

**INFLUENCE OF BOARD COMPOSITION ON FINANCIAL
PERFORMANCE OF COMMERCIAL BANKS IN KENYA**

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OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF
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DECLARATION

This research project is my original work and has not been presented to any university or college for examination.

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This research project has been submitted for examination with my authority and approval as a university supervisor.

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DEDICATION

I wish to dedicate this project to my late grandmother and mother, and also to my brothers for the part they played in influence my life as well as my career. Further dedication goes to the rest of my family members and also my friend that have always been on my side through the journey. Thank you all for the special role you have performed.

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LIST OF ABBREVIATIONS/ACRONYMS

BOD	-	Board of Directors
CEO	-	Chief Executive Officer
CG	-	Corporate Governance
CMA	-	Capital Markets Authority
FP	-	Financial Performance
RDT	-	Resource Dependency Theory
ROA	-	Returns on Assets
ROE	-	Returns on Equity

ABSTRACT

National economies are dependent on financial governance, transparency, and competitiveness as they are the determinants of value. Transparency and management of corporations is a concern to most investors around the globe. The national legislatures are led to focus on maintaining clarity in financial performance and accountability relating to corporate governance practices. Board composition in corporate governance has been identified to be vital in the performance of a company particularly in developing and developed economies. The study main objective was establishing how the board composition affect the Kenyan commercial banks financial performance. The study achieved this by examining the theories and empirical works that has been undertaken with regards to establishing the magnitude degree and impact of board composition on the commercial banks financial performance. The study target population comprised of the 42 commercial banks licensed in Kenya. The researcher used secondary data. The panel data was acquired for the period of the study with unit of analysis being a year. The researcher analysed the data for inferential statistics that involved correlation and regression analysis. Panel multiple regression equation was done employing use of estimation method of Ordinary Least Square in order to find out the association amongst board composition and the bank size which was the control variable to the commercial banks performance. The study findings revealed that board independence negatively and significantly related with financial performance. Further findings found out that bank size had as positive and significant association with the banks financial performance. The recommendations of the study were that the CBK and the national treasury ought to ensure that commercial banks implement corporate governance principles which guarantee that there is suitable board composition which is in compliance with corporate governance code. The study additionally made recommendation to the management of commercial banks, consultant as well as to other financial institution management to improve on the board composition and increase bank size so as to enhance the financial performance of their firms and precisely direct the board composition elements to board size and independence so as to improve financial performance.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Corporate governance, particularly board composition, is seen to foster more productive debates and deliberations (Francis *et al.*, 2013) and produce a philosophy of inquiring together with communication (Kastlunger *et al.*, 2010). Accordingly, diverse groups, as opposed to homogeneous groups, achieve better outcomes more. National economies are dependent on financial governance, transparency, and competitiveness as they are the determinants of value. Transparency and management of corporations is a concern to most standard setters around the globe. The national legislatures are led to focus on maintaining clarity in financial performance and accountability relating to corporate governance practices (Waweru, 2014). Board composition in corporate governance has been identified to be vital in the performance of a company particularly in developing and evolutionary economies as per Klein (1998) and Bhagat and Black (2000).

The study is going to be founded on the Resource Dependency Theory, which was pioneered, by Pfeffer and Salancik (1978). The theory states that the board is an important linkage between the company and the crucial resources required to achieve superior financial results and that organizations act in manner related with their dependence level upon different resources. Another study guiding this study is the stakeholder theory pioneered by Freeman (1984). The theory advocates for corporate accountability measures for the numerous investors in a company. The final theory anchoring this study is the agency theory, which was advanced by Jensen together with Meckling in 1976. Agency theory postulates that an association is present amongst a company's principals (shareholders) and their agents (managers and executives).

Kenya has encountered several scandals, which have led the dismissal of directors and liquidation of firms. These scandals depict that corporate governance is significant for the going concern of a company. For instance, the closure of Dubai bank and the placing of Imperial bank under receivership were as a result of the infringement of Central Bank regulation. The failures of these institutions necessitate the formulation and implementation of robust Corporate Governance policies (Waweru, 2014). As a result, an examination of Corporate Governance based on board composition and its impact on commercial bank performance, while taking into account the moderating effect of firm size, will be valuable in filling in the gaps.

1.1.1 Board Composition

The composition of the Board refers, for example, to the mix of members from the boards of directors; non-executive directors and managers, such as the Chief Executive Officer (CEO). Often, directors that are non-executive according Hutchinson (2002) are employed from outside the firm and though they do not work full time in the organization, they can however bring on board relevant skills and experience. An independent director is a board member that has no material link, is not a member of the management team of the firm and does not participate in the daily operations of the organization (Young, 2003; Weisbach, 2008). Carcello et al. (2002) term board composition as the independence, expertise, and the diversity of the board members. A Board of Directors (BOD) that plays the role of an additional agent for the shareholders, essentially oversees all aspects of organizational management and monies. Thus, board composition is what enables a company board to fulfil its duties facilitated by its

knowledge about the business together with its superior access to legal information (Vintila & Gherghina, 2012).

Following the Enron and WorldCom accounting scandal and the 2007-2008 financial crisis, regulators have emphasized on the need of having more financial experts sitting in boards. From some of the findings of studies that have been done in nations with capital markets that are developed, financial competencies of the board have been found to have positive effects (Vintila & Gherghina, 2012). According to Adams, Hermalin, and Weisbach (2008), board independence is increased by board diversity as it brings forth individual of different ethnicity, background and gender and they might question some things that would not have been queried by directors with same backgrounds and henceforth giving an advantage to the firm in turn influencing firm performance.

The features of the board considered in this research are: board independence, CEO duality, Board gender diversity, and finally the board size. As a measure of board independence, the number of independent directors will apply to the total number of directors on the business board (Campbell & Mínguez-Vera, 2008). The percentage of females in the board measures the diversity of boards (Kang et. al., 2007). The logarithm of number of board members will measure board size (Lipton & Lorsch, 1992).

1.1.2 Financial Performance

Leah (2008) refers to financial effectiveness as a company's capacity to use its resources to generate profits. The future financial position of a firm mainly determines the success of a business. This only takes place when businesses are able to make adequate returns from their

activities, since this is a company's primary aim. Ponce (2011) refers to the degree to which a company accomplishes its financial goals. This includes monetary measurement of the company's operating outcomes and activities to evaluate its financial health during a certain period of time. The financial statements normally reported and published by companies' shows their financial performance. These financial statements contain very important information that summarizes the firm's activities.

In any firm, the key objective is maximizing the shareholders' value. Therefore, a firm ought to have the ability of generating enough cash flows for financing its core activities and paying for its expenses and ultimately make enough profits for its shareholders. The financial performance of a firms is mainly applied as a way of measuring its management efficiency and how effectively its able to use its resources/assets.

There are several ways of measuring financial performance, some including accounting ratios such as; Return on Equity (ROE), Return on Assets (ROA), Return on Investment (ROI), Operating Profit (OP), Earning Per Share (EPS) and Return on Capital Employed (ROCE). Other measures such as the Dividend Yield (DY) and Tobin Q are also used as measure of financial performance. Mashayekhi and Bazazb (2008) opine that there is a higher preference of using accounting measurements as opposed to market measurements as measures of financial performance because the accounting measures tends to provide the outcome of management initiatives. Nonetheless, incorporating both measures is important as it would offer a more comprehensive view of the firm. This is justified by the fact that accounting measurements such as ROE only provide short-term success whereas market indicators like

Tobin's Q, for instance, will supply a company's long-term growth and development. In the present study, the researcher used ROA as a measure of revenue growth.

1.1.3 Board Composition and Financial Performance

Boards in a firm are the connection between crucial resources needed by the company from the external surroundings for superior performance. According to Johnson et al. (1996) outsourcing of board members assists in attaining accessibility to organization success. Resource dependency theorist, who state that board members who have skills like diverse cultural background and diverse gender to name but a few, will act as strategic resource to an organization. This according to Johnson et al. (1996) may lead to better performance in the company. It is further opined that board composition variety encourages the functional ability of the board, more so the board's capacity of engaging in administration monitoring, complex problem solving together with strategic decision-making (Forbes & Milliken, 1999).

In theory, there are a variety of reasons favouring the composition of the Board. Carter et al. (2002) have, for example, created five favourable views on the membership of the board in a primary agent structure, with a diverse board capable of deciding which is based on the evaluation of a more similar board replacement. A diverse board composition has an improved understanding of the market environment of the organization. This in turn enhances novelty and creativity in the firm. The brand image of the company might be enhanced by a diverse board composition bearing in mind that positive image has a positive influence on clients' actions.

According to Musila (2007), lack of stakeholder confidence in Kenya has been due to by firms' lack of transparency in the financial system together with board composition principles. This is witnessed by the collapse of companies like Uchumi and many stock brokerage firms in a period of under ten years that are listed in the Nairobi Securities Exchange. Hence, board composition standards development is dependent on the renewal of confidence in the economy by investors that entail the embracing of transparency as a vital strategy in corporate management. According to Jensen (2001), economic recovery of a good number of East African nations, have explicable been directed to addressing and investigating the underlying problems and causes which can trigger crisis such as those seen in the United States.

1.1.4 Commercial Banks in Kenya

The Kenyan banking sector is regulated by the Central Bank of Kenya (CBK), the Banking Act and the Companies Act. The CBK is given the mandate of financial policies formulation and implementation, managing the banks liquidity, credit worthiness as well as maintaining a proper monetary policy system. Commercial banks are financial organizations regulated for deposits and loans to its customers by CBK (Githaiga, 2015). There were 43 licensed commercial banking companies and one mortgage financing bank in Kenya as of 30 June 2018. Thirty banks were owned by locals while 13 were foreign owned.

The banks in the country serve not only the retail customers but also the corporate customers. Some of the functions, which they perform, are community savings, creation of money, ensuring the payment mechanisms run smoothly, ensuring international transactions flow smoothly, advancing credit facilities and storage of precious goods (Githaiga, 2015). In Kenya, the central bank is under the treasury, is mandated with formulating and executing monetary

policies, and fostering liquidity as well as ensuring the commercial banks operates properly (CBK, 2018). The banking sector in Kenya has experienced several financial as well as regulatory reforms in the past. Those kinds of reforms have led to many significant changes within the industry, which has inspired foreign banks to start operating in the Kenyan marketplace (Irungu, 2013).

The banking industry is regulated by the Banking Act and majorly through the Prudential Guidelines. The CBK as the regulator of the commercial banks in Kenya requires them to provide audited annual reports that comprise the banks financial performance and additional disclosures on the financial risks on their reports consisting of credit risk, liquidity risk among others and the way to manage the risks. CBK in conjunction with the International Finance Corporation (IFC) in the year 1984 conducted a research on the Development of Money and Capital Markets. The objective of the research was to make endorsements on measures that would guarantee active growth as well as reinforcement of corporate presentation in the economic industry. This research in the financial marketplace became a blueprint for structural transformations.

Although the reason for some banks performing poorly may be due macro factors that may not be within the management or the board's control, or bank specific factors that can be controlled by the bank management, some studies have however revealed a notable relation between board characteristics and firm performance (Rambo, 2013). Thus, numerous challenges involving corporate governance have been recognised in Kenya. The problems range from fraud to errors and mistakes (Upadhyaya, 2017). The leading cause of weak corporate governance is concentrated ownership, inadequate protection of minority shareholders,

insufficient incentives, and weak information standards. The issues are brought about by an array of variables relating to board size, board composition, corporate disclosures, and a lack of audit committees, which are essential in keeping company management in check (Matanda, 2016). Kenyan banks like Chase Bank, Imperial Bank, and Dubai Bank have gone under because of weak corporate governance mechanisms.

1.2 Research Problem

In contemporary times, the business environment is evolving, leading to numerous developments. The critical aspects of the developments are depicted in how organizations are owned and financed, align their strategies with external forces, and engage shareholders (Guo, Jimenez & Zuo, 2015). There is a continued struggle for organizations to remain profitable in the fast changing economic environment exacerbated by globalization. The 2007-2008 financial crisis in the years 2007/2008 and failures of various companies like Enron and Worldcom are linked to issues of governance and leadership (Wang, 2014). With the rise of corporate scandals, there is an upsurge for the need for accountability, transparency, and increases performance in the global business environment. Caprio and Levine (2002) have used the CG theories in establishing the different challenges being encountered by CG of firms. In the event that there is no board, there is a possibility of the controlling owners taking advantage of their position over the owners who are not actively involved in the control of the business directly (Walt & Ingley, 2003). Fama & Jensen (1983) considered corporate board to being the best control mechanism, for getting rid of the opportunistic behavior of management.

In Kenya, various banks have had varying performance. However, firms in the banking sectors have posted overall good results (NSE, 2015). While the reason for some banks performing poorly may be due to macro factors that may not be within the management or board's control,

or bank specific factors that can be controlled by the bank management, however, studies have revealed a notable relation amongst board characteristics and firm performance (Rambo, 2013). Thus, numerous challenges involving corporate governance have been recognised in Kenya. The problems range from fraud to errors and mistakes (Upadhyaya, 2017). The issues are brought about by an array of variables relating to board size, board composition, corporate disclosures, and a lack of audit committees, which are essential in keeping company management in check (Matanda, 2016). Kenyan banks like Chase Bank, Imperial Bank, and Dubai Bank have gone under because of weak corporate governance mechanisms.

A number of studies have been undertaken on board composition and firm value. Malgharni and Lotfi (2013) have studied worldwide in order to find out how the risk management and composition of BOD are linked to companies listed on the Tehran Bourse. There were substantial favourable conclusions between the size of the BOD, frequency of the board meeting, board financial literacy, dual duties of the CEO, variable control and risk management. The research did not concentrate on the impact of the management structure on business performance, and therefore created a conceptual gap.

Locally, Chepkosgei (2013) studied how Kenya's financial performance is influenced by the composition of the Board. The research carried out was a census as the entire population was studied. The study found that the ratio between non-executive managers, the relationship of women directors, average tenure, director work experience and the board size would only significantly predict CAR, ROA and ROE. The study did not utilize CEO duality as one of the measures of board composition and also it did not utilize company size as a control variable together with this presents a conceptual gap.

The studies reviewed did not utilize firm size as a factor moderating the association amongst board composition and financial presentation. The research was driven by a lack of detailed knowledge in the field to further inquire into the depth of the effects of the board composition on the value of NSE-registered companies and the moderating influence of firm size on relations between them. The study was therefore intended to investigate the effect of board composition on the performance of licensed commercial banks in Kenya and what is the moderating effect of company size on the relationship?

1.3 Research Objective

The purpose of this study was to determine effect of board composition on the performance of licensed commercial banks in Kenya.

1.4 Value of the Study

The results of the study will benefit researchers, academics and more as they contribute to the existing knowledge base and be a reference source. Additionally, the study will provide a suggestion of areas that further research should be done on, which could benefit both academicians and scholar's knowledge on gaining better insights in the corporate governance field together with its impacts on firm value.

This study will further be an enabler to the government and the financial institutions regulatory agencies, mainly CBK, in coming up with policies that will ensure proper composition of the boards of commercial banks, which will protect the public deposits and stakeholder's welfare. Also, the study will also assist the legislators in formulating better regulations to improve the

operations of commercial banks and support contemporary practices to safeguard deposits made by the public and the resources of the investors.

The study will additionally be of huge significance to the general public, management, consultants and shareholders of the commercial bank. This will enable them to appreciate the significance of proper board composition on firm performance that will empower them in making decision that are informed with regards to the independence, diversity and expertise of the board members so as to maximize the banks' performance. The research will be significant to the licensed banks, as it will assist them in progressing their corporate governance mechanisms. Furthermore, the results of the research will extend the understanding of associations and the effect of corporate governance on the value of companies and businesses may use this information to improve their business practices. The study will also equip investors and the public intending to deposit their funds in commercial banks with adequate expertise in analysing the best corporate governance practices so that they can protect their wealth. As the providers of bank capital through equity funding and deposits, they will have extensive knowledge on the opportunities to place their funds.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The purpose of the chapter is to create insights on the theories of corporate governance and board composition, to help in the comprehension of its concepts, structures, and the empirical literature on how it influences the fiscal performance of licensed commercial Kenyan banks. The significance of the chapter is to establish the probable knowledge gaps in the studies undertaken previously by researcher on the impact of board composition on the company's financial presentation and the moderating effect of firm size.

2.2 Theoretical Foundation

The literature review explores the work conducted by other scholars concerning the influence of governance on the value of listed firms. The section encompasses the detailed knowledge of related concepts and provides a platform on which the results will be built upon and in addition overcome the shortcomings of the study. Theories are essential in the various sections as they establish the phenomena and principles that relate to the topic. The theoretical framework depicts the interrelationship between different ideologies and provides the guidelines for the project or business endeavour (Lyon, 1977). The study focussed on the resource dependency, stakeholder, and agency theories.

2.2.1 Resource Dependency Theory

Pfeffer and Salancik (1978) postulated the Resource Dependency Theory (RDT). The theory holds that the board is a critical linkage between the company and the crucial resources required to achieve superior financial results and that organizations function depending on its

dependence level on its resources. In endeavouring to lessen dependency on specific resources as well as maintaining independence over other resources, organization operates upon their environments. Thus, the appointment of directors represents an organization's need for the skill set and resources such as financing (Pfeffer & Salancik, 1978). The theory opined that organizations have a way in which they select individuals with resources and qualities that they need and the organization is willing to pay them for their efforts and connections.

Pfeffer (1972) opines that a board allows a firm to minimize dependence or acquire resources. Pfeffer and Salancik (1978) further notes that there are four benefits which are brought about by directors to organizations; Legitimacy, preferential access to resources, information which comes through counsel and advices and accessibility to information channels between environmental contingencies and the firm. Provan (1980) discovered that firms which have the ability attracting and appointing influential member of community to join their board are able to gain important resources from the surroundings. Precisely, Pfeffer and Salancik (1978) discover that firms that are regulated ought to have more board members who are outsiders and mainly those who possess applicable experience. Luoma and Goodstein (1999) gives an affirmation to this, discovering that firms in industries that are more regulated usually have a bigger percentage of stakeholder's directors, while Johnson and Greening (1999) opine that corporate social performance is improved by having stakeholder's directors.

This theory is applicable to the current study as directors or members of the board are presumed to have different expertise in different fields, which is very important when making decisions on behalf of the company. In the past reviews on the literature of BOD it has been concluded that RDT is supported in many cases than other perspectives of the board (Zahra & Pearce,

1989; Johnson et al., 1996). Therefore, despite agency theory being used more than RDT in studying boards, the empirical literature up to now is of the opinion that RDT is a better lens for gaining understanding of boards.

2.2.2 Stakeholder Theory

Freeman (1984) coined the Stakeholder Theory advocating for the insertion of corporate accountability for the varied shareholders in an institution. The association is key in influencing the financial outcomes of a company. In perspective, the theory perceives the organization as an input-output model encompassing numerous shareholders of the company, such as the suppliers, employees, stockbrokers, administrative bodies, audit committee, and community with the stakeholders playing an input role and the output being a company's financial outcomes. The fundamental suggestion of the theory is that the organization's success in achieving accountability standards relies on how relationships with the firm stakeholders are successfully managed. When viewed as such, the conventional view that success is dependent only upon maximising shareholder wealth is left insufficient.

A stakeholder, according to Fernando (2009), is either an individual whose actions affect positively or negatively the attainment of business goals and objectives. Due to increased awareness, there is need for organizations to extend their financial planning through the use of audit committees in order to adapt to changing demands. The same applies for corporate disclosure, which should be incorporated in periodic or annual reports. Other theory experts believe that management in the company has a connection with staff, suppliers and business partners and is responsible for directing actions between external and internal groups. The theory further stipulates that in a typical business environment, all the stakeholders are equal

and should not be discriminated by the management since it creates a bad relationship, which can negatively affect productivity and decision-making (Sendjaya, Sarros, & Santora, 2016).

The theory links to the current study because managers must develop relationships and inspire their stakeholders, who are mainly shareholders and the public who deposit funds in the financial institutions. To achieve this, concrete corporate governance measures must be put in place, which includes setting up suitable board composition with the goal of maximizing shareholders wealth and safeguarding depositors' funds. Definitely, shareholders are a significant component and profits are significant part of this activity, however the issues of making profits does not play any role in driving the process of value creation but rather it is an end result.

2.2.3 Agency Theory

Jensen and Meckling advanced the Agency Theory in 1976. According to the theory, an association exists amongst the firm's shareholders (principals) and the managers and executives (agents) of the firm. Jensen and Meckling's (1976) von agency view point on the theory commends that the separation amongst possession and management could lead in agency difficulties being witnessed by modern firms. The principal who provides the agent with policymaking authority agency bears the expenses emanating from the discrepancy of shareholder's interest with those of firm's bosses.

The agency cost is defined as the aggregate of bonding expenses, monitoring costs and residual damages. Monitoring expenses refers to the cost incurred by the principal in constraining the negative actions of the agent. Bonding cost refers to the cost which is made by the agent in effort of convincing the principal of their commitment. The residual loss can be defined as the

differential between ownership input and the agent output. In spite of monitoring together with bonding expenses, experienced, residual loss will still be incurred because bosses together with stockholder interests not being completely unified. As per Jensen and Meckling (1976), alignment of interests happens when harmony exists amongst objectives of agents acting within a firm together with those of the firm in totality. Incentives like stock options, gratuities, and profit associated pay could be employed as a mechanism of bring into line the agents interest together with those of the principal interests since these are unswervingly connected to how well the findings of administration decision aids the shareholders. This requires for agents to carry out their jobs while maintaining the interest of the principal in mind. The agents are managed by regulations established by the principals with maximisation of shareholder value as the core aim (Jensen & Meckling, 1976). Nevertheless, Fama and Jensen (2005) caution that the managements' earnings should not be based on the company earnings as creates a toxic environment for managing the earnings of the company. To counter this aspect, audit committees have been established as a watchdog to ensure executives are kept in check.

This theory is applicable to this study as it brings out the role of corporate governance and audit committees as a go-between the ownership and management of companies and in solving agency conflict in the event it arises. Outside shareholders cannot costlessly observe the managers' actions, and the costs of adhering to the corporate governance code and constituting a BOD are some of the monitoring costs to ensure shareholders wealth is maximized.

2.3 Board Composition

This section will discuss on the measures of the board composition. These measures are board independence, gender diversity, CEO duality together with board size. Additionally, the control variable, firm size will also be highlighted.

2.3.1 Board Independence

This refers to the state in which a majority of the board director members having no association with the firm except under the capacity of directors. The board independence is essential as it allows for the guarantee of the owners' interest. Boards consist mainly of non-executive and executive directors.. Executive, in this context, refers to non-independent managers, while non-executive directors are self-governing directors. As indicated by Kumudini (2011), board arrangement that entails the composition of board in terms of non-executive and executive directors is the critical component of board structure. The internal leaders are in possession of information, which has relevance on the assessment of the competence of managers and the suitability of strategic initiatives. From this perspective, they can better understand the legitimate or illegitimate causes of the organization misfortunes (Vintila & Gherghina, 2012).

The internal directors are great stewards for the organizations and perform their duties in order to attaining greater benefits and better returns. However, the internal directors are unable to have a comprehensive evaluation of the strategic choices due to the influence of the CEO. Therefore, from the perspective of the shareholder theory, compelling board ought to contain a more substantial portion of non-executive directors, that are expected to perform better because of their autonomy from the directors of the firm. Enhanced director independence is essential and is intuitively appealing because the members of the board are more likely to turn down enhanced pay packages, challenge rationales behind different embarked strategies, and bears the scepticism necessary for sound monitoring (Kumudini, 2011).

2.3.2 Board Gender Diversity

The term denotes to gender representation on board directors in corporate firms. It mainly encompasses the percentage of men together with women who take up the position of board member (Carter et al., 2002). Gender diversity on a board as per Rose (2007) is attracting incredible attention from numerous parties like governments, companies, scholars together with the community as a whole. Gender diversity has upheld a high community profile due to the reports in the media, stockholder proposals by advocacy groups together with policy statements from main established shareholders.

There are a number of theoretical and empirical views about the connection of female representatives on boards of directors with company success. Carter et al. (2002) have established that gender diversity on the board has a positive effect on the company's performance, but only if the value of business size is less than some adverse value and the organization's scale can undermine the positive impact of board gender on the organisation's performance. Randøy et al. (2009) stated that high-presentation firms tend to hire more females as directors on the firm's board, hence there no being endogenous influence of board gender diversity plus fiscal presentation. As a result of the varied together with sometimes inconsistent findings in previous works, there is still no accord concerning the relationship amongst having females as directors in the board and company performance.

2.3.3 Board Size

The size of the Board indicates the number of board members it comprises. As per the Corporate Library's research, the typical board size is nine members; majority of boards have board director's range from three to thirty-one members. Some specialists think the perfect size is seven. To employees any additional committees, like nominating or governance,

additional members may be essential. Nevertheless, having more than nine board members may make the board too large to function efficiently (Adams, Hermalin & Weisbach, 2008).

It is generally believed that board size influence a firm's value. The number of directors who are serving in an organization measures the board size. Large boards increase the monitoring capacity of a firm since they are related with diversity with regards to skills, gender and nationality, but poor communication and slower decision making could make them less effective compared to small boards as well as agency problems arising as a result of some board members not playing their roles as effectively as required and coordination of activities and processes becomes complex. Small boards on the other hand may lack the expertise and opinion found in larger boards (Vintila & Gherghina, 2012). They also face the risk of expropriation of resources by the CEO and other inside directors since most time is spent pre occupied on decision making which leaves very little time for monitoring (Adams, Hermalin & Weisbach, 2008).

Empirical evidence pertaining to the relationship amongst the size of the board is mixed; some scholars contend that having a bigger board creates an opportunity for people with diverse backgrounds to work together. Scholars such as Cameron, Mora, and Leutscher (2011) argue that when the number of directors is increased it creates a vast pool of expertise, making diverse skills available in comparison to smaller boards. At the point when the idea of a bigger board is considered, it can be naturally accepted that bigger boards are ideal because they empower expertise from diverse areas.

2.3.4 Firm Size

Firm size means the scope and scale of operations of a firm (Ehikioya, 2009). Three main measures are applied when measuring firm size and they include, sales, market value of equity and total assets. The three measures are the mostly used measures of firm size in empirical studies done on corporate finance (Guest, 2008). Some characteristics of a company such as leverage and size depend on the firm value (Dogan,2013). Of all the firm's attributes, firms size is considered to be the most related to the firm value. In comparison to small firms, large firms have a higher capability of exploiting economies of scale, scope and more so have a higher ability of diversifying and having better and formalized processes and procedures. In addition, large firms are able to take up a profitable opportunity as it arises since they have a bigger capital resource.

On the contrast, large firms as a result of being sizeable tends to have rigid structures and bureaucracies which acts as a hindrance in case of a profitable opportunity arising that need immediate attention and this may lead to large firms being unprofitable in comparison to small firms due to simple decision making process in small firms and this can have a negative effect on performance of large firms (Goddard et al 2005; Banchuenvijit,2012). Reference to these arguments is anticipated to be an important predictor of firm value for the company. Nevertheless, the connection between company size and financial success varies. Amran and Ahmad (2009), Coleman & Biepkke (2006), Hossain et al (2001) showed that the three had a negative relationship between financial success and corporate size. On the other hand, (Ehikioya, 2009), Guest (2008) and Hannifa and Hudaib (2006) revealed positive association amongst financial performance and firm size. Ehikioya (2009) and Belkhir (2009) used natural logarithm of assets to measure the firm size.

2.4 Empirical Literature Review

Nandi and Ghosh (2012) examined the connection between firm characteristics, corporate management qualities and the degree of corporate transparency of listed companies in India. They used the Standard and Poor Index to measure the degree of corporate transparency. The study findings showed that corporate disclosures related positively to firm size, liquidity, profitability, duality of CEO, family control, the audit committee member's ratio to total members of the Board and board size. However, age of the firm, leverage, and board composition was found to be negatively related to degree of corporate disclosure. Board composition was related to corporate disclosure rather than financial performance, therefore presenting a conceptual gap. The research was not carried out in the banking environment and therefore a contextual gap was identified.

Eriotis et al. (2007) carried out a research examining the impact of company characteristics on the structure of capital in Greece. The study sample 63% of the listed firms in Athen Stock Exchange in 1996, which were 129 firms, and the period of study was 1997-2001. Determinant of capital structure as per the various explanatory theories were used to analyze the firms' characteristics. "The hypothesis that the debt ratio at time t relies on the size of the business at time t , its steady growth rate at time t and its rapid ratio of interest cover at time T was investigated." Using dummy variable, firms that hold a 50% and above debt ratio were selected. It was established that debt ratios of the firms were negatively related with quick ratio, growth and interest coverage ratio. The research did not analyse the impact on financial performance of the board's composition, thus showing a conceptual gap. The research was not conducted on the banking setting and a contextual gap was identified.

Arshad and Safdar (2009) examined the effect on the capital structure of listed Pakistan companies of corporate governance and ownership structures. The aim of the research was to determine the impact of ownership structure and corporate governance on the choices on capital structure, the impact on profitability and the size and impact of shareholding on finance decisions. The research found that ownership structure and corporate governance substantially affect the success of companies. The research used the ownership structure rather than the size of the company as the control variable that moderates the impact of board composition on financial performance, thus showing a conceptual gap. The research was not also carried out in the banking setting showing a contextual gap.

Bodaghi and Ahmadpour (2010) examined companies listed on the Tehran Stock Exchange to develop a corporate governance connection with capital structure. As a measure of corporate governance, the membership of the board and the size of the board were used. To examine the bearing of shareholding, institutional shareholding was used. Likewise, the effect of control variable such as profitability and firm size on the mechanism of firms financing was examined. It was discovered that board size, equity ratio and debt had a negative and significant correlation. Nonetheless, existence of non-executive directors and CEO/Chair duality was discovered not to be affected by corporate financing behaviour. However, control factors like company size and ROA have been shown to influence the capital structure substantially. The study findings implied that CG ratios such as ownership structure and size perform a critical part in determining the corporate structure of firms. The research was not carried out in the banking environment and therefore a contextual gap was identified.

Adeyemi and Fagbemi (2010) examined corporate governance, firm characteristics, and audit quality in Nigeria. The study was conducted due to the corporate failures and related fraud that had happened across the world and elevated doubts on the reliability of the financial and operation practices of reporting of listed firms in Nigeria. The study applied logistic regression and the findings revealed that the quality of audit is possibly improved by existence of ownership by non-executive directors. Furthermore, firm size as well as leverage were revealed as significant factors in audit quality of firms. The study concluded that companies with corporate governance practices enhance their audit quality as well as leverage levels, which consequently improves the performance of the firms. Board composition was related to audit quality rather than financial performance, therefore presenting a conceptual gap. The study was not done on the banking context, therefore identifying a contextual gap.

Anjathan (2013) examined existence of any relationship amongst certain corporate governance characteristic, profitability, and capital structure. During the period 2007-2012, a sample of companies was taken from the companies listed on the Nigerian stock exchange. CEO duality, board size, and board composition formed the independent variables while the dependent variables chosen were ROA, ROE, debt ratio, and debt to equity ratio. The results showed a positive association among the board composition, CEO duality, debt-to-equity ratio, debt ratio, ROE and ROA, while the composition of the board and its debt ratio were found to be negatively related. Additionally, CEO Duality was discovered to be related with debt ratio positively. Nevertheless, all the variables were found not to have significant association with profitability and capital structure. The research was not carried out in the banking environment and thus a contextual gap was shown.

Chepkosgei (2013) examined how Kenya's commercial banks' financial performance is affected by the makeup of the board. The investigation was carried out in a census studying the whole population. The research found that the percentage of non-executive directors; the ratio of female directors, average tenure, professional and board experience only predicted substantially CAR, ROA and ROE. The study did not utilize CEO duality as one of the measures of board composition and also it did not utilize company size as a control variable together with this presents a conceptual gap.

2.5 Conceptual Framework

Young (2003) opines that a conceptual framework denotes to a diagram that give an expression of the relationship amongst variables. In contrast, Mugenda and Mugenda 2008 refer to a conceptual framework as a visual or graphical representation which explains the principal variables of a research and their connection. In the current study, the independent variable is board composition; the moderating variable will be the firm size, while the dependent variable is financial performance. Clearly illustrated, the structure enables the researcher to make deductions. Figure 2.1 below exhibit the conceptual framework.

Independent Variables

Dependent Variable

Board Characteristics

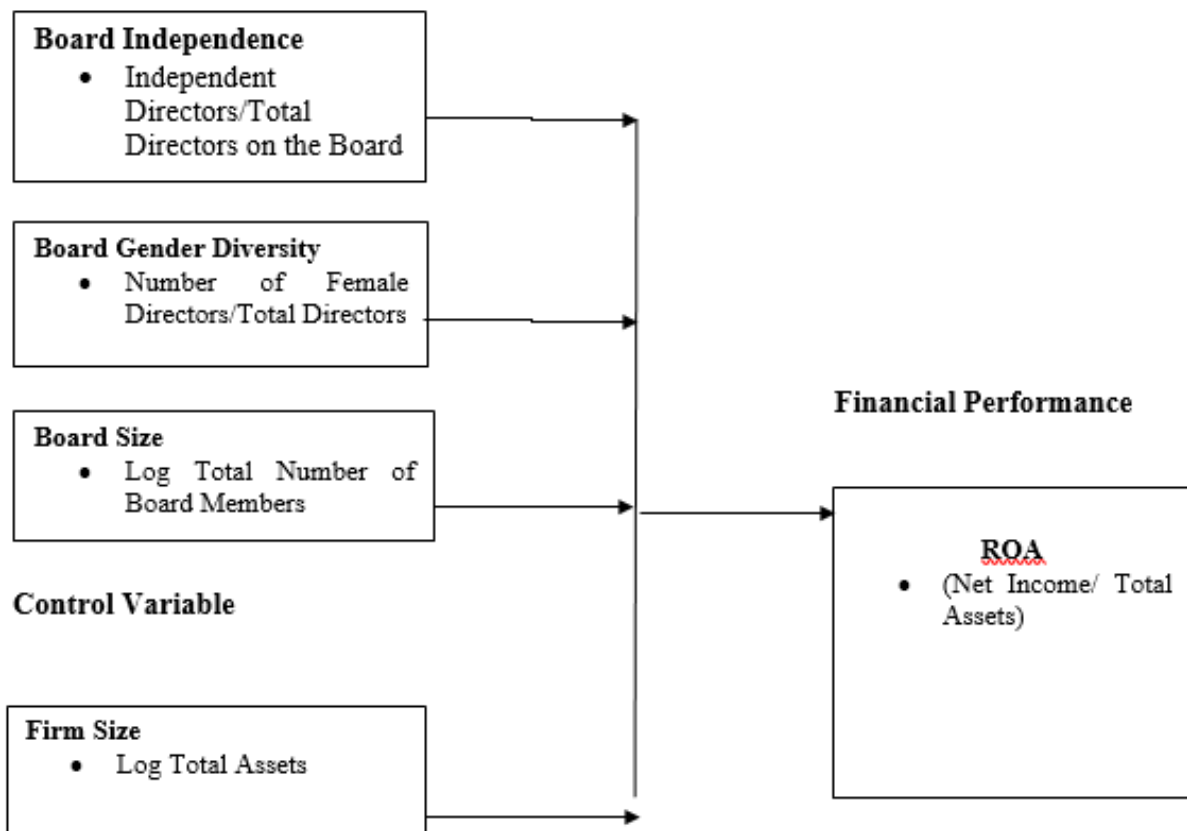


Figure 2.1: Conceptual Model

2.6 Summary of Literature Review and Research Gaps

Board independence is essential because the members of the board are more likely to turn down enhanced pay packages, challenge rationales behind different embarked strategies, and bears the scepticism necessary for sound monitoring (Kumudini, 2011). Board gender diversity positively impact the firms' performance when the firm value is below some critical value: Company size may impede the beneficial impact on corporate performance of board diversity (Carter et al., 2002). High-performing companies want to hire more women on boards; thus gender diversity does not affect financial performance (Randøy et al. 2009).

Small boards may lack the expertise and opinion found in larger boards. However, poor communication and slower decision-making could make big board less effective compared to small boards (Vintila & Gherghina, 2012). The negative connection between company size and performance between Amran and Ahmad (2009), Coleman and Biekpe (2006) and Hosain et al (2001) has been shown. Haniffa and Hudaib (2006), Ehikioya (2009) and Guest (2008), on the other hand, found favorable links between company size and business success.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter is the plan for the study where the technique of the investigation is presented. The chapter comprises several subsections which include research design expounding on the design applicable to the study, target population detailing the population of interest and sampling method applicable if any. Data collection is also looked into where data required is specified and how it is going to be collected. Finally, the chapter show the data analysis technique that will be applied by the researcher.

3.2 Research Design

The researcher will employ a causal research design throughout the investigation because the primary aim is to identify the cause and effect of the studied variables. Therefore, the design is applied due to the fact that it addresses the research objective by exploring the relationship of the variables of the study. This study will be formal since it borrows from applicable theories and it uses different literatures to guide it. It will also be an ex – post facto research study, because the variables are measured instead of modified. It is a field environment with the country as the unit of study. This design takes into account aspects such as the study technique, variables in research and methods of data collecting.

3.3 Target Population

Mugenda and Mugenda 2013 notes that a population is a grouping or set of individuals or entities sharing some observable traits. The population in this research included all 42 licensed

commercial banks, which are included in Appendix I. Since the whole population is examined, the research is categorized as a census.

3.4 Data Collection

The data collecting method is extremely significant since it affects the validity of the results of the research. Secondary data will be collected from the annual reports and financial statements of the individual listed companies. The yearly analytical unit is utilized. Data will be gathered from 2015 to 2019 on a yearly basis. Net income data, total assets, number of independent directors, total board directors and the number of women directors were collected from each annual report of each banks.

3.5 Data Analysis

In order to simplify the analysis, interpret and comprehend the data collected, it will be arranged, tabulated, and simplified. Upon organizing the data, the panel data will be analyzed through aid of statistical analysis software known as STATA Version 14. Multiple linear regression and correlation analysis will be done. Correlation analysis will be able to establish the strength and association board composition are associated with financial performance whereas the association of board composition and financial performance will be established using regression analysis. Tables have been utilized to show the analytical quantitative results.

The study will maintain the confidence level at 95%. At 0.05 level, the findings are set to be statistical significant and this means that for values to be significant they ought to be below 0.05 In forecasting financial reporting quality a statistical inference technique is used in concluding the accuracy of the model. The 95% confidence level will be applied in testing the

model significance. The significance values will determine how the predictor variables relates to the response variables.

3.5.1 Diagnostic Tests

Various assumptions are made so as to ensure the validity of the linear regression models. The assumption comprises: no Multi-linearity, random observational sampling, nil-conditional means. "The linear regression model is linear in parameters, spherical errors: no auto correlation and homoscedasticity and optional assumption. There are normal error terms distribution. OLS Regression estimators, Gauss-Markov theorem indicates, are the best linear unbiased estimators for the first five linear regression models (Grewal et al., 2004).

These assumptions are paramount when undertaking regression and violation of any of them would me that the regression estimates are rendered unreliable and incorrect. Precisely infringement would lead to the erroneous interpretation of the estimates of regression, which would lead to excessive, too broad or too narrow ranges of trust (Gall et al., 2006).

To guarantee that the assumptions are met such that the best linear unbiased estimators are available, the researcher ought to undertake diagnostic tests. Regression diagnostics evaluate model assumptions and test whether or not there are interpretations with a large, unjustified impact. The data collected will subjected to diagnostic test such as autocorrelation, multicollinearity, linearity and normality so as to find if it is appropriate for conducting linear regression model. The Shapiro-Francia test is used in testing for normality, which is suitable to evaluate Gaussian distributions with specific variance and average. Linearity means a straightforward proportionate connection between the dependent and the independent variable

following a matching variation. (Gall et al, 2006). To test for linearity, homoscedasticity will be determined and will be established by the Breusch-Pagan Cook-Weisberg Test for Homoscedasticity.

Variance Inflation Factors (VIF) will be applied in testing for multicollinearity and they will show whether or not the predictor variables have a significant correlation on each other. Grewal et al. (2004) noted that the main cause of multicollinearity is small sample sizes, poor measurement reliability and tiny explicit variables in independent variables. Durbin-Watson Statistic will test for existence of autocorrelation.

In addition, unit root testing will be performed on the panel data to prevent false regression results. The objective of unit root testing is to check that before starting estimating process, the macroeconomic parameters analysed have been integrated in order one (1, 1). The root test unit of the fishing type will be utilized. The Hausman specification test will be performed to determine whether the applied variables are consistent with a constant effect or change and a random effect over time. Variables have a random effect while the null hypothesis will be the variable with a fixed effect. Therefore, if the value of the meaning is lower than α (0.05) and the value of the alpha exceeds 0.05, the null hypotheses are rejected.

3.5.2 The Model of Analysis

A multiple linear regression analysis will be used to achieve the study's objectives, which will determine whether predictor variables have any influence on earnings quality. The statistical tests will be run at a 95% confidence level, which means the study will allow for a 5% margin of error. The model is depicted as follows:

$$Y_{i(t-1)} = \alpha + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + \epsilon$$

Where:

$Y_{i(t-1)}$ = Financial Performance

α = Constant

$\beta_1 - \beta_4$ = Beta coefficients

X_{1it} = Board Independence

X_{2it} = Board Gender Diversity

X_{3it} = Board Size

X_{4it} = Bank Size

ϵ = error term

Table 3.1: Operationalization of the Study Variables

Variable	Measurement
Financial Performance	Denoted by ROA; Net Income/Total Assets (Khrawish, 2011).
Board Independence	Denoted as; Independent Directors/Total Directors on the Board (Campbell & Mínguez-Vera, 2008).
Board Gender Diversity	Denoted as; No. of Female Directors/Total Directors on the Board (Kang et. al., 2007).
Board Size	Logarithm of total directors on the board (Lipton & Lorsch, 1992).
Bank Size	Natural logarithm of average value of book of entire properties of a bank during the period (Munyambonera, 2011).

3.5.3 Tests of Significance

The study will maintain the confidence level at 95%. At 0.05 level, the findings are set to be statistical significant and this means that for values to be significant they ought to be below 0.05. In forecasting financial reporting quality a statistical inference technique is used in concluding the accuracy of the model. The 95% confidence level will be applied in testing the model significance. The significance values will determine how the predictor variables relate to the response variables.

CHAPTER FOUR

DATA ANALYSIS, RESULTS, AND FINDINGS

4.1 Introduction

In this part, the researcher provides the results of the analysis, interprets and discusses the results for the study purpose. The chapter is broken down into four sections, which consists of response rate, diagnostic test, inferential statistics findings and finally interpretation and discussion of findings.

4.2 Response Rate

This study had a population target of all 42 commercial banks operating in Kenya as indicated in Appendix I. A census was done to investigate the banks. Nonetheless, three banks, including Mayfair Bank, Chase Bank and Dubai Bank, were ousted from the study by having been licensed or discontinued operations within this time of investigation. The study therefore only used data from 39 commercial banks to perform the analysis.

4.3 Diagnostic Tests

Prior to undertaking a linear regression, it is advisable that diagnostics tests be done on the data collected. With regards to the current study, several diagnostics test were undertaken and they comprised of; autocorrelation tests, homoscedasticity tests, multicollinearity tests and normality tests. VIF were used in carrying out the data multicollinearity tests whereas Durbin-Watson statistics tested for autocorrelation. Fisher-type unit root test did the unit root test. The Hausman test was also conducted to determine if regression of fixed or variable effects by the panel should be performed.

4.3.1 Normality Test

Table 4.1 below shows the normalcy results for the variables used in the research.

Table 4.1: Shapiro-Francia Test for Normality

Variable	Obs	W'	V'	z	Prob>z
ROA	185	0.62206	57.578	8.338	0.00001
BoardIndip~e	185	0.06075	143.094	10.211	0.00001
BoardGende~y	185	0.97124	4.382	3.039	0.00119
LogBoardSize	185	0.98328	2.547	1.923	0.02721
BankSize	185	0.95943	6.181	3.747	0.00009

The above results show that the data followed a normal distribution. A meaning level of 5% was used in the research. The significance value of all the data series used in this research was below 0.05 and thus rejected the null hypothesis. This implied that the variables in the data series were not normally distributed. The variables were therefore normalized to normalize skewed data.

4.3.2 Homoscedacity Test

Table 4.2 includes homoscedacity tests of every independent variable used in the research. The null hypothesis is that there is no homoscedasticity. The study employed a 5% significance levels. The study findings established significance value of (Prob > chi2= 0.0000) that are below the alpha value of 0.05 leading to rejection of null hypothesis. This implied that all the predictor variable data series are heteroscedastic. The research used robust standard error which is an approach to heteroscedasticity of unbiased standard errors in OLS coefficients.

Table 4.2: Breusch-Pagan/Cook-Weisberg Test for Homoscedacity

Ho: Constant variance	
Variables: fitted values of ROA	
chi2(1)	= 45.00
Prob > chi2	= 0.0000

4.3.3 Test for Multicollinearity

In testing for multicollinearity, VIF were carryout and table 4.3 below exhibit the findings.

Table 4.3: VIF Multicollinearity Statistics

Variable	VIF	1/VIF
----------	-----	-------

BankSize	2.1	0.475986
LogBoardSize	2.03	0.492086
BoardGende~y	1.12	0.891489
BoardIndip~e	1.04	0.95737
Mean VIF	1.47	

In statistics, the general principle is that the VIF values ought to be more than 1 and less than 10. According to this study findings, the VIF values for all the independent variables applied are greater than 1 and less than 10. This shows that the independent variables used in the research have no multi-linearity.

4.3.4 Tests for Autocorrelation

In autocorrelation testing amongst the predictor variables, the researcher used the Durbin Watson statistics. As per the findings the Durbin Watson d statistics is $(5, 185) = 1.081268$. Normally, the Durbin Watson statistics is between value 0 and 4. The value of 2 is revealed in instance where there is no autocorrelation. When the Durbin Watson value is between 0 and below 2, this means that positive autocorrelation exists whereas on the other hand a value more than 2 and less than 4 shows that there is negative autocorrelation. A general principle in statistic indicates that when the Durbin Watson statistic ranges between 1.5 to 2.5 it is regarded as relatively normal and value not ranging within there are value which are of concern (Shenoy & Sharma, 2015). Field (2009) says nevertheless that readings over 3 and below 1 are a significant cause to worry. Nonetheless, the panel data applied in the current study do not have autocorrelation because they are not within the stated threshold.

4.3.5 Unit Root Test

Table 4.4 following presents the unit root test findings, which was undertaken on the data series on financial performance.

Table 4.4: Unit Root Test for Financial Returns

Fisher-type unit-root test for ROA			
Based on augmented Dickey-Fuller tests			
Ho: All panels contain unit roots		Number of panels =	39
Ha: At least one panel is stationary		Avg. number of periods =	4.74
AR parameter: Panel-specific		Asymptotics: T -> Infinity	
Panel means: Included			
Time trend: Not included			
Drift term: Not included		ADF regressions: 0 lags	
Statistic		p-value	
Inverse chi-squared(78)	P	256.9325	0.0000
Inverse normal	Z	-5.2260	0.0000
Inverse logit t(184)	L*	-9.2694	0.0000
Modified inv. chi-squared	Pm	14.3261	0.0000

The null hypothesis shows that financial performance is rooted in a unit but the alternative hypothesis is that the variable is stationary. Since the meaning of all P, Z, L* and Pm tests are below the confidence level alpha value at 5%, the null hypothesis is denied which means that the data is stationary.

Table 4.5 below exhibit the findings of the unit root test done on the board independence panel data. According to the null hypothesis, there is unit root in board independence whereas the alternative hypothesis holds that there is stationary of the variable. While both values of Z, L* are greater than zero, both P and Pm are both lower than the 0.05 alphave threshold. In case of disagreement in testing, the inverse chi-squared and modified inv. chi-squared are selected. Thus, the null hypothesis is rejected. The series of data are stationary.

Table 4.5: Unit Root Test for Board Independence

Fisher-type unit-root test for Board Independence

Based on augmented Dickey-Fuller tests

Ho: All panels contain unit roots Number of panels = 39

Ha: At least one panel is stationary Avg. number of periods = 4.74

AR parameter: Panel-specific Asymptotics: T -> Infinity

Panel means: Included

Time trend: Not included

Drift term: Not included ADF regressions: 0 lags

Statistic p-value

Inverse chi-squared(78) P 147.7993 0.0000

Inverse normal Z 0.8109 0.7913

Inverse logit t(179) L* -1.2858 0.1001

Modified inv. chi-squared Pm 5.5884 0.0000

Table 4.6 below exhibit the findings of the unit root test undertaken on the board independence panel data. According to the null hypothesis, there is unit root in board gender diversity whereas the alternative hypothesis holds that there is stationary of the variable. Since the meaning of all P, Z, L* and Pm tests are below the confidence level alpha value at 5%, the null hypothesis is denied which means that the data is stationary.

Table 4.6: Unit Root Test for Board Gender Diversity

Fisher-type unit-root test for Board Gender Diversity

Based on augmented Dickey-Fuller tests

Ho: All panels contain unit roots Number of panels = 39

Ha: At least one panel is stationary Avg. number of periods = 4.74

AR parameter: Panel-specific Asymptotics: T -> Infinity

Panel means: Included

Time trend: Not included

Drift term: Not included ADF regressions: 0 lags

Statistic p-value

Inverse chi-squared(78) P 141.4153 0.0000

Inverse normal Z -1.9218 0.0273

Inverse logit t(184) L* -3.2449 0.0007

Modified inv. chi-squared Pm 5.0773 0.0000

Table 4.7 following exhibit the findings of unit root test undertaken on the data series on board size.

Table 4.7: Unit Root Test for Board Size

Fisher-type unit-root test for Board Size			
Based on augmented Dickey-Fuller tests			
Ho: All panels contain unit roots		Number of panels =	39
Ha: At least one panel is stationary		Avg. number of periods =	4.74
AR parameter: Panel-specific		Asymptotics: T -> Infinity	
Panel means: Included			
Time trend: Not included			
Drift term: Not included		ADF regressions: 0 lags	
		Statistic	p-value
Inverse chi-squared(78)	P	0.0000	1.0000
Inverse normal	Z	.	.
Inverse logit t(4)	L*	.	.
Modified inv. chi-squared Pm		-6.2450	1.0000

Board size as per the null hypothesis has unit root whereas the alternative hypothesis holds that the variables are stationary. Since P and Pm mean value tests are above the alpha value at the trust level of 5%, the null hypothesis is not rejected indicating that the board size is root.

Table 4.8 below exhibit the findings of the unit root test undertaken on the bank size panel data. According to the null hypothesis, there is unit root in board gender diversity whereas the alternative hypothesis holds that there is stationary of the variable. Since all of the significance values for tests P, Z, L* and Pm are below 5% of the alpha value, the null-hypothesis is rejected and the data are stationary.

Table 4.8: Unit Root Test for Bank Size

Fisher-type unit-root test for Bank Size				
Based on augmented Dickey-Fuller tests				
Ho: All panels contain unit roots		Number of panels =		39
Ha: At least one panel is stationary		Avg. number of periods =		4.74
AR parameter: Panel-specific		Asymptotics: T -> Infinity		
Panel means: Included				
Time trend: Not included				
Drift term: Not included		ADF regressions: 0 lags		
		Statistic		p-value
Inverse chi-squared(78)	P	119.5183		0.0017
Inverse normal	Z	4.2338		1.0000
Inverse logit t(174)	L*	2.3455		0.9899
Modified inv. chi-squared	Pm	3.3241		0.0004

4.3.6 Test for Random and Fixed Effects

The investigator conducted the Hausman test to see if the factors had a fixed impact or random and changing influence gradually. The variables have to be changed since normality, homoscedasticity and stationary requirements were not fulfilled before the Hausman test. Since not all the variables used had met the normality condition, they were standardised in order to correct the normality. The "robust standard errors" approach for identifying unbiased standard mistakes in OLS coefficients during heteroscedasticity was used because of the series of predictors used during the study showing heteroscedasticity. The unit root of the data series on board size was first differentiated as unit root remedy. Table 4.9 below present the findings on the Hausman test of specification.

Table 4.9: Hausman Test of Specification

	(b) fe	(B) re	(b-B) Difference	sqrt(diag(V_b-V_B)) S.E.
BoardIndip~e	-.0028039	-.0039675	.0011636	.0001686
BoardGende~y	.0149244	.0039363	.0109881	.0138626
LogBoardSize	.0265077	-.033276	.0597837	.0730631
BankSize	.0331931	.016927	.0162661	.0055752

b = consistent under H_0 and H_a ; obtained from xtreg

B = inconsistent under H_a , efficient under H_0 ; obtained from xtreg

Test: H_0 : difference in coefficients not systematic

$$\chi^2(4) = (b-B)'[(V_b-V_B)^{-1}](b-B)$$

$$= 55.22$$

$$\text{Prob}>\chi^2 = 0.0000$$

In this test the null hypothesis was that the variables have random effect whereas the variables have fixed effect was the alternative hypothesis. The null hypothesis would be rejected if the significance value produced is below the alpha value α of 0.05 whereas on the contrast it would not be rejected when the significance value is greater the alpha value α of 0.05. If the statistics of the Hausman chi-square tests are negative the alternative hypothesis taken since the p value equals asymptotically 1. As indicated by the findings ($\text{Prob}>\chi^2=0.0000$), the variables have a fixed effect and a fixed effect panel model will be applied. This is a result of the significance value being below the alpha value of 0.05, which lead to rejection of the null hypothesis.

4.4 Inferential Statistics

The researcher did the inferential statistics with the aim of establishing the association, direction, and strength of the relationship amongst board composition on the financial performance. The inferential statistics were carried out using an examination of correlation and multiple linear regression.

4.4.1 Correlation Analysis

Correlation analysis shows the connection between two variables. The relationship ranges from very negative to perfectly favorable. The researcher used the Pearson correlation analysis for the connection of the different independent factors on financial performance of business banks (board size, CEO duality, bank size, board independence and board of gender diversity). The research was conducted at 95% confidence and a two-tail test was employed .

As shown in Table 4.10, with an impact of 5%, there is a strong connection between bank size, board size and board independence and financial performance of the commercial banks. Moreover, the results show that the independence of the board is adversely linked to financial success, while there is a positive connection between bank size and financial performance among the board size. At significance level of 5% both CEO duality and board gender diversity are found to have not significant association with financial performance.

Table 4.10: Correlation Analysis

	ROA	BoardIndip ^{ve}	BoardGend ^{ry}	CEODual ^{ty}	LogBoar ^{de}	BankSize
ROA	1.0000					
BoardIndip ^{ve}	-0.4791 ⁺ 0.0000	1.0000				
BoardGend ^{ry}	0.0655 0.3754	0.0617 0.4041	1.0000			
CEODual ^{ty}	0.1162 0.1152	-0.0184 0.8038	0.2096 ⁺ 0.0042	1.0000		
LogBoardSize	0.2935 ⁺ 0.0001	-0.0889 0.2291	-0.0647 0.3818	0.0377 0.6101	1.0000	
BankSize	0.4938 ⁺ 0.0000	-0.1744 ⁺ 0.0176	0.1127 0.1267	0.0090 0.9033	0.6936 ⁺ 0.0000	1.0000

4.3.2 Multiple Linear Regression

In a panel multiple regression study, the impact of board membership and bank size on financial performance was demonstrated at a significant level of 5%. The researcher compared the significance value shown in the ANOVA model with those got from the study. Table 4.11 below exhibits the findings.

The R^2 indicates that the variations in the dependent variable (financial performance) which emanates from the changes in the independent variables. The overall R^2 value from the findings is 0.2979 which implies that 29.79% of financial performance changes are as a result of changes in bank size and board composition. This implied that other variables which are not incorporated in the model are attributable to the 71.21% of the changes in financial performance.

Table 4.11: Panel Multiple Linear Regression

Fixed-effects (within) regression	Number of obs	=	185
Group variable: A	Number of groups	=	39
R-sq: within = 0.2814	Obs per group: min	=	3
between = 0.3824	avg	=	4.7
overall = 0.2979	max	=	5
	F(4,142)	=	13.90
corr(u_i, Xb) = -0.7474	Prob > F	=	0.0000

ROA	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
BoardIndipendence	-.0028039	.0006956	-4.03	0.000	-.0041789	-.0014289
BoardGenderDiversity	.0149244	.0202856	0.74	0.463	-.0251764	.0550252
LogBoardSize	.0265077	.0792905	0.33	0.739	-.1302347	.1832501
BankSize	.0331931	.006453	5.14	0.000	.0204368	.0459494
_cons	-.6097651	.1383751	-4.41	0.000	-.8833065	-.3362238
sigma_u	.0399232					
sigma_e	.0212738					
rho	.77884758	(fraction of variance due to u_i)				

F test that all u_i=0:	F(38, 142) =	5.61	Prob > F = 0.0000
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The null research hypothesized that both the size of the bank and the makeup of the board had no substantial financial effect. The results showed a meaning value ($\text{Prob}>F=0.0000$) below 0.05 which causes null hypothesis to be rejected. This meant that the size and makeup of the banks and the boards together substantially influenced the performance of commercial banks. This thus implies that the financial performance of commercial banks may be predicted.

The null hypothesis also found that each element of the board composition and the size of the banks had no significant connection with financial success. The research showed that bank size and board independence had a substantial connection with financial success, since the significance values were below the crucial 0.05 alpha value resulting in a rejection of null hypotheses. In addition, the results show that board independence impacted financial performance substantially and adversely, whereas bank sizes had a considerable beneficial effect on financial performance. Rather, the board concluded that gender diversity had no meaningful impact on financial performance because its meaning value was greater than the crucial alpha value of 0.05.

The beta coefficient of board independence means that an increment of board independence with a unit would signify a decline in financial performance with 0.0028039 units. Conversely, the Beta coefficient of bank size suggests that an increment in bank size with a unit would translate in 0.033191 units increase on financial performance.

4.4 Interpretation and Discussion of Findings

The research focused on the impact of the makeup of the board on Kenyan commercial banks' financial performance. The research also looked at the effect of bank size on the financial

performance of commercial banks in Kenya. The variables have to be changed since the normality, homoscedasticity and fixed requirements were not satisfied. Since all the variables used had not met the normality condition, they were standardised in order to correct the normality. The "robust standard errors" approach for identifying unbiased standard mistakes in OLS coefficients during heteroscedasticity was used because of the series of predictors used during the study showing heteroscedasticity. The unit root of the data series on board size and CEO duality were first differentiated as unit root remedy.

The results of the research showed that a substantial 5% relationship exists between bank size, board size and board independence and the financial performance of commercial banks. Furthermore, the results showed that the independence of the Board is detrimental to financial success, but there is a positive relationship between the size of the bank and the size of the Board and the financial performance. At 5%, both CEO duality and Board diversity show no remarkable connection with financial success.

The research found that the size of the board is negatively linked to financial performances in contradiction with Kumudini's (2011) finds that internal managers are major stewards of companies and execute their responsibilities in order to get larger advantages and higher returns. However, the internal directors are unable to have a comprehensive evaluation of the strategic choices due to the influence of the CEO. Therefore, from the perspective of the shareholder theory, compelling board ought to contain a more substantial portion of non-executive directors, that are expected to perform better because of their autonomy from the directors of the firm. Enhanced director independence is essential and is intuitively appealing because the members of the board are more likely to turn down enhanced pay packages,

challenge rationales behind different embarked strategies, and bears the scepticism necessary for sound monitoring.

The study findings of board gender diversity having not significant association with financial performance disagreed with the findings of Carter et al. (2002) that several theoretical and empirical opinions exist concerning the association amongst female representation on boards of directors together with the performance of companies. established that on a firm's board, gender diversity has a positive influence on a company's performance but only if the value of firm size is less than some dire value and that the size of the organization may weaken the positive influence of board gender variety on presentation of the organization. Randøy et al. (2009) stated that high-presentation firms tend to hire more females as directors on the firm's board, hence there no being endogenous influence of board gender diversity plus fiscal presentation. As a result of the varied together with sometimes inconsistent findings in previous works, there is still no accord concerning the relationship amongst having females as directors in the board and company performance.

The results show that the CEO's duality is in no substantial disagreement with the claims made by Mr Gill and Mr Mathur (2011b), Mr Aygün and Mrs Kamo (2010), Mrs Ujunwa (2012), Mr Chen et al. (2005) who created a negative link between duality and company presentation. On the other hand, Yu (2008), Gill and Mathur (2011a), Peng et al. (2007), Baptista et al. (2011) and Lam and Lee (2008) have shown a positive link between duality and company performance. The research results, however, are consistent with the findings of Yu (2008), Valenti et al. (2011), Abdullah (2004), and Faleye (2007), which showed that duality had little effect on the performance of companies.

The results of the research showing board size has a positive relationship with financial success contradict with Vintila and Gherghina's (2012) arguments that board size has an impact on the value of a company. The number of directors who are serving in an organization measures the board size. Large boards increase the monitoring capacity of a firm since they are related with diversity with regards to nationality, gender and skills, but poor communication and slower decision making could make them less effective compared to small boards as well as agency problems arising as a result of some board members not playing their roles as effectively as required and coordination of activities and processes becomes complex. Small boards on the other hand may lack the expertise and opinion found in larger boards. They also face the risk of expropriation of resources by the CEO and other inside directors since most time is spent pre occupied on decision making which leaves very little time for monitoring (Adams, Hermalin & Weisbach, 2008).

The study finding that is in tandem with scholars such as Cameron, Mora, and Leutscher (2011), who argue that when the number of directors is increased it creates a vast pool of expertise, making diverse skills available in comparison to smaller boards. At the point when the idea of a bigger board is considered, it can be naturally accepted that bigger boards are ideal because they empower expertise from diverse areas.

The findings that bank size has a positive significant association with financial performance is in contrast to findings by Goddard et al. (2005) and Banchuenvijit (2012) which states that large firms as a result of being sizeable tends to have rigid structures and bureaucracies which acts as a hindrance in case of a profitable opportunity arising that need immediate attention and

this may lead to large firms being unprofitable in comparison to small firms due to simple decision making process in small firms and this can have a negative effect on performance of large firms (Goddard et al., 2005; Banchuenvijit, 2012). The size of the company is anticipated to be a major determinant of business value. However, the connection between company size and financial success is different. Amran and Ahmad (2009), Coleman and Biepkke (2006) and Hossain et al. (2001) showed that the three had a negative financial performance and company size relationship. On the other hand, (Ehikioya, 2009), Guest (2008) and Hannifa and Hudaib (2006) found a positive relationship amongst financial performance and firm size. This was in tandem with the current study finding.

Anjathan (2013) examined existence of any relationship amongst certain corporate governance characteristic, profitability, and capital structure. The results showed a favorable relationship between CEO size and financial success. CEO duality. The research found that the board size has a favorable relationship with financial success is consistent with the study findings. However, this research fails to take into account the conclusion that CEO Duality has no meaningful connection with financial success

CHAPTER FIVE

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

5.1 Introduction

This chapter includes the results of the previous chapter, where the conclusions are summed together, and the researchers suggest the impact of the makeup of the Board on financial success. More topics to be investigated are also suggested.

5.2 Summary of Findings

The objective of the research was to assess how the makeup of the Board has impacted commercial banks' financial performance in Kenya. The researchers also sought to assess the impact of the commercial bank size in Kenya. The study embraced both correlation and regression analysis. The annual unit of analysis used for five years' period ranging 2015 to 2019 and data collected on the same. The study was conducted over a five-year period, using data collected from 39 commercial banks, which represented the study response rate. All licensed commercial banks were included in the study's population. Three banks were removed from the analysis, including Mayfair Bank, Chase Bank, and Dubai Bank, since they were given licenses or delicensed within the period of study.

The research of the correlations found that the independence of the board, the size of the board and banks are significantly linked to financial success. Financial performance is negatively linked to the independence of the board and financial performance is contrastingly favorably with board size and bank size. At 5%, gender diversity does not have an important connection with financial success.

Multiple linear regression panel Fixed effects showed that Board independence and the size of the bank had a significant relationship to financial success. The size of the bank has a substantial positive impact on financial success, while the independence of the board has a big negative influence. However, the variety of boards and boards have no significant effect on financial performance.

5.3 Conclusion

This section provides an assessment of the effect of the makeup of the board on the financial performance of the Kenyan commercial banks. The researchers also sought to investigate how the variable control, bank size and financial performance impacted. The present research showed that the independence of the Board is significantly unfavourable and related to financial success. The research also found that the bank's size and financial performance are very favourable. Finally, the study found that the diversity and size of the Committee on Gender are not significantly related to financial success.

5.4 Recommendations

The results of this study will help further research into the subject of the board composition and its impact on financial performance. The research results will be referred to later by students interested in the composition and the impact of the board on financial performance. Political proposals are submitted to the National Treasury and the CBK. Because several board composition elements have been shown to significantly impact financial performance of commercial banks in Kenya, commercial and other financial organisations, policymakers should apply corporate governance standards that ensure appropriate membership of the boards and compliance with a corporate governance code. The guidance will be used as a reference in

developing policies and procedures aimed at strengthening the financial system and reducing default rates.

As shown in the research, certain components of board composition and the size of the bank have a substantial effect on commercial banks' financial performance. The research advises, therefore, that commercial banks strive to increase their banking size and board membership, which will assist enhance their financial performance. The results further showed that CEO duality and gender diversity have a little impact on financial performance and thus bank practitioners should concentrate on other composition aspects, such as board size and board independence.

5.5 Limitations of the Study

Owing to time and budget limits, the research period was limited to five years, from 2015 to 2019. As a result, it is not given whether the results will last for a longer period of time. Additionally, because of differing conditions, it was unclear whether comparable outcomes would last beyond 2019.

Some of the data, particularly data on specific firms, was not readily available because the study used secondary sources of data, and obtaining it took a long time and a lot of money. Some data, such as the ROA, could not be incorporated in its raw form, necessitating further calculations and data modification. As a result, a delay was looming because information needed to be received and processed ahead of compilation by the researcher.

The study aimed on studying the complete populace of the licensed commercial banks Kenya, this was however not possible as some had been discontinued or license within the period being

studied. Although there are many board features, the study only looked at four: board size, CEO duality, board gender diversity and board independence. As seen in the study's model description, the model utilized did not explain much variance in financial performance. Many other elements influence financial performance that were not taken into account in the model.

5.6 Recommendations for Further Study

Further research on gaps found in this study should be done. The research focused on the impact of board composition and bank size on banks' financial performance in Kenya. Therefore, a similar study can be done in other manufacturing firms in Kenya or firms in other sectors and this may be used as comparatives.

The coverage of the current study was 5 years; further research is suggested to be done for a longer period and confirm whether the same findings will hold. Therefore, researcher in future should consider wider time frame for instance from 1970 till data. Similar study could also be done but widened so as not to be limited to commercial banks in Kenya. This could cover east African countries commercial banks or Africa at large.

The current study utilized secondary data, in further researchers to be undertaken, primary data should be considered where it will be collected using interviews or questioners administered to banks managements. These findings would either complement or oppose the current study findings. Other data analysis techniques apart from correlation and multiple regressions analysed that was applied to analysed data in the current study should be employed. For instance, the future researcher could adopt cluster analysis, factor analysis of granger causality.

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APPENDICES

Appendix 1: List of Commercial Banks in Kenya as at 29th February, 2020

- | | |
|---|---|
| 1. Absa Bank Limited | 20. Guaranty Trust Bank |
| 2. African Banking Corp. Ltd | 21. First Community Bank Ltd |
| 3. Bank of Africa Kenya Ltd | 22. Guardian Bank Ltd |
| 4. Bank of India | 22. Gulf African Bank Ltd |
| 5. Bank of Baroda (K) Ltd | 24. Habib Bank A.G. Zurich |
| 6. Stanbic Bank Ltd | 25. HFC Ltd |
| 7. Chase Bank (K) Ltd (In Receivership) | 26. Imperial Bank Ltd (In Receivership) |
| 8. Citibank N.A. | 27. I & M Bank Ltd |
| 9. Consolidated Bank of Kenya Ltd | 28. Jamii Bora Bank Ltd |
| 10. Co-operative Bank of Kenya Ltd | 29. KCB Bank Kenya Ltd |
| 11. Credit Bank Ltd | 30. Mayfair Bank Ltd |
| 12. Development Bank (K) Ltd | 31. Middle East Bank (K) Ltd |
| 13. Diamond Trust Bank (K) Ltd | 32. M Oriental Bank Ltd |
| 14. Dubai Bank Ltd (In Receivership) | 33. National Bank of Kenya Ltd |
| 15. Dubai Islamic Bank (Kenya) Ltd | 34. NCBA Bank Kenya |
| 16. Ecobank Limited | 35. Paramount Universal Bank Ltd |
| 17. Spire Bank | 36. Prime Bank Ltd |
| 18. Equity Bank Ltd | 37. Sidian Bank |
| 19. Family Bank Ltd | 38. Standard Chartered Bank (K) Ltd |

39. SBM Bank (Kenya) Ltd

40. Transnational Bank Ltd

41. UBA Kenya Bank Ltd

42. Victoria Commercial Bank Ltd

Source: Kenya Bankers Association Website (2020)

Appendix II: Data Collection Form

Name of Commercial Bank	Year				
	2015	2016	2017	2018	2019
Data					
Net Income					
Total Assets					
Return on Assets					
Number of Independent Directors					
Total Directors on the Board					
Board Independence					
Number of Female Directors					
Board Gender Diversity					
Board Size (Log Total Directors on the Board)					
Bank Size (Ln Total Assets)					

Appendix III: Research Data

	COMPANY	Year	Net income	Total assets	ROA	Board Independence	Board Gender Diversity	Board Size	Log Board Size	Total assets	Bank Size
1	ABC Bank	2015	182655	22617744	0.008076	0.142587	0.45578	5	0.69897	22617744	16.93425
1		2016	66847	22864968	0.002924	0.156601	0.341121	5	0.69897	22864968	16.94512
1		2017	166143	25586668	0.006493	0.182902	0.300785	5	0.69897	25586668	17.05758
1		2018	11508	27925990	0.000412	0.198897	0.366607	5	0.69897	27925990	17.14507
1		2019	68958	29395753	0.002346	0.149015	0.25037	5	0.69897	29395753	17.19636
2	Bank of Africa	2015	-1023361	69280267	-0.01477	0.232486	0.140646	9	0.954243	69280267	18.05367
2		2016	10470	55995671	0.000187	0.260567	0.185831	9	0.954243	55995671	17.84078
2		2017	67618	54191291	0.001248	0.281607	0.049129	9	0.954243	54191291	17.80803
2		2018	173073	49080859	0.003526	0.338338	0.097735	9	0.954243	49080859	17.70898
2		2019	-2039838	43996118	-0.04636	0.413896	0.08974	9	0.954243	43996118	17.59961
3	Bank of Baroda	2015	2026117	68177548	0.029718	0.075441	0.525061	6	0.778151	68177548	18.03763
3		2016	2946759	82907475	0.035543	0.084557	0.510959	6	0.778151	82907475	18.23324
3		2017	3922996	96132100	0.040808	0.05864	0.545007	6	0.778151	96132100	18.38123
3		2018	3929580	1.23E+08	0.031944	0.088242	0.480539	6	0.778151	1.23E+08	18.62781
3		2019	4092768	1.43E+08	0.028559	0.082817	0.4533	6	0.778151	1.43E+08	18.78053
4	Barclays Bank	2015	8401000	2.41E+08	0.034877	0.04199	0.245258	17	1.230449	2.41E+08	19.2998
4		2016	7399000	2.6E+08	0.028489	0.05212	0.484903	17	1.230449	2.6E+08	19.37511
4		2017	6926000	2.72E+08	0.025503	0.055575	0.397802	17	1.230449	2.72E+08	19.41974
4		2018	7416000	3.25E+08	0.022797	0.061028	0.276666	17	1.230449	3.25E+08	19.6003
4		2019	7456077	3.74E+08	0.019937	0.056016	0.229708	17	1.230449	3.74E+08	19.73972
5	Bank of India	2015	1107937	42162947	0.026278	0.020248	0.638179	8	0.90309	42162947	17.55705
5		2016	1640905	47815075	0.034318	0.013942	0.664973	8	0.90309	47815075	17.68285
5		2017	2088671	56630656	0.036882	0.020719	0.6089	8	0.90309	56630656	17.85206

5		2018	1935113	62689134	0.030868	0.071348	0.660352	8	0.90309	62689134	17.9537
5		2019	2341091	62543244	0.037432	0.093559	0.573227	8	0.90309	62543244	17.95137
6	Citibank	2015	3400960	88147287	0.038583	0.058022	0.389044	5	0.69897	88147287	18.29452
6		2016	3432189	1.03E+08	0.033218	0.019204	0.327588	5	0.69897	1.03E+08	18.45338
6		2017	3910416	98231911	0.039808	0.036807	0.164565	5	0.69897	98231911	18.40284
6		2018	3161772	85638687	0.03692	0.016216	0.139971	5	0.69897	85638687	18.26565
6		2019	2932682	96570193	0.030368	0.025674	0.178053	5	0.69897	96570193	18.38578
7	Commercial Bank of Africa	2015	3592324	2.16E+08	0.01666	0.105893	0.190083	9	0.954243	2.16E+08	19.18905
7		2016	6592725	2.29E+08	0.028747	0.074548	0.165615	9	0.954243	2.29E+08	19.25069
7		2017	5686595	2.46E+08	0.023137	0.083097	0.053454	9	0.954243	2.46E+08	19.31994
7		2018	5542081	2.45E+08	0.022611	0.079748	0.245705	9	0.954243	2.45E+08	19.3172
8	Consolidated bank	2015	44422	14135528	0.003143	0.05533	0.462548	5	0.69897	14135528	16.4642
8		2016	-211360	13917895	-0.01519	0.117572	0.530862	5	0.69897	13917895	16.44869
8		2017	-335681	13455744	-0.02495	0.152744	0.362549	5	0.69897	13455744	16.41492
8		2018	-540034	12887332	-0.0419	0.153299	0.287122	5	0.69897	12887332	16.37176
8		2019	-531292	11861651	-0.04479	0.256803	0.23584	5	0.69897	11861651	16.28882
9	Credit bank	2015	-59795	10287085	-0.00581	0.063832	0.753383	7	0.845098	10287085	16.1464
9		2016	109605	12237889	0.008956	0.072183	0.75196	7	0.845098	12237889	16.32005
9		2017	134080	14510677	0.00924	0.075357	0.799359	7	0.845098	14510677	16.4904
9		2018	248537	17904609	0.013881	0.072421	0.771517	7	0.845098	17904609	16.70057
9		2019	212019	21660616	0.009788	0.087024	0.818065	7	0.845098	21660616	16.89101
10	Co-operative bank of Kenya	2015	11705559	3.42E+08	0.034177	0.034188	0.139979	12	1.079181	3.42E+08	19.65178
10		2016	12676210	3.52E+08	0.03603	0.038997	0.270022	12	1.079181	3.52E+08	19.67865
10		2017	11405065	3.87E+08	0.029481	0.061985	0.372891	12	1.079181	3.87E+08	19.77357
10		2018	12732486	4.14E+08	0.030779	0.100865	0.214868	12	1.079181	4.14E+08	19.84058
10		2019	14311247	4.57E+08	0.031315	0.097942	0.364812	12	1.079181	4.57E+08	19.94021

11	Development Bank of Kenya	2016	61715	16411435	0.00376	0.260113	0.503078	9	0.954243	16411435	16.61349
11		2017	27658	16309057	0.001696	0.209829	0.604177	9	0.954243	16309057	16.60723
11		2018	114445	15323111	0.007469	0.298073	0.722276	9	0.954243	15323111	16.54487
11		2019	1079115	15358069	0.070264	0.369459	0.764672	9	0.954243	15358069	16.54715
12	Diamond Trust Bank	2015	6599806	2.72E+08	0.024299	0.024078	0.840757	6	0.778151	2.72E+08	19.41987
12		2016	7728140	3.28E+08	0.023558	0.032489	0.820038	6	0.778151	3.28E+08	19.60866
12		2017	6925040	3.63E+08	0.019061	0.066567	0.789926	6	0.778151	3.63E+08	19.71075
12		2018	7082115	3.78E+08	0.01875	0.062905	0.790098	6	0.778151	3.78E+08	19.74966
12		2019	7269592	3.86E+08	0.018822	0.068335	0.787852	6	0.778151	3.86E+08	19.77194
13	Dubai Bank	2017	-599847	2610309	-0.2298	38.55386	0.580188	5	0.69897	2610309	14.77498
13		2018	-625754	5250614	-0.11918	0.003733	0.500991	5	0.69897	5250614	15.47386
13		2019	-571658	8987918	-0.0636	0.00951	0.573723	5	0.69897	8987918	16.01139
14	Ecobank	2015	90373	52426513	0.001724	0.062172	0.315569	9	0.954243	52426513	17.77492
14		2016	-2023883	47123839	-0.04295	0.162821	0.252287	9	0.954243	47123839	17.66829
14		2017	-1115332	53455760	-0.02086	0.376961	0.148603	9	0.954243	53455760	17.79436
14		2018	198053	54463878	0.003636	0.17352	0.256718	9	0.954243	54463878	17.81305
14		2019	159495	75377851	0.002116	0.144779	0.269936	9	0.954243	75377851	18.13802
15	Equity Bank	2015	17327000	4.28E+08	0.040478	0.02715	0.518577	13	1.113943	4.28E+08	19.87478
15		2016	16602529	4.74E+08	0.035048	0.062831	0.506208	13	1.113943	4.74E+08	19.97611
15		2017	18918051	5.24E+08	0.036071	0.055331	0.491392	13	1.113943	5.24E+08	20.07789
15		2018	19824000	5.73E+08	0.034574	0.070971	0.57521	13	1.113943	5.73E+08	20.16707
15		2019	24366293	6.74E+08	0.036169	0.087258	0.529047	13	1.113943	6.74E+08	20.32827
16	Family bank	2015	1982946	81281366	0.024396	0.03673	0.241266	10	1	81281366	18.21343
16		2016	352279	69491684	0.005069	0.119665	0.20963	10	1	69491684	18.05672
16		2017	-1000788	69134935	-0.01448	0.192311	0.183957	10	1	69134935	18.05157
16		2018	244216	67011065	0.003644	0.161751	0.062577	10	1	67011065	18.02037

16		2019	949836	78857125	0.012045	0.14087	0.117223	10	1	78857125	18.18315
17	First Community Bank	2015	-12114	14564631	-0.00083	0.23456	0.283151	6	0.778151	14564631	16.49411
17		2016	-55734	14962089	-0.00373	0.319539	0.251371	6	0.778151	14962089	16.52103
17		2017	151797	17359968	0.008744	0.40781	0.286605	6	0.778151	17359968	16.66968
17		2018	-212062	17880462	-0.01186	0.488169	0.272885	6	0.778151	17880462	16.69922
17		2019	190927	18762844	0.010176	0.414518	0.283219	6	0.778151	18762844	16.74739
18	Guaranty Trust Bank	2015	388936	40964878	0.009494	0.091624	0.213638	7	0.845098	40964878	17.52823
18		2016	419283	32165405	0.013035	0.110786	0.921773	7	0.845098	32165405	17.2864
18		2017	212945	31877965	0.00668	0.108837	0.208042	7	0.845098	31877965	17.27743
18		2018	90739	37944853	0.002391	0.146674	0.252272	7	0.845098	37944853	17.45164
18		2019	572158	29082395	0.019674	0.109011	0.247391	7	0.845098	29082395	17.18564
19	Guardian Bank	2015	229330	14609492	0.015697	0.030406	0.20962	6	0.778151	14609492	16.49718
19		2016	230127	14705350	0.015649	0.016902	0.209582	6	0.778151	14705350	16.50372
19		2017	160022	15802759	0.010126	0.045261	0.217766	6	0.778151	15802759	16.5757
19		2018	225568	16185963	0.013936	0.075699	0.213661	6	0.778151	16185963	16.59965
19		2019	183658	16386450	0.011208	0.068909	0.203943	6	0.778151	16386450	16.61197
20	Gulf African Bank	2015	728619	24706595	0.029491	0.08421	0.211024	9	0.954243	24706595	17.02258
20		2016	498321	27156264	0.01835	0.092266	0.216773	9	0.954243	27156264	17.11712
20		2017	153653	31316228	0.004906	0.092856	0.200511	9	0.954243	31316228	17.25965
20		2018	131589	33325575	0.003949	0.106354	0.213418	9	0.954243	33325575	17.32184
20		2019	167000	35122982	0.004755	0.153432	0.235843	9	0.954243	35122982	17.37437
21	Habib Bank Ltd	2015	298584	10229979	0.029187	0.079161	0.473935	5	0.69897	10229979	16.14083
21		2016	306165	12508025	0.024477	0.187085	0.330436	5	0.69897	12508025	16.34188
21		2018	225996	21520666	0.010501	0.074499	0.367788	5	0.69897	21520666	16.88452
21		2019	239949	24823459	0.009666	0.092206	0.369548	5	0.69897	24823459	17.0273
22	Housing finance Company ltd	2015	1196969	71659434	0.016704	0.043739	0.309957	12	1.079181	71659434	18.08744

22		2016	905829	71930140	0.012593	0.069246	0.30073	12	1.079181	71930140	18.09121
22		2017	126216	67541116	0.001869	0.108094	0.39602	12	1.079181	67541116	18.02825
22		2018	-598218	60549350	-0.00988	0.249376	0.540812	12	1.079181	60549350	17.91897
22		2019	-110108	56454918	-0.00195	0.235644	0.495754	12	1.079181	56454918	17.84895
23	I&M Bank	2015	7144411	1.92E+08	0.037264	0.024811	0.481121	10	1	1.92E+08	19.07157
23		2016	7760162	2.11E+08	0.036858	0.028896	0.473556	10	1	2.11E+08	19.1652
23		2017	7264249	2.4E+08	0.030254	0.086969	0.505236	10	1	2.4E+08	19.29661
23		2018	6552909	2.49E+08	0.026355	0.107885	0.517292	10	1	2.49E+08	19.33151
23		2019	8942877	2.74E+08	0.032635	0.09785	0.55982	5	0.69897	2.74E+08	19.42874
24	Jamii Bora Bank Ltd	2015	17737	16781543	0.001057	0.051749	0.352856	5	0.69897	16781543	16.63579
24		2016	-167704	15779873	-0.01063	0.171973	0.562012	5	0.69897	15779873	16.57425
24		2017	-473037	12882646	-0.03672	0.133097	0.586696	5	0.69897	12882646	16.37139
25	KCB Bank	2015	19623071	5.58E+08	0.035161	0.044587	0.582629	12	1.079181	5.58E+08	20.14004
25		2016	19722447	5.95E+08	0.033134	0.070521	0.505575	12	1.079181	5.95E+08	20.20447
25		2017	19705130	6.47E+08	0.030472	0.076585	0.550148	12	1.079181	6.47E+08	20.28735
25		2018	23994970	7.14E+08	0.033592	0.062676	0.411464	12	1.079181	7.14E+08	20.38683
25		2019	25165168	8.99E+08	0.028006	0.101634	0.323801	12	1.079181	8.99E+08	20.61632
26	Middle East Bank (K) Ltd	2016	-66285	5233522	-0.01267	0.158984	0.424812	4	0.60206	5233522	15.4706
26		2017	-25188	5121036	-0.00492	0.180676	0.417687	4	0.60206	5121036	15.44887
26		2018	2611	5360864	0.000487	0.382469	0.33984	4	0.60206	5360864	15.49464
26		2019	3614	8466284	0.000427	0.137373	0.384503	4	0.60206	8466284	15.9516
27	M-Oriental bank ltd	2016	33686	9920247	0.003396	0.082132	0.19886	5	0.69897	9920247	16.11009
27		2017	96510	10576525	0.009125	0.071794	0.078542	5	0.69897	10576525	16.17415
27		2018	82446	10515015	0.007841	0.093989	0.089582	5	0.69897	10515015	16.16831
27		2019	-21948	12393776	-0.00177	0.193136	0.144985	5	0.69897	12393776	16.3327
28	National Bank of Kenya	2015	-1153477	1.25E+08	-0.0092	0.111631	0.268957	8	0.90309	1.25E+08	18.64734
28		2016	70953	1.12E+08	0.000633	0.174942	0.236361	8	0.90309	1.12E+08	18.53478

28		2017	785082	1.1E+08	0.007145	0.300077	0.317379	8	0.90309	1.1E+08	18.51484
28		2018	-84901	1.15E+08	-0.00074	0.39131	0.467326	8	0.90309	1.15E+08	18.55913
28		2019	-895064	1.12E+08	-0.00799	0.356402	0.48681	8	0.90309	1.12E+08	18.53427
29	NIC Plc bank	2015	4485125	1.66E+08	0.027053	0.091158	0.460755	9	0.954243	1.66E+08	18.92622
29		2016	4330396	1.69E+08	0.025554	0.112556	0.571371	9	0.954243	1.69E+08	18.94812
29		2017	4144418	2.06E+08	0.020102	0.108874	0.538438	9	0.954243	2.06E+08	19.14422
29		2018	4228370	2.08E+08	0.020289	0.122387	0.426344	9	0.954243	2.08E+08	19.15501
30	Paramount Bank Ltd	2015	158025	10525709	0.015013	0.051925	0.042465	7	0.845098	10525709	16.16933
30		2016	106439	9427841	0.01129	0.08276	0.18813	7	0.845098	9427841	16.05918
30		2017	117498	9541086	0.012315	0.10561	0.18468	7	0.845098	9541086	16.07112
30		2018	236292	9886573	0.0239	0.13184	0.187514	7	0.845098	9886573	16.10669
30		2019	91601	10443296	0.008771	0.121141	0.134087	7	0.845098	10443296	16.16147
31	Prime Bank	2015	2023189	65001313	0.031125	0.016997	0.425334	6	0.778151	65001313	17.98992
31		2016	1903776	65335455	0.029138	0.036167	0.586765	6	0.778151	65335455	17.99505
31		2017	2245143	77987909	0.028788	0.048638	0.388699	6	0.778151	77987909	18.17206
31		2018	2274052	1E+08	0.02271	0.060628	0.41243	6	0.778151	1E+08	18.42204
31		2019	2619348	1.09E+08	0.024078	0.101807	0.469216	6	0.778151	1.09E+08	18.50489
32	SBM Bank	2015	-785330	1.46E+08	-0.00539	0.102476	0.201916	9	0.954243	1.46E+08	18.79772
32		2016	-1859568	9697204	-0.19176	0.883219	0.269253	9	0.954243	9697204	16.08735
32		2017	-330104	11533313	-0.02862	0.728984	0.123436	9	0.954243	11533313	16.26075
32		2018	1324205	70654062	0.018742	1.252762	0.188835	9	0.954243	70654062	18.07331
32		2019	904102	72519356	0.012467	0.852075	0.141418	9	0.954243	72519356	18.09936
33	Sidian Bank	2015	372320	19106556	0.019487	0.128411	0.440869	7	0.845098	19106556	16.76554
33		2016	28048	20875499	0.001344	0.238262	0.514154	7	0.845098	20875499	16.85409
33		2017	-421810	19301752	-0.02185	0.277979	0.500936	7	0.845098	19301752	16.77571
33		2018	-377883	25308924	-0.01493	0.203514	0.515432	7	0.845098	25308924	17.04667
33		2019	107738	26451638	0.004073	0.196844	0.574992	7	0.845098	26451638	17.09083

34	Stanbic Bank Kenya Ltd	2015	4905734	2.08E+08	0.023534	0.041057	0.455505	9	0.954243	2.08E+08	19.15522
34		2016	4418589	2.15E+08	0.020582	0.050478	0.59842	9	0.954243	2.15E+08	19.18467
34		2017	4309494	2.49E+08	0.017325	0.066608	0.676577	9	0.954243	2.49E+08	19.33191
34		2018	6227166	2.81E+08	0.022164	0.094487	0.621475	9	0.954243	2.81E+08	19.4537
34		2019	6176072	2.93E+08	0.0211	0.099785	0.608582	9	0.954243	2.93E+08	19.49468
35	Standard Chartered Bank	2015	6342427	2.34E+08	0.027108	0.101469	0.391338	11	1.041393	2.34E+08	19.27068
35		2016	9049307	2.5E+08	0.036128	0.082852	0.380652	11	1.041393	2.5E+08	19.3389
35		2017	6914098	2.86E+08	0.024198	0.089614	0.353306	11	1.041393	2.86E+08	19.47054
35		2018	8099193	2.85E+08	0.028378	0.116908	0.289298	11	1.041393	2.85E+08	19.46942
35		2019	8236773	3.02E+08	0.027262	0.095342	0.317493	11	1.041393	3.02E+08	19.5264
36	Spire Bank Ltd	2015	-486382	14469562	-0.03361	0.333161	0.455722	5	0.69897	14469562	16.48756
36		2016	-751623	13802498	-0.05446	0.167674	0.287789	5	0.69897	13802498	16.44036
36		2017	-1126048	11147949	-0.10101	0.42705	0.369483	5	0.69897	11147949	16.22677
36		2018	-2254919	9223078	-0.24449	0.559789	0.355485	5	0.69897	9223078	16.03722
36		2019	-472037	6860301	-0.06881	0.711125	0.379537	5	0.69897	6860301	15.74126
37	Transnational Bank	2015	168030	10452691	0.016075	0.110295	0.202555	6	0.778151	10452691	16.16237
37		2016	109130	10372441	0.010521	0.115611	0.288758	6	0.778151	10372441	16.15466
37		2017	36433	10241368	0.003557	0.241553	0.260858	6	0.778151	10241368	16.14195
37		2018	-71841	10235524	-0.00702	0.221108	0.277101	6	0.778151	10235524	16.14137
37		2019	-83944	9318142	-0.00901	0.285687	0.213116	6	0.778151	9318142	16.04747
38	UBA Kenya Bank Ltd	2015	-262653	7781237	-0.03375	0.017977	0.687626	5	0.69897	7781237	15.86723
38		2016	24298	5601281	0.004338	0.018557	0.633518	5	0.69897	5601281	15.53851
38		2017	18609	6504732	0.002861	0.043568	0.626717	5	0.69897	6504732	15.68804
38		2018	53063	15332118	0.003461	0.127634	0.614037	5	0.69897	15332118	16.54546
38		2019	67588	16088319	0.004201	0.243238	0.674417	5	0.69897	16088319	16.5936
39	Victoria Commercial Bank	2015	713800	20020072	0.035654	0.032926	0.340857	6	0.778151	20020072	16.81225
39		2016	592395	22403481	0.026442	0.025465	0.402207	6	0.778151	22403481	16.92473

39		2017	617177	25985160	0.023751	0.000803	0.327092	6	0.778151	25985160	17.07304
39		2018	437004	32336955	0.013514	0.030833	0.183538	6	0.778151	32336955	17.29172
39		2019	527145	36072410	0.014614	0.05063	0.220363	6	0.778151	36072410	17.40104

