	5	2	3
	2021	126	36341	3920	2	6	2	4
	2022	202	36,966	4,149	2	6	2	4
Bank of Africa (K) Ltd	2018	209.56	49080.86	6736.18	3	9	3	7
	2019	-2929.68	43996.12	4275.76	3	9	3	8
	2020	-680	44917	5419	3	8	3	7
	2021	290	43350	5621	3	8	2	6
	2022	283	48,849	5,799	3	8	2	7
Bank of Baroda (Kenya) Limited	2018	5159.08	123014.4	20414.83	3	4	2	3
	2019	5466.2	143311.34	22942.66	3	4	2	3
	2020	5791	166313	26677	3	5	2	4

	2021	6683	180381	28832	3	5	2	3
	2022	7,057	193,775	28,840	3	5	2	3
Bank of India	2018	2447.91	62689.13	13191.38	3	3	1	2
	2019	2798.62	62543.24	15532.47	3	3	1	2
	2020	2733	75129	17853	3	4	2	3
	2021	3452	86867	20708	3	3	2	2
	2022	3,946	121,649	24,310	3	3	1	2
Citibank N.A. Kenya	2018	5643.03	85638.69	19409.58	2	8	3	5
	2019	5646.51	96570.19	19046.57	2	8	3	6
	2020	5480	106454	22134	2	8	4	6
	2021	5839	130940	22536	2	9	5	8
	2022	9,854	139,827	24,895	2	9	5	7
Consolidated Bank of Kenya Ltd	2018	-351.57	12887.33	925.36	1	10	2	8
	2019	-516.91	11865.61	1999.78	1	9	3	7
	2020	-262	12886	1837	1	9	2	7
	2021	-286	14283	1533	1	9	2	7
	2022	-446	15,553	1,073	1	9	2	7
Co-operative Bank of Kenya Ltd	2018	17586.76	408303.62	68319.02	2	22	3	19
	2019	20326.06	449616.47	77087.99	2	22	3	20
	2020	16961	496823	85597	2	25	3	21
	2021	21325	540387	94920	2	25	4	22
	2022	26,872	562,082	101,260	2	25	3	22
Credit Bank Plc	2018	332.21	17805.42	2863.03	2	8	2	5
	2019	300.07	21540.74	3000.43	2	8	3	5
	2020	8	23145	3218	2	7	2	6
	2021	205	25893	3328	2	7	2	6
	2022	-66	25,722	3,267	2	7	2	6
	2018	168.81	15323.11	2871.32	2	5	1	3

Development Bank of Kenya Ltd	2019	1136.82	15358.07	3950.44	2	5	1	3
	2020	19	17222	3823	2	5	2	4
	2021	65	17289	3823	2	6	3	5
	2022	79	16,892	3,738	2	6	3	5
Diamond Trust Bank Kenya Ltd	2018	9264.77	281515.7	47712.84	2	11	5	9
	2019	9279.31	287250.6	52001.38	2	11	5	9
	2020	3942	312189	54032	2	12	6	9
	2021	4415	326377	57567	2	12	6	10
	2022	6,590	359,270	56,277	2	12	6	10
DIB Bank Kenya Ltd	2018	-873.32	5250.61	1945.26	3	4	2	3
	2019	-795.13	8987.92	2008.98	3	4	2	3
	2020	-693	13263	2847	3	4	2	3
	2021	-681	15523	3163	3	5	3	4
	2022	-523	18,236	3,711	3	5	3	4
Ecobank Kenya Ltd	2018	136.26	54463.88	6408.3	3	8	3	5
	2019	243.35	75377.85	6567.8	3	8	3	5
	2020	6	94428	7070	3	8	3	5
	2021	612	103388	6426	3	8	3	5
	2022	133	101,225	607	3	8	3	5
Equity Bank Kenya Ltd	2018	24382.34	438508.78	60586.57	2	10	3	5
	2019	25973.66	507525.24	69914.37	2	10	3	5
	2020	14207	667650	86697	2	9	4	6
	2021	41042	877415	106400	2	9	4	6
	2022	42,002	894,012	97,527	2	9	4	6
Family Bank Ltd	2018	419.88	66909.84	11426.45	2	7	1	3
	2019	1352.24	78857.13	12408.2	2	7	1	3
	2020	1326	90591	13162	2	7	1	3
	2021	3145	111683	15164	2	7	1	3

	2022	3,742	128,465	15,740	2	7	1	3
First Community Bank Ltd	2018	-278.41	17880.46	1271.1	3	6	2	5
	2019	185.48	18762.84	1462.03	3	7	2	5
	2020	238	21947	2051	3	7	3	6
	2021	602	24701	2467	3	7	3	6
	2022	-293	17,641	2,753	3	7	3	6
Guaranty Trust Bank	2018	307.08	25323.37	8453.01	3	4	1	2
	2019	491.2	29082.4	8807.74	3	4	1	2
	2020	493	31267	9189	3	5	1	3
	2021	902	34301	9747	3	5	2	3
	2022	1,332	32,973	10,154	3	5	2	3
Guardian Bank Ltd	2018	348.05	16185.96	2557.15	2	10	4	6
	2019	250.55	16386.45	2740.81	2	9	3	5
	2020	77	16858	2834	2	9	5	6
	2021	135	17736	2989	2	9	5	6
	2022	272	15,658	3,239	2	9	5	6
Gulf African Bank Ltd	2018	292.2	33325.58	4467.96	2	4	1	3
	2019	218.05	35122.98	4634.96	2	4	1	3
	2020	559	37653	5029	2	5	1	3
	2021	687	37678	5473	2	5	1	3
	2022	827	38,162	6,028	2	5	1	3
Habib AG Zurich	2018	359.04	21520.67	3038.75	3	6	2	4
	2019	385.27	24823.46	3077.32	3	6	2	4
	2020	451	27212	3204	3	5	2	3
	2021	542	28554	3327	3	5	2	3
	2022	482	30,856	3,166	3	5	2	3
HFC Ltd	2018	-395.28	57083.28	9164.96	1	5	2	3
	2019	-23.49	57083.28	9164.96	1	5	2	3

	2020	-963	54478	8247	1	6	3	4
	2021	-654	52098	7866	1	6	3	4
	2022	101	55,168	8,363	1	6	3	4
I&M Bank Ltd	2018	8725.33	229161.13	38338.59	2	10	6	8
	2019	12012.34	254252.17	47015.14	2	10	6	8
	2020	10289	283569	52324	2	10	6	8
	2021	10587	307802	51920	2	10	6	8
	2022	12,260	315,510	54,634	2	10	6	8
KCB Bank Kenya Ltd	2018	31384.94	621722.88	97788.95	1	14	3	8
	2019	33183.95	674301.72	92607.63	1	13	3	8
	2020	23586	758345	111271	1	12	3	7
	2021	40503	826395	123823	1	10	3	6
	2022	48,911	971,353	123,394	1	8	2	6
Kingdom Bank Ltd	2018	-383.4	10004.86	1768.71	2	5	1	4
	2019	-1143.38	8584.54	304.32	2	5	1	4
	2020	-124	30612	1300	2	5	1	4
	2021	512	31691	1884	2	5	1	4
	2022	804	34,660	1,818	2	5	1	4
Mayfair CIB Bank Ltd	2018	-267.65	6856.57	1019.87	2	4	2	3
	2019	-365.88	8652.48	1039.86	2	5	2	3
	2020	-352	12729	4121	3	5	2	3
	2021	78	13461	4153	3	5	2	3
	2022	-515	12,929	4,445	3	5	2	3
Middle East Bank (K) Ltd	2018	0.51	5360.86	1157.88	2	9	1	7
	2019	59.63	8466.28	1155.78	2	9	1	7
	2020	105	11022	1274	2	7	2	6
	2021	151	11186	1400	2	7	2	6
	2022	544	12,962	1,793	2	7	2	6

M-Oriental Bank Ltd	2018	105.31	10515.02	3065.12	2	5	3	4
	2019	64.45	12393.78	3043.17	2	5	3	4
	2020	43	12985	3071	2	4	1	3
	2021	67	13657	3118	2	5	3	4
	2022	186	13,334	3,247	2	5	3	4
National Bank of Kenya Ltd	2018	587.5	115143.44	6935.72	1	12	5	8
	2019	-821.25	112028.75	11704.53	1	13	6	9
	2020	313	126842	11936	1	12	5	9
	2021	1387	146543	16365	1	11	6	9
	2022	848	142,769	15,090	1	8	3	5
NCBA Bank Kenya PLC	2019	9289.88	464890.69	69416.26	1	12	5	11
	2020	6955	491614	72028	1	14	6	13
	2021	16820	546734	78643	1	14	6	13
	2022	23,013	619,662	82,422	1	14	6	13
Paramount Bank Ltd	2018	150.79	9887.41	1687.27	2	7	3	4
	2019	85.64	10443.3	1778.22	2	7	3	4
	2020	97	11378	1911	2	6	3	5
	2021	153	12448	2059	2	6	3	5
	2022	255	13,813	2,285	2	6	3	5
Prime Bank Ltd	2018	2088.48	98534.46	23038.97	2	10	4	6
	2019	2456.5	108785.53	24455.36	2	10	5	7
	2020	1849	116204	24902	2	10	5	7
	2021	2903	126482	28111	2	10	5	7
	2022	3,523	140,403	31,384	2	10	5	7
SBM Bank Kenya Ltd	2018	955.73	70647.74	6937.51	3	9	2	7
	2019	1179.98	72519.36	7877.18	3	9	2	7
	2020	617	79190	8871	3	10	3	8
	2021	227	81958	8596	3	10	3	8

	2022	49	81,758	7,865	3	10	3	8
Sidian Bank Ltd	2018	-562.07	25329.17	4037.13	2	8	2	6
	2019	64.49	26451.64	4017.98	2	7	1	5
	2020	104	33500	4080	2	7	1	5
	2021	700	41410	4746	2	7	1	5
	2022	536	42,586	5,142	2	7	1	5
Spire Bank Limited	2018	-307.4	9223.08	-1029.95	2	4	1	2
	2019	-453.43	6860.3	-551.99	2	4	1	2
	2020	-1257	5114	-1820	2	5	1	3
	2021	-1166	3855	413	2	5	1	3
	2022	-1,067	2,882	-838	2	5	1	3
Stanbic Bank Kenya Ltd	2018	8797.96	280953.01	34590.72	3	14	10	12
	2019	8239.66	292705.14	38939.84	3	14	9	12
	2020	6237	318986	41857	3	14	9	12
	2021	9568	319199	46512	3	14	9	12
	2022	12,163	390,320	52,359	3	14	9	12
Standard Chartered Bank Kenya Ltd	2018	11433.57	284691	45336.28	3	11	3	6
	2019	12691.23	302295.9	47221.51	3	11	3	6
	2020	7018	325873	50219	3	12	4	7
	2021	12142	335111	52479	3	12	4	7
	2022	17,138	381,631	55,781	3	12	4	7
UBA Kenya Bank Ltd	2018	23.65	15332.12	2174.22	3	8	0	6
	2019	105.58	16088.32	2241.81	3	8	0	6
	2020	56	18743	2257	3	9	1	7
	2021	-1382	13598	823	3	9	1	7
	2022	-437	16,290	2,423	3	9	1	7
	2018	565.1	32336.96	5962.9	2	4	1	2
	2019	668.56	36072.41	6356.49	2	5	2	4

Victoria Commercial Bank Plc	2020	480	37890	6745	2	5	3	4
	2021	522	43471	6988	2	5	3	4
	2022	701	52,082	7,318	2	5	3	4