

**INFLUENCE OF CORPORATE GOVERNANCE ON
INTERNATIONALIZATION OF COMMERCIAL BANKS IN KENYA**

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DECLARATION

This research project is my original work and has not been presented for academic purposes in the University of Nairobi or any other University.

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

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DEDICATION

To my family and friends.

ABSTRACT

The rate of internationalization among Kenyan Banks is not uniform. Key among the causes identified for the perennial bank failures in Kenya is poor adherence to corporate governance has not been adequately realized, leading to more bank failures and other imminent ones in the offing. The collapse of banks such as Trust bank, reliance bank, bank of commerce and credit international has not given a clear insight on the need for corporate governance. The objective of this study was to examine the influence of corporate governance on internationalization of Commercial Banks in Kenya. The study was guided by the following theories; competitive advantage theory, Agency theory and stewardship theory. This study utilized a descriptive research design to gather and analyze data. The population for this study was all the licensed 43 commercial banks in Kenya. There was no sampling in this study since the population size is small; therefore, this study adopted a census approach. Primary data was collected through the use of questionnaires. Questionnaires were hand-delivered to the respondents to fill. The researchers then employed the drop and pick method in administering the questionnaire. Secondary data was sought from publications and journals. The data collected through the use of questionnaires were coded and entered into a computer system. The quantitative data was analyzed through the use of the Statistical Package for Social Sciences (SPSS version 24). The study adopted both descriptive and inferential statistics for data analysis purposes. Means and standard deviations formed part of the descriptive statistics which analyzed the quantitative data and also capture the characteristics of the variables under study while inferential statistics involved linear regression. The study revealed that institutional ownership influence foreign direct investment and that tradable shareholding influence decision to venture abroad. The study found that board composition affects decision on internationalization and that board diversity enriches with ideas on internationalization. The study also indicated that bank CEO compensation became more sensitive to internationalization as bank management became less regulate. The study found that their risk taking incentives will depend on the degree to which their best interest, that managers are likely to be risk-averse and that managerial is positively associated with corporate performance. The study concluded that managerial incentives having the greatest effect on internationalization of commercial banks in Kenya followed by CEO compensation then managerial incentives and ownership had the least effect on internationalization of commercial banks in Kenya. The study recommends that since ownership structure affect internationalization of commercial banks there is a need to balance between local and foreign investors and that the management should look at the competence of the board members during recruitment.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Globalization creates rapid growth in demand and supply across boundaries which ultimately increase the internationalization of firm's activities in transition economies like India, China and Eastern European nations (Bonn *et al.*, 2011). Swapping goods and services across borders has been playing very vital role and became a dominant approach of international market participation as a number of previous studies suggests that by participating in foreign markets improves firm's internationalization, profitability and long run existence scenarios (John *et al.*, 2008). Internationalization of business operations incorporates extensive variety of procedures and measures which include licensing, franchising, foreign direct investment and global outsourcing. Involvement in international markets is often witnessed as suitable for economic growth (Carmen, Villegas & Leticia, 2011).

This study will therefore be underpinned in theories that support corporate governance and internationalization. These theories include; competitive advantage theory which describes a country can create new advanced factor endowments in the form of skilled labor, strong technology and knowledge base, government support and culture. In his theory, Porter indicated that the individual points on the diamond are the ingredients that lead to comparative advantage. Agency theory, assumes that the conflict between owners and managers can arise because the interest of managers can be significantly different with that of owner and both are motivated by self-interests. The theory further explains how Public held corporations can exist despite separation of management from ownership (Fields & Keys, 2013). Stewardship theory suggests

Managers left on their own will create wealth and maintain as successful Organization.

Commercial banks in Kenya have in the past decade undergone numerous financial and regulatory reforms. Internationalization being one of the major strategic decisions for companies is highly dependent on the domestic economic situation. Even though there are existential obstacles to investing and expanding into a foreign territory, banks and other players in the business world have developed strategies of internationalization (Heinrich, 2012).

1.1.1 Concept of Corporate governance

The term corporate governance has no single accepted definition. Corporate administration is worried about holding the harmony amongst financial and social objectives and amongst individual and collective objectives. The targets of good corporate administration are accomplished when establishments show their open responsibility and direct their business inside worthy moral norms. The point is to adjust as almost as conceivable the interests of people, enterprises and society (Minetti, 2015).

Corporate administration is worried about the procedures, frameworks, practices and methodology and in addition the formal and casual tenets that represent foundations. It additionally addresses the position of authority in the institutional structure. Corporate Governance, along these lines, alludes to the way in which the energy of an enterprise is practiced in the stewardship of the company's aggregate arrangement of benefits and assets with the target of keeping up and expanding investor esteem and fulfillment of different partners with regards to its corporate mission (Beasley, 2014).

1.1.2 Concept of Internationalization

The term internationalization can be described as the process of increasing involvement of international activity across borders. The measure of cross fringe exercises of a firm can in this manner be communicated by its level of internationalization (DOI). Internationalization open doors for firms have never been more prominent because of mechanical progressions and market advancements around the globe. Recently settled organizations demonstrate huge development, immense incomes and quick internationalization designs regardless of their young age. Global basic leadership customarily has been portrayed as one-sided, despite the fact that the second emphasis of the procedure model of internationalization recognized the need to assess multilateral basic leadership impacts (Johanson & Vahlne, 1990).

Internationalization represents one of the major strategic decisions for companies. Following the decision to venture abroad, other important decisions relate to the choice of internationalization mode. Much of this research relies on the dominant internationalization and transaction cost approaches, which were explicitly developed under the assumption that multinational enterprises (MNEs) maximize profits and the returns to shareholders (Coles *et al.*, 2011).

The issue of security and economic stability of the host country also are factors to consider. Normally, counties experiencing both political and economic instabilities are not attractive to foreign firms. Therefore internationalization needs intensive research concerning the situation at the host country. This depicts the process of internationalization as an expensive idea but the results are more rewarding. The

financial sector is much prone to economic downturns and economic instability hence it's risky and costly (Tricker, 2012).

1.1.3 Commercial Banks in Kenya

The banking industry in Kenya is regulated by the companies Act, the banking Act, the central bank of Kenya Act and other guidelines issued by the central bank of Kenya. According to the Central Bank of Kenya (2016), there are 43 licensed commercial banks in Kenya. Among these, three of them are public financial institution with government and other state corporations being the majority shareholders. There are 7 Tier 1 banks commanding 58.2 per cent market share, 12 Tier 2 Medium size Banks with 32.42 per cent and 21 Tier 3 small banks with a market share of 9.24 per cent (Central Bank of Kenya report, 2016).

The Central Bank of Kenya report (2016) shows a significant growth since the year 2000 in the banking industry in all areas including financial performance. According to Oloo (2009), the banking sector has been the bond that holds the country's economy together. Sectors that have been regarded as backbones of the Kenyan economy such as agriculture and manufacturing highly depend on the banking sector for their survival and growth.

1.2 Research Problem

Virtually all firms in both developed and developing countries have prioritized corporate governance high on their policy agenda (Uwuigbe, 2012). In general, good corporate governance has been credited as the cornerstone towards improving a company's overall performance. Different stakeholders within corporate governance wield immense influence on the strategic decision making especially those regarding

internationalization strategies owing to their power, influence and expertise. Due to the intensity and subsequent exploitation of the domestic market, firms in one country are actively seeking to expand into the neighboring markets through acquisition of organic growth (Mulatya, 2012).

However, the Commercial Banks are facing the challenge of corporate governance. The rate of internationalization among Kenyan Banks is not uniform. Key among the causes identified for the perennial bank failures in Kenya is poor adherence to corporate governance has not been adequately realized, leading to more bank failures and other imminent ones in the offing. The collapse of banks such as Trust bank, reliance bank, bank of commerce and credit international has not given a clear insight on the need for corporate governance (Olweny, 2011). In Kenya, two domestic banks have gone international. Equity bank has presence in all the East African states, while Kenya Commercial Bank has spread its tentacles to Uganda, Tanzania and Rwanda. Even though Kenya has put measures in place to ensure strict adherence to principles of corporate governance in the banking sector, there is still much need to strengthen the practice owing to the different environments in which these banks are operating.

Previous studies on relationship between corporate governance and internationalization include; Aguilera (2010) who established the internationalization of emerging economy firms: the impact of corporate governance and political connections. Eisenberg *et al.* (2014) study that found out there is a negative correlation between board size and profitability. Further, corporate governance structures have been argued to negatively influence internationalization of state corporations (Asmund, 2016). Prior research on Corporate Governance in Kenya has focused mainly on compliance or the principles of corporate governance (Aguilera, 2010).

In Kenya, the internationalization process is unique. Mulatya (2012) established factors that determine internationalization process of commercial banks in Kenya and found that proactive and reactive motivation, internal and external change agents and barriers to internationalize were core in the internationalization process. The author found that increased brand identity, increased revenue and increased profits are major factors influencing internationalization. Muthoka (2011) did a study on factors influencing internationalization strategy of indigenous commercial banks in Kenya and concluded that the banks used decentralized services to suit specific markets to a moderate extent. This study therefore focused on influence of corporate governance on internationalization of commercial banks in Kenya as it addresses the specific gaps in corporate governance and relationship to internationalization.

1.3 Research Objectives

The objective of this study was to examine the influence of corporate governance on internationalization of Commercial Banks in Kenya.

1.4 Value of the Study

Commercial banks will be the major beneficiaries of this study. With many commercial banks finding it more fashionable to venture into the international market, they need to inculcate viable principles of integrity, honesty, transparency, fairness and about all have a good agent-principal relationship. This is because the capital structure of any organization is paramount in the process of building a firm home base. In this view, this study will give much weight to commercial banks in building their growth strategies domestically before they can get actively involved in the international market.

The central bank being the key regulatory body of all commercial banks in Kenya, will utilize this study to enforce policies to guide the corporate governance policy agendas of all the commercial banks. In addition, this body will be able to demonstrate the need to have firm and important policies for banking institutions that would like to go international.

In addition, they will use the findings to write more as references for related studies. This study will be expounded further by other scholars in line with the emerging trends since the aspect of globalization has not been exhaustively researched on.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter focused on the theoretical review which contains the theories that underpin this study. The literature review contains the related literature in line with the research objectives concerning corporate governance and internalization of commercial banks.

2.1 Theoretical Review

This section looks at the theoretical underpinning of the study by specifically reviewing theories that support the need for corporate governance and internationalization. Key among these theories include; competitive advantage theory, agency theory and stewardship theory.

2.1.1 The Competitive Advantage Theory

This competitive advantage theory was advanced in 1875 by Michael Porter and it's based on the principle of comparative advantage. The classical theories of international trade argue that comparative advantage is anchored in factor endowments like land, natural resources, labor and the size of local population. According to Michael Porter, a country can create new advanced factor endowments in the form of skilled labor, strong technology and knowledge base, government support and culture. These include; availability of resources and skills, information concerning the opportunities to pursue with the resources and skills, goals of

individuals in the company and the pressure on companies to innovate and invest (Minetti, 2015).

Porter's national diamond theory is applicable in international trade in that firms base their growth strategies on their internal structures in order to venture into the international markets. Therefore, this theory is relevant to this study as it helps in understanding the ownership as a determinant of internationalization. Commercial Banks in a country can create new advanced factor endowments in the form of skilled labor, strong technology and knowledge base, government support and culture.

2.1.2 Agency Theory

Agency theorists assume that the conflict between owners and managers can arise because the interest of managers can be significantly different with that of owner and both are motivated by self-interests. The theory further explains how Public held corporations can exist despite separation on management from ownership. Corporations separate Decision making functions from the risk bearing Functions where top managers are responsible for decision making and implementation as shareholders take the risk implications. The theory suggests the drawbacks from Managerial level can result to low profitability by such firms. In this relationship, corporate governance works for the shareholders.

Governance describes how manager's work should align with the best interest of shareholders so as to assure the maximum returns. In theory, an efficient corporate governance system improves operating performance, such as higher stock prices and higher firm valuations. Therefore, this theory is relevant to this study as it explains the aspect of managerial incentives on internationalization, the conflict between owners

and managers can arise because the interest of managers can be significantly different with that of owner and both are motivated by self-interests.

2.1.3 Stewardship Theory

The stewardship theory suggests that administrative advantage is not significant (Fields and Keys, 2013). The point of administration is to boost the company's internationalization since it talks about the achievement and accomplishments of administration. Donaldson and Davis (1991) contend that administrative advantage does not exist in light of the fact that the administrators principle yearning is to make a decent showing with regards to, to be a decent steward of corporate resources (Carter and Lorsch, 2010).

The theory stressed that genuine frameworks are interested in, and communicate with, their surroundings, and that they can procure subjectively new properties through rise, bringing about persistent advancement. Instead of decreasing a substance (for instance, the human body) to the properties of its parts or components (for instance, organs or cells), frameworks theory concentrates on the plan of and relations between the parts which interface them into an entire (Carter & Lorsch, 2010). Thusly, the steward theory is significant to this investigation as it recommends that a company's top managerial staff and its CEO, going about as stewards, are more persuaded to act to the greatest advantage of the firm instead of for their own particular narrow minded premiums. This is on the grounds that; after some time senior official tend to see the firm as an augmentation of themselves. Therefore, the steward theory argues that compared to shareholders, top management cares more about the long term success of the firm (Asmund, 2016). It is in light of this theory that the researcher seeks to establish how board attributes affect organizational internationalization.

2.3 Determinants of Internationalization

2.3.1 Ownership

External ownership refers to ownership that comes from external parties, often with an interest in the firm that might conflict with the internal owners of the company. As such, international competition may even partially substitute for weaker Special Operations Executive (SOE) corporate governance at home. Institutional ownership in firm's stock also increases the internationalization of the firm as well as of the shares as small time investors follow institutions. Another reason is for institutional ownership is that it enhances the governance and financial processes that attracts more investors (Hobdari, Gregoric & Sinani, 2011).

Institutional owners always try to create close relations with its managers. Therefore, it is really important to find out how institutional ownership as an aspect of corporate governance in the emerging and unpredictable market. Corporate governance and ownership structure has strong and significant implications on financial decision making. The role of ownership structure plays very important part in any kind of firm decisions and performance. As international or foreign investor have usually a well-managed portfolios and excellent skills of monitoring so they are more likely to inspire firms to participate in risky projects and ventures such as exporting to other countries (George et al., 2005).

2.3.2 Board Attributes

On the other hand, the board plays a very vital role and this is a very important mechanism among other mechanisms of corporate governance as it affects the ability of board to guide and monitor. Caggese and Cunat (2013) also suggest in their research that larger numbers of board members are further able to make more energy

and time in order to preside and give direction to management, monitoring by board improves the worth of managerial decision making increases which indicates excellent internationalization of firm and value of firm also.

2.3.2.1 Board Size

Hermalin and Weisbach (2013) contended the likelihood that bigger sheets can be less viable than little sheets. At the point when sheets comprise of an excessive number of individuals office issues may increment, as a few chiefs may follow along as free-riders. They contended that when a board turns out to be too huge, it regularly moves into a more emblematic part, as opposed to satisfying its planned capacity as a major aspect of the administration. Then again, little sheets do not have the upside of having the spread of master exhortation and supposition around the table that is found in bigger sheets.

Sheets with countless can be a detriment and costly for the organizations to keep up. Arranging, work coordination, basic leadership and holding customary gatherings can be troublesome with an extensive number of board individuals. For the most part, Empirical proof on the connection between board size and firm internationalization give blended outcomes .While, bigger sheets are related with poorer execution, Caggese and Cunat (2013) found no huge relationship between board size and firm execution.

2.3.2.2 Board Composition

Boards mostly compose of executive and non-executive directors. Executive Officials allude to subordinate executives and non-Executive chiefs to the high ranking executives (Tricker, 2012). No less than 33% of autonomous executives are favored in

board, for viable working of board and for impartial observing. An autonomous board is for the most part made out of individuals who have no connections to the firm in any capacity, in this way there is no or least possibility of having an irreconcilable situation since free chiefs have no material interests in an organization. Free executives are essential in light of the fact that inside or subordinate chiefs may have no entrance to outer data and assets that are appreciated by the organizations outside or autonomous chiefs. In addition, for exhortation/advice inside or subordinate chiefs are accessible to the CEO as a component of their work with the firm; their arrangement to the board is a bit much for satisfaction of this capacity. The consequences of past examinations that researched the connection between board organization and firm internationalization are conflicting. Coles et al. (2011) found that NED has a positive relationship with money related execution. For instance, Caggese and Cunat (2013) likewise found a positive connection between board synthesis (the extent of free chiefs on the board) and firm execution. Non-Executive Directors is fundamentally identified with firm internationalization that is measured by ROA. Then again, Coles et al. (2011) exhibited that there is a negative effect of outside chiefs on firm execution.

2.3.2.3 Independence of Board Committees

Board Independence is viewed as critical for a board council to be a successful screen (Clark, 2011). The nearness of checking councils (review, selection, and pay boards of trustees) is emphatically identified with factors related with the advantages of observing. Be that as it may, the nearness of insiders in the pay boards expands the likelihood of settling on rulings for the CEO's advantages (Freeman, 2011). Also, when the CEO sits on the selecting advisory group or when no naming panel exists,

firms delegate less autonomous outside executives and more dark untouchables with irreconcilable situations. Moreover, the stock exchange's response to arrangements of autonomous outside executives is more positive when the chief's determination procedure is seen as moderately free of CEO inclusion (Olweny, 2011).

Despite the fact that the issue of whether chiefs ought to be representatives of or partnered with the firm (inside executives) or untouchables has been very much looked into, no unmistakable conclusion is come to. From one perspective, inside chiefs are more comfortable with the company's exercises and they can go about as screens to top administration in the event that they see the chance to progress into positions held by stumbling officials. Then again, outside executives may go about as "proficient refs" to guarantee that opposition among insiders empowers activities reliable with investor esteem amplification (Hobdari, Gregoric & Sinani, 2011).

2.3.2.4 Board Diversity

In extremely late circumstances, specialists started to take a gander at how board decent variety may improve corporate administration and firm internationalization (Fields and Keys, 2013). In most likely the principal research of its kind, Carter et al (2013), in an investigation of Fortune 1,000 firms, find critical proof of a positive connection between board assorted variety, proxied by the level of ladies as well as minority races on sheets of chiefs, and firm esteem, measured by Tobin's Q. Caggese and Cunat (2013) in utilizing U.S. information, find that sexual orientation decent variety of corporate sheets gives executives more pay-for-internationalization impetuses and that the sheets meet all the more often. Despite above, exact investigations on the connection between board assorted variety and firm

internationalization stay scanty to date. One clarification is deficient advancement of testable theory.

Hermalin and Weisbach (2011) remark that board particular marvels are not exactly clarified by vital specialist models and note that present hypothetical structure including office theory does not give obvious expectation concerning the connection between board assorted variety and firm esteem. Then again, firms have lately been progressively constrained by institutional financial specialists and investor activists to designate executives with various foundations and mastery, under the presumption that more prominent decent variety of the sheets of chiefs should prompt less insider basic leadership forms and more noteworthy receptiveness to change (Hobdari, Gregoric & Sinani, 2011).

2.3.3 CEO Compensation

(CEO) remuneration may likewise demonstrate a successful instrument to manage administration issues. The irreconcilable situations that develop amongst CEOs and the investors they speak to are a traditional case of the important specialist issue and the essential means for investors to guarantee that a chief makes ideal move is to tie his/her compensation to the internationalization of the firm Bank CEO remuneration turned out to be more delicate to internationalization as bank administration turned out to be less controlled. Caggese and Cunat (2013) set up a positive connection between changes in organization internationalization and board compensation inside Spanish recorded organizations (Hobdari, Gregoric & Sinani, 2011). In contrast, Aguilera (2010) found no significant difference in the internationalization of companies with or without role duality.

2.3.4 Managerial Incentives

In modern corporations characterized by the control, the self-interested and opportunistic behavior of managers, coupled with the information asymmetries which exist between shareholders and managers may cause a conflict of interest between the two (principal-agent problem). In particular, if managers' wealth mainly consists in non-diversifiable human capital invested within the firm, managers are likely to be risk-averse, while shareholders are risk neutral since they can easily diversify away the risk of their investments in the capital markets. Furthermore, managers have a tendency to enhance their short-term consumption, empire build, and allocate corporate resources to maximize their personal utility at the expense of shareholders (John *et al.*, 2008).

However, at higher levels of managerial stock, the effects of increased managerial shareholdings tends to make managers risk averse and entrenched, leading to a suboptimal investment policies (Bonn *et al.*, 2011).

2.4 Internationalization of Commercial Banks

Internationalization being one of the major strategic decisions for commercial banks is highly dependent on the domestic economic situation. According to Minetti (2015), firms face an uphill task while venturing into the international market due to the volatility of the domestic currency occasioned by the state of the economy. Countries from developing countries are more adept at operating under problematic institutional conditions. Firms from economically stable countries may influence the nature of foreign market entry since different corporate governance institutions are likely to have different implications like the appropriateness and feasibility of control of foreign activities (Aguilera, 2010).

Commercial banks expansion to international market requires tact and careful analysis. It is a proven fact that establishing business in a developing and or an emerging middle power is riskier than establishing the same in a developed country. When expanding business in foreign territories, foreign firms face different barriers resulting from difference in levels of geographic distance, psychological and cultural variations and institutional relationship between the country of origin and host countries of their investments. The amount of cross border activities of commercial banks can therefore be expressed by its degree of internationalization (DOI) (Oesterle et al., 2013).

2.5 Corporate Governance and Internationalization

Corporate governance incorporates the processes of controlling organization. It helps to overcome agency problem. It indicates when manager's start working for their own interest instead of what shareholders want is known as agency problem. To overcome and control this dilemma corporate governance plays a vital role. Corporate governance enhances effectiveness, efficiency and profitability of firm. However, good governance is also required to attract more investors as poor governance limits the outsider investors. Internationalization decision is one of the strategic decisions which are the integral part of corporate governance (Caggese & Cunat, 2013).

Entering in international market is also one of the financing and investing decision of the firm because it requires a large amount of funds in account of sunk cost. On the other hand one can say that this type of investment is also known as investment in intangible assets. Therefore, by investigating how issues in governance and ownership structure of firm effects firm's exporting decisions, new dimension of corporate governance is added to the international trade (Hobdari, Gregoric & Sinani, 2011).

Thus, firms cannot be expected to maximize profit in all situations, and their decisions will also reflect the interest of other actors such as managers, and depend on the various governance mechanisms in place. Thus, corporate governance has been found to matter for firms' strategies, behavior and internationalization. However, looking at corporate governance and internationalization, there is still a lack of understanding of how the ownership structure and board structure of the firm jointly determine the firm's decision to internationalize (Aguilera, 2010).

2.6 Empirical Review

The number of researchers dealt with the subject of corporate governance on internationalization include; Asmund (2016) did a study on corporate governance and firm's exporting decision: evidence from Pakistan stock exchange. Exporting decision of firm is measured by export intensity. Panel data regression model is being applied for analysis and fixed effect model is applied. Results indicate a significant and positive relationship between firm's exporting decisions and corporate governance but not significant with ownership structure.

Oloo (2009) did an analysis of Internationalization of Banking in Emerging Markets: A Case of Kenya. Findings show that African banking industry is rapidly growing, driven by market and increased investment in information technology which has strengthened innovation. The study found that the foreign banking ownership in Africa and even East Africa is gaining momentum with nearly half of total banking assets being foreign owned in respective countries.

Kamau (2011) in his study concluded that there was a positive significant association between the corporate governance and bank internationalization in Malaysia. Their study revealed that prior to the Asian financial crisis of 1997, foreign owned banks

had a better implementation of good corporate governance and had gained better internationalization than those of private, domestically owned ones in Malaysia.

Mulatya (2012) focused on the factors that determine internationalization process of commercial banks in Kenya. The study adopted descriptive research design. From the study, it was found that majority of the respondents agreed that proactive and reactive motivation, internal and external change agents and barriers to internationalize were core in the internationalization process. Muthoka (2011) did a study on factors influencing internationalization strategy of indigenous commercial banks in Kenya. The study used descriptive research design. The population in this research was all the indigenous commercial banks in Kenya that have internationalized. The study concluded that the banks used decentralized services to suit specific markets to a moderate extent.

2.7 Summary of Literature Review

The studies covered in the empirical literature review mainly focused on the impact of corporate governance practices in the private sector and state-owned public entities. An analysis and review of past studies reveals that little research has been done with a specific focus on influence of corporate governance on internationalization of Commercial Banks in Kenya. The review on the theories that gives a background of the study include; competitive advantage theory, agency theory and stewardship theory.

Furthermore, fewer attempts have been made to compare corporate governance on internationalization of Commercial Banks in Kenya. On the basis of above discussion, the researcher found out a gap which exists in the previous research works presented here. Past studies on corporate governance on internationalization of Commercial

Banks in Kenya and internationally have been very general. Most of these studies have been conducted in general population, with very few of them focusing on Commercial Banks in Kenya. The present study attempts to fill this gap by focusing on the influence of corporate governance on internationalization of Commercial Banks in Kenya.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This section discussed the research design, population of the study, sampling design, data collection and data analysis and presentation.

3.1 Research Design

According to Andre (2011), research design alludes to the methodology or method used to gather data, measure and analyze the data. It also implies the relationship among variables or the structure of the problem being addressed. This study utilized a descriptive research design to gather and analyze data. This method was selected as it has many advantages as it shows the real relationship between variables they exist.

In addition, the descriptive survey is preferred because it enables assessing relationships between variables and it provides an opportunity to identify emerging themes (Connaway, 2010). Descriptive design is a comprehensive design that enables

large and diverse amounts of data to be collected within a short time frame and analyzed quantitatively, giving a credible presentation of results. Therefore, descriptive study design was relevant for this study in a bid to answer the influence of corporate governance on the internationalization of commercial banks in Kenya.

3.2 Population of the Study

According to Connaway (2010), a research population is the collection of individuals which are known to have similar characteristics. The population for this study was all the licensed 43 commercial banks in Kenya (Appendix II). The researcher therefore administered questionnaires to the operational managers or their equivalent from each commercial bank.

There was no sampling in this study since the population size is small; therefore, this study adopted a census approach. A census ensures that details of information within smaller banks is captured, and therefore enhances accuracy of data collected and achieve a higher statistical level of confidence.

3.3 Data Collection

This study majorly used primary data which was also supported with secondary data. Primary data was collected through the use of questionnaires. The questionnaire had 5 sections which consisted of both closed and open-ended questions. The first section majored on questions concerning the demographic characteristics of the respondents, while the remaining sections contained questions touching on the research objectives.

After constructing the questionnaire, which was the main data collection instrument, the researcher conducted a pilot study in order to minimize the possibility of instrumentation error. This increased the reliability and validity of the data collected.

A pilot study was also undertaken on a selected number of the respondents in order to

measure the validity and reliability of the research instrument. Questionnaires were hand-delivered to the respondents to fill. The researchers then employed the drop and pick method in administering the questionnaire. Secondary data was sought from publications and journals.

3.4 Data Analysis Method

The data collected through the use of questionnaires were coded and entered into a computer system. The quantitative data was analyzed through the use of the Statistical Package for Social Sciences (SPSS version 24). The study adopted both descriptive and inferential statistics for data analysis purposes. Means and standard deviations formed part of the descriptive statistics which analyzed the quantitative data and also capture the characteristics of the variables under study.

Simple linear regression was also computed to test the research questions and to determine the nature and strength of the relationship among the variables. After analysis, the data was presented in form of tables. The regression model took the form of:

$$Y = a + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$$

Where; Y =Internationalization of commercial banks

β_1 to β_4 - Regression coefficients

X1 = Board Attributes

X2 = Ownership

X3 = CEO Compensation

X4 = Managerial Incentives

a = Constant

ε = error term

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter has covered the presentation, interpretation and analysis of the data collected on the influence of corporate governance on internationalization of commercial banks in Kenya. The researcher made use of frequency tables and percentages to present data.

4.2 Response Rate

The study targeted 43 senior managers of all the licensed banks in Kenya to respond to questionnaires. However data was collected from 36 senior managers giving a response rate of 85.71%. According to Connaway (2010), a response rate of 50 percent or more is acceptable for data analysis.

Table 4. 1: Response Rate

Response	Frequency	Percentage
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Response	36	85.71
No response	7	14.29
Total	43	100.0

Source: Research Data (2017)

4.3 Reliability Analysis

In this study, construct reliability was determined using Cronbach alpha coefficients that test internal consistency of items on a scale. The results of the reliability analysis are presented in the table 4.2 below.

Table 4. 2: Reliability of Measurement Scales

	Cronbach's Alpha	Decision
Board Attributes	.808	Reliable
Ownership	.792	Reliable
CEO Compensation	.852	Reliable
Managerial Incentives	.892	Reliable

Source: Research Data (2017)

From the findings , Managerial Incentives was more reliable with a coefficient of 0.892 while Ownership was less reliable with a coefficient of 0.792. All the variables were considered reliable since the results showed that their Cronbach Alpha associated were above 0.70 threshold as recommended by Connaway (2010) where it is asserted that Cronbach Alpha's should be in excess of 0.70 for the measurement intervals.

4.4 Demographic Information

In this study, data was collected from different groups of respondents based on their gender, age bracket, how long they worked with commercial banks and their highest level of education.

4.4.1 Gender of the Respondent

The researcher collected data based on the respondents' gender. This data was then summarized and presented in table 4.3.

Table 4. 3: Gender of the Respondent

	Frequency	Percent
Male	19	52.8
Female	17	47.2
Total	36	100

Source: Research Data (2017)

According to the results in table 4.3, most of the respondents were revealed to be male as shown by 52.8 % while the rest were female as illustrated by 47.2 %. This infers that the researcher considered all the respondents who could understand the subject being researched on and gave valid information regardless of the gender.

4.4.2 Respondents Age Bracket

The respondents age bracket was also explored in this study where the respondents indicated to which age bracket do they belong. Table 4.4 shows the results.

Table 4. 4: Respondents Age Bracket

	Frequency	Percent
31-40 years	8	22.2
41-50 years	17	47.2
51 – 60 years	7	19.4
Above 60 years	4	11.1
Total	36	100

Source: Research Data (2017)

On the age of the respondents, the study found that the majority of the respondents were between 41-50 years as shown by 47.2%, 22.2% were aged between 31-40 years, 19.4% were aged between 51-60 years while 11.1% were aged above 60 years. This infers that majority of respondents interviewed are in between 41 to 50 years and were mature enough to cooperate in giving the information being sought.

4.4.3 Respondents Period Working with Commercial Banks

The researcher further explored how long the respondents have been working with their respective commercial banks. The results are in table 4.5.

Table 4. 5: Respondents Period Working with Commercial Banks

	Frequency	Percent
2 to 4 years	7	19.4
5 to 6 years	20	55.6
Over 6 years	9	25
Total	36	100

Source: Research Data (2017)

Majority of the respondents indicated that they had have been working with commercial banks for a period of 5 to 6 years as shown by 55.6%. The remainder indicated they had have been working with commercial banks for a period of over 6 years as shown by 25% and period of between 2 to 4 years as shown by 19.4%. This shows that many of the respondents were familiar with what researcher was studying and were more reliable to obtain information from.

4.4.4 Respondents Highest Level of Education

The researcher enquired about the respondents' highest level of education by asking the respondents questions based on their highest level of education. Table 4.6 is a summary of their responses.

Table 4. 6: Respondents Highest Level of Education

	Frequency	Percent
Undergraduate	15	41.7
Master's Degree	11	30.6
Doctorate	10	27.8
Total	36	100

Source: Research Data (2017)

On the respondents' highest level of education, majority of the respondents indicated to have a undergraduate as illustrated by 41.7%. Other respondents indicated to have a

masters degree as shown by 30.6% while those who had Doctorate were 27.8%. The findings present respondents with a familiarity with the subject under research.

4.5 Influence of Corporate Governance

The researcher under this section required the respondents to give their opinions on how ownership, board attributes, CEO compensation and managerial incentives influence on internationalization in their bank. Their collective responses were presented in subsequent subsections.

4.5.1 Ownership

The respondents were asked to use a likert scale of 1-5 to indicate the extent to which they agree with the various statements on ownership influence on internationalization in their banks. Their responses were as shown in table 4.7.

Table 4. 7: Statements on Ownership Influence on Internationalization

	Mean	Std. Dev.
State ownership influence internationalization in your organization	3.667	0.535
Institutional ownership influence Foreign direct investment	4.361	0.683
Tradable shareholding influence decision to venture abroad	4.083	0.874
Foreign ownership influence international transaction	2.889	0.820

Source: Research Data (2017)

From the findings, the respondents agreed that institutional ownership influence foreign direct investment as shown by a mean score of 4.361 and that tradable shareholding influence decision to venture abroad as shown by a mean score of 4.083. The respondents also agreed that state ownership influence internationalization in

their organization as shown by a mean score of 3.667 and were neutral that foreign ownership influence international transaction as shown by a mean score of 2.889.

On respondents opinion on other aspects of ownership that influence internationalization in their organization, they indicated 100% local holder ownership may affect venturing out decisions, 70% Foreign Ownership vs 30% local ownership may influence greatly internationalization in my organization since the foreign ownership drive for foreign investment and venturing abroad may be extremely high, number of customers who are foreigners and the volume of business that they bring to the organization, the size of the organization, staff ownership of the organization, staff are willingness to give in input where ownership of the brand is strong, equity on capital and external ownership.

4.5.2 Board Attributes

The respondents were further asked to indicate the extent to which they agree with the various statements on Board Attributes influence on internationalization in their organization. Their responses were as shown in table 4.8.

Table 4. 8: Statements on Board Attributes Influence

	Mean	Std. Dev.
Board Size influence internationalization in your organization	4.083	0.874
Board Composition affects decision on internationalization	4.361	0.683
Independence of Board Committees influence internationalization in your bank	3.917	0.874
Frequency of Board Meetings enhances competency in internationalization	2.889	0.820
Board Diversity enriches with ideas on internationalization	4.278	0.615

Source: Research Data (2017)

As per the results in table 4.8, the respondents agreed that board composition affects decision on internationalization as expressed by a mean of 4.361 and that board diversity enriches with ideas on internationalization as expressed by a mean of 4.278. The respondents also agreed that board size influence internationalization in your organization as expressed by a mean of 4.083.

Further the respondents agreed that independence of board committees influence internationalization in your bank as expressed by a mean of 3.917 while they were neutral on the fact that frequency of board meetings enhances competency in internationalization as expressed by a mean of 2.889.

Further on respondents' opinion on other aspects of board attributes influence internationalization in their organization, they indicated board expatriates, exposure to foreign policies & practices, board members qualifications, board gender balance, board diversity, the level of exposure of the board members, knowledge of the committee members and members of the board, relevant experience of the banking industry and persuasive nature of the board members to convince the shareholders.

4.5.3 CEO Compensation

The researcher also asked the respondents to use a likert scale of 1-5 and indicate the extent to which they agree with the various statements on CEO Compensation influence on internationalization in their organization. Their responses were as shown in table 4.9.

Table 4. 9: Statements on CEO Compensation Influence

	Mean	Std Dev.
Bank CEO compensation became more sensitive to internationalization as bank management became less regulated.	4.361	0.683
A single person holding both the Chairman and CEO role improves the value of a firm.	3.917	0.874
CEO duality lead to worse performance.	2.778	0.866
Holding two top positions there is a tendency on the path of such individual to adopt personal interests' strategies.	4.306	0.577

Source: Research Data (2017)

From the outcomes, the respondents agreed on the fact that bank CEO compensation became more sensitive to internationalization as bank management became less regulated as illustrated by a mean score of 4.361, that holding two top positions there is a tendency on the path of such individual to adopt personal interests' strategies as illustrated by a mean score of 4.306 and that a single person holding both the Chairman and CEO role improves the value of a firm as illustrated by a mean score of 3.917. However the respondents were neutral on the fact that CEO duality leads to worse performance as illustrated by a mean score of 2.778.

Further on respondents' opinion on other CEO Compensation influences internationalization in their organization, they indicated firm performance, corporate social responsibility, employee share purchase agreements/opportunities and long term incentive schemes.

4.5.4 Managerial Incentives

The respondents were also requested to indicate the extent to which they agree with the various statements on Managerial Incentives influence on internationalization in their organization. Their responses were as shown in table 4.10.

Table 4. 10: Statements on Managerial Incentives Influence

	Mean	Std Dev.
Managers allocate corporate resources to maximize their personal utility.	3.639	0.593
Managers are likely to be risk-averse.	4.278	0.815
Their risk taking incentives will depend on the degree to which their best interest.	4.361	0.683
Managers' wealth is largely tied up in non-diversifiable firm-specific human capital and personal investment vested in the firm.	2.333	0.586
Managerial is positively associated with corporate performance,	4.111	0.575

Source: Research Data (2017)

Table 4.10 shows that respondents agreed that their risk taking incentives will depend on the degree to which their best interest as indicated by an average of 4.361, that managers are likely to be risk-averse as indicated by an average of 4.278 and that managerial is positively associated with corporate performance as indicated by an average of 4.111.

The respondents further agreed that managers allocate corporate resources to maximize their personal utility as indicated by an average of 3.639 but disagreed on the fact that managers' wealth is largely tied up in non-diversifiable firm-specific

human capital and personal investment vested in the firm as indicated by an average of 2.333.

Further on respondents' opinion on other managerial incentives factors influence internationalization in their organization, they indicated benchmarks and expected performance standards/targets, CEO given an opportunity to purchase founder shares in the organization, employee share purchase agreements/opportunities and long term incentive schemes and job security.

4.5.5 Internationalization of Commercial Banks

The respondents were finally asked to indicate the extent to which they agree with the various statements on the trend of internationalization in their organization. Their responses were as shown in table 4.11.

Table 4. 11: Statements on the Trend of Internationalization

	Mean	Std Dev.
The number of branches in foreign markets has greatly increased	4.278	0.815
Number of multinational related products has greatly increased	4.083	0.874
Internationalization has raised the level of International market share of our bank.	2.806	0.749

Source: Research Data (2017)

The respondents agreed that the number of branches in foreign markets has greatly increased as shown by a mean of 4.278 and that number of multinational related products has greatly increased as shown by a mean of 4.083 but were neutral that internationalization has raised the level of International market share of our bank as shown by a mean of 2.806.

Further on respondents' opinion on other factors that influence internationalization of Commercial Banks in Kenya, they indicated international trade, tax policy; bank regulations, competition, product awareness, political Stability in the potential regional markets, economic rewards in terms of anticipated returns in Markets outside Kenyan borders, unpredictable political stability and environment especially towards election periods and the overall country's economic growth.

4.6 Multiple Regression Analysis

In addition, the researcher conducted a multiple regression analysis so as to test relationship among variables (independent) and internationalization of commercial banks in Kenya. The researcher applied the statistical package for social sciences (SPSS V 17.0) to code, enter and compute the measurements of the multiple regressions for the study.

Table 4.12: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.834	0.696	0.657	1.971

Source: Research Data (2017)

From the table 4.12, the adjusted R^2 was found to be 0.657 inferring that variations on internationalization of commercial banks in Kenya which are explained by ownership, board attributes, CEO compensation and managerial incentives were 65.7%. This indicates that the model fits the data.

Table 4.13: ANOVA Results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	302.34	4	75.585	17.585	0.000
	Residual	132.12	31	4.262		
Total		434.46	35			

Source: Research Data (2017)

In predicting the effects of ownership, board attributes, CEO compensation and managerial incentives on internationalization of commercial banks in Kenya, the regression model test was found to be significant since p-value was less than 0.05 and the calculated F (17.585) was larger than the critical value of F=2.6060.

Table 4. 14: Regression Coefficients

Model	Unstandardized		Standardized	t	Sig.
	Coefficients		Coefficients		
	B	Std. Error	Beta		
(Constant)	0.981	0.263		3.730	.000
Ownership	0.696	0.218	0.543	3.193	.023
Board attributes	0.854	0.286	0.531	2.986	.005
CEO compensation	0.791	0.316	0.645	2.503	.016
Managerial incentives	0.766	0.312	0.636	2.455	.042

Source: Research Data (2017)

The established model for the study was:

$$Y = 0.981 + 0.696X_1 + 0.854X_2 + 0.791X_3 + 0.766X_4$$

The results reveal that internationalization of commercial banks in Kenya will be 0.981 if all other factors are held constant. Further the study showed that if there was a unit change in Ownership, a 0.696 increase in the internationalization of commercial banks in Kenya would be realized if all other factors are held constant.

Also a unit change in board attributes would lead to 0.854 increases in the internationalization of commercial banks in Kenya if other factors were constant. Again as shown by $r=0.791$, the study reveals that increase in CEO compensation would lead to an increase in the internationalization of commercial banks in Kenya if all other factors are held constant.

The study results also showed that an increase in managerial incentives will lead to a 0.766 increase the internationalization of commercial banks in Kenya if all other factors are held constant. Finally the study showed that all variables were significant since p-values were less than 0.05 with Managerial incentives having the greatest effect followed by CEO compensation then managerial incentives and ownership had the least effect on internationalization of commercial banks in Kenya.

4.7 Discussion of the Findings

4.7.1 Ownership

The study revealed that institutional ownership influence foreign direct investment and that tradable shareholding influence decision to venture abroad. This corresponds to Hobdari, Gregoric and Sinani (2011) who argue that institutional ownership in firm's stock also increases the internationalization of the firm as well as of the shares as small time investors follows institutions. The study also revealed that state ownership influence internationalization in the organization and that foreign ownership fairly influences international transaction. These findings disagree with George *et al.* (2005) who noted that international or foreign investor have usually a well-managed portfolios and excellent skills of monitoring so they are more likely to inspire firms to participate in risky projects and ventures such as exporting to other countries.

The study found that other aspects of ownership that influence internationalization in their organization were 100% local holder ownership may affect venturing out decisions, 70% Foreign Ownership vs 30% local ownership may influence greatly internationalization in my organization since the foreign ownership drive for foreign investment and venturing abroad may be extremely high, number of customers who are foreigners and the volume of business that they bring to the organization, the size of the organization, staff ownership of the organization, staff are willingness to give in input where ownership of the brand is strong, equity on capital and external ownership. These findings are in line with competitive advantage theory which notes that commercial Banks in a country can create new advanced factor endowments in the form of skilled labor, strong technology and knowledge base, government support and culture.

4.7.2 Board Attributes

The study found that board composition affects decision on internationalization and that board diversity enriches with ideas on internationalization. The study also found that board size influence internationalization in your organization. These findings concurs with Olweny (2011) who suggests that the stock exchange's response to arrangements of autonomous outside executives is more positive when the chief's determination procedure is seen as moderately free of CEO inclusion. Further the study found that independence of board committees influence internationalization in their bank and that frequency of board meetings rarely enhances competency in internationalization. These findings are contrary to Hermalin and Weisbach (2011) who remark that board particular marvels are not exactly clarified by vital specialist models and note that present hypothetical structure including office theory does not

give obvious expectation concerning the connection between board assorted variety and firm esteem.

The study indicated other aspects of board attributes influence internationalization in their organization were board expatriates, exposure to foreign policies & practices, board members qualifications, board gender balance, board diversity, the level of exposure of the board members, knowledge of the committee members and members of the board, relevant experience of the banking industry and persuasive nature of the board members to convince the shareholders. These results are contrary to stewardship theory which suggests that administrative advantage is not significant.

4.7.3 CEO Compensation

The study also indicated that bank CEO compensation became more sensitive to internationalization as bank management became less regulated, that holding two top positions there is a tendency on the path of such individual to adopt personal interests' strategies and that a single person holding both the Chairman and CEO role improves the value of a firm. These findings are in line with Caggese and Cunat (2013) who set up a positive connection between changes in organization internationalization and board compensation inside Spanish recorded organizations. The study also indicated that CEO duality rarely leads to worse performance. This is in line with Aguilera (2010) who found no significant difference in the internationalization of companies with or without role duality.

The study further indicated other CEO Compensation influences internationalization in their organization were firm performance, corporate social responsibility, employee share purchase agreements/opportunities and long term incentive schemes. These agree with stewardship theory which recommends that a company's top managerial

staff and its CEO, going about as stewards, are more persuaded to act to the greatest advantage of the firm instead of for their own particular narrow minded premiums.

4.7.4 Managerial Incentives

The study found that their risk taking incentives will depend on the degree to which their best interest, that managers are likely to be risk-averse and that managerial is positively associated with corporate performance. These findings are similar to John *et al.* (2008) findings which made it clear that managers have a tendency to enhance their short-term consumption, empire build, and allocate corporate resources to maximize their personal utility at the expense of shareholders. The study also found that managers allocate corporate resources to maximize their personal utility and that managers' wealth is not largely tied up in non-diversifiable firm-specific human capital and personal investment vested in the firm. These concur with Bonn *et al.* (2011) who argue that at higher levels of managerial stock, the effects of increased managerial shareholdings tend to make managers risk averse and entrenched, leading to a suboptimal investment policies.

The study further found that other managerial incentives factors influence internationalization in their organization were benchmarks and expected performance standards/targets, CEO given an opportunity to purchase founder shares in the organization, employee share purchase agreements/opportunities and long term incentive schemes and job security. These agree with agency theory which suggests that drawbacks from Managerial level can result to low profitability by such firms. In this relationship, corporate governance works for the shareholders.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents summary, discussion, conclusion and recommendations on influence of corporate governance on internationalization of commercial banks in Kenya.

5.2 Summary of the Findings

The study revealed that institutional ownership influence foreign direct investment and that tradable shareholding influence decision to venture abroad. The study also revealed that state ownership influence internationalization in the organization and that foreign ownership fairly influences international transaction.

The study found that board composition affects decision on internationalization and that board diversity enriches with ideas on internationalization. The study also found that board size influence internationalization in your organization. Further the study found that independence of board committees influence internationalization in your bank and that frequency of board meetings rarely enhances competency in internationalization.

The study also indicated that bank CEO compensation became more sensitive to internationalization as bank management became less regulated, that holding two top positions there is a tendency on the path of such individual to adopt personal interests' strategies and that a single person holding both the Chairman and CEO role improves the value of a firm. The study also indicated that CEO duality rarely leads to worse performance.

The study found that their risk taking incentives will depend on the degree to which their best interest, that managers are likely to be risk-averse and that managerial is positively associated with corporate performance. The study also found that managers allocate corporate resources to maximize their personal utility and that managers' wealth is not largely tied up in non-diversifiable firm-specific human capital and personal investment vested in the firm.

5.3 Conclusions

The study concluded that institutional ownership influence foreign direct investment. Tradable shareholding also influences decision to venture abroad. The state ownership as well foreign ownership was also found to influence internationalization in the organization.

The study concluded that the composition of the board affects decision on internationalization while board diversity on the other hand enriches with ideas on internationalization. The board size and independence were also found to influence internationalization. The study further noted that frequency of board meetings rarely enhances competency in internationalization.

The study also concluded that bank CEO compensation became more sensitive to internationalization as bank management became less regulated. In this case holding two top positions, there is a tendency on the path of such individual to adopt personal interests' strategies and also improves the value of a firm.

The study concluded that risk taking incentives depends on the degree to which managers are likely to be risk-averse and their managerial is positively associated with corporate performance. The study deduced that managers allocate corporate resources to maximize their personal utility and their wealth is not largely tied up in

non-diversifiable firm-specific human capital and personal investment vested in the firm.

5.4 Recommendations

The study further found that since ownership structure affect internationalization of commercial banks. Therefore the study recommends that there is a need to balance between local and foreign investors. The commercial banks should ensure that as they encourage local investors, foreign investors are encouraged to invest so as to gain international ownership would enhance internationalization.

The study also recommends that the management should look at the competence of the board members during recruitment. The number of directors should be kept optimal as it affects firm internationalization. The number should be kept low to avoid delays in reaching final decision which may be experienced when there are differences among the members of board. Likewise the study recommended that role of each member within the board of director to be clearly stipulated in order to eradicate conflict of responsibility which in turn affects firm internationalization. The study recommended that number of outside board of directors to be optimal in order to cut cost that may be accrued from their allowance payment.

The study found that Bank CEO Compensation became more sensitive to internationalization as bank management became less regulated. Therefore the study recommends that commercial banks should ensure that their CEOs are well paid. This will ensure that the bank is well regulated and bank administration is fully controlled hence enhancing internationalization.

The study also found that managers allocate corporate resources to maximize their personal utility and are likely to be risk-averse. The study therefore recommends that

commercial banks should encourage their managers to enhance their short-term consumption, empire build, and allocate corporate resources to maximize their personal utility at the expense of shareholders. This will increase managerial shareholdings which in turn makes managers risk averse and entrenched, leading to a suboptimal investment policies.

5.5 Areas of Further Research

This study investigated on influence of corporate governance on internationalization of commercial banks in Kenya. The study also suggested further research to be done on the influence of corporate governance on internationalization on other companies rather commercial banks in order to depict reliable information that illustrates real situation in all sectors.

The study suggests that further research to be done on challenges affecting implementation of corporate governance within commercial banks. The study recommends that further research should be done on the impact and management of cultural challenges encountered in the internationalization process.

The study also recommends that a comparative study should be done on the internationalization process of foreign banks and indigenous banks operating in Kenya to determine the success factors.

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APPENDICES

Appendix I: Research Questionnaire

Kindly take few minutes to complete the questionnaire as guided. Your responses will be handled confidentially and ethically. Thank you for agreeing to participate in this academic study.

SECTION A: DEMOGRAPHIC DATA

1. What is your gender?

Female

Male

2. Please indicate your age bracket:

20-30

31-40

41-50

51-60

Above 60

3. State the number of years you have worked with commercial banks:

Less than 2 years 2 – 4 years 4 – 6 years Over 6 years

4. Please indicate your highest level education

High school College

Undergraduate Degree Master's Degree Doctorate

Other (please specify)

SECTION B: INFLUENCE OF CORPORATE GOVERNANCE ON INTERNATIONALIZATION

Ownership

5. Please indicate the extent to which you agree with the following statements on ownership influence on internationalization in your organization;

Where; 5 = strongly agree 4= Agree 3 = Neutral 2= Disagree 1= Strongly Disagree

	1	2	3	4	5
State ownership influence internationalization in your organization					
Institutional ownership influence Foreign direct investment					
Tradable shareholding influence decision to venture abroad					
Foreign ownership influence international transaction					

8. In your opinion what other aspects of ownership that influence internationalization in your organization?

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Board Attributes

6. Please indicate the extent to which you agree with the following statements on Board Attributes influence on internationalization in your organization;

Where; 5 = strongly agree 4= Agree 3 = Neutral 2= Disagree 1= Strongly Disagree

	1	2	3	4	5
Board Size influence internationalization in your organization					
Board Composition affects decision on internationalization					
Independence of Board Committees influence internationalization in your bank					
Frequency of Board Meetings enhances competency in internationalization					
Board Diversity enriches with ideas on internationalization					

9. In your opinion what other aspects of board attributes influence internationalization in your organization?

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.....
.....

CEO Compensation

7. Please indicate the extent to which you agree with the following statements on CEO Compensation influence on internationalization in your organization;

Where; 5 = strongly agree 4= Agree 3 = Neutral 2= Disagree 1= Strongly Disagree

	1	2	3	4	5
Bank CEO compensation became more sensitive to internationalization as bank management became less regulated					
A single person holding both the Chairman and CEO role					

improves the value of a firm					
CEO duality lead to worse performance					
Holding two top positions there is a tendency on the path of such individual to adopt personal interests' strategies					

10. In your opinion what Other CEO Compensation influences internationalization in your organization?

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Managerial Incentives

11. Please indicate the extent to which you agree with the following statements on Managerial Incentives influence on internationalization in your organization;

Where; 5= strongly agree 4= Agree 3 = Neutral 2= Disagree 1= Strongly Disagree

	1	2	3	4	5
Managers allocate corporate resources to maximize their personal utility					
Managers are likely to be risk-averse					
Their risk taking incentives will depend on the degree to which their best interest					
Managers' wealth is largely tied up in non-diversifiable firm-specific human capital and personal investment vested in the firm					

Managerial is positively associated with corporate performance,					
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12. In your opinion what Other Managerial Incentives factors influence internationalization in your organization?

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Internationalization of Commercial Banks

5 Please indicate the extent to which you agree with the following statements on the trend of internationalization in your organization;

Where; 5 = strongly agree 4= Agree 3 = Neutral

2= Disagree 1= Strongly Disagree

	1	2	3	4	5
The number of branches in foreign markets has greatly increased					
Number of multinational related products has greatly increased					
Internationalization has raised the level of International market share of our bank					

In your opinion what other factors that influence internationalization of Commercial Banks in Kenya?

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THANK YOU FOR YOUR TIME

Appendix II: Licensed Commercial Banks

1. ABC Bank (Kenya)
2. Bank of Africa
3. Bank of Baroda
4. Bank of India
5. Barclays Bank of Kenya
6. Chase Bank Kenya
7. Citibank

8. Commercial Bank of Africa
9. Consolidated Bank of Kenya
10. Cooperative Bank of Kenya
11. Credit Bank
12. Development Bank of Kenya
13. Diamond Trust Bank
14. Dubai Islamic Bank
15. Ecobank Kenya
16. Equity Bank
17. Family Bank
18. Fidelity Commercial Bank Limited
19. First Community Bank
20. Giro Commercial Bank
21. Guaranty Trust Bank Kenya
22. Guardian Bank
23. Gulf African Bank
24. Habib Bank AG Zurich
25. Housing Finance Company of Kenya
26. I&M Bank
27. Imperial Bank Kenya (In receivership)
28. Jamii Bora Bank
29. Kenya Commercial Bank
30. Mayfair Bank
31. Middle East Bank Kenya
32. National Bank of Kenya

33. NIC Bank
34. Oriental Commercial Bank
35. Paramount Universal Bank
36. Prime Bank (Kenya)
37. Sidian Bank
38. Spire Bank
39. Stanbic Bank Kenya
40. Standard Chartered Kenya
41. Trans National Bank Kenya
42. United Bank for Africa[19]
43. Victoria Commercial Bank

Source: CBK BSD Annual Report (2016)