COMPOSITION OF BOARD OF DIRECTORS AND PERFORMANCE OF COMMERCIAL BANKS IN KENYA

BY

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DECLARATION

This research project is my original work and has not been presented to any other institution for academic award.

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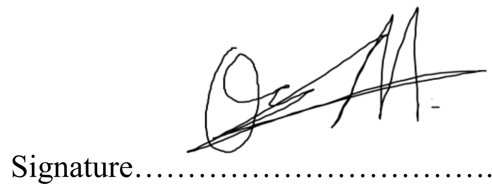
This research project has been submitted with my approval as the University supervisor.



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DEDICATION

I dedicate this project to my family for their kind support and encouragement.

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ACRONYMS AND ABBREVIATIONS

ANOVA	Analysis of Variance
BOD	Board of Directors
CAR	Capital Adequacy Ration
CEO	Chief Executive Officer
CGI	Corporate Governance Index
CBK	Central Bank of Kenya
RBV	Resource Based View
ROA	Return on Assets
ROE	Return on Equity
SPSS	Statistical Package for Social Sciences

ABSTRACT

The purpose of this study was to determine the composition of board of directors and performance of commercial banks in Kenya. The study was guided by three specific objectives; to evaluate the effect of board size, board independence and gender diversity on performance of banks in Kenya. Similarly, the study was informed by two theories such as resource based view and stewardship theory. Resource based view is among numerous theories of organizational behavior that is in line with the human capital view of the people in a company. This theory ensures that competitive advantage is created through resource application within the organization. According to stewardship theory, managers are considered to be individuals that are really trustworthy who will take care of the corporation owners' interest. The derivation of this theory is from the representation of a man with somewhat different behavior based on the view that human beings is preponderantly organized and united in their appearance. Researcher applied descriptive survey and data was collected using questionnaires. Study also targeted 40 commercial banks where data was collected using census approach. Descriptive statistics was employed to analyze data provided by the participants. The findings established that size of the board, board independence and gender diversity positively correlates with organizational performance. Concerning the findings, research revealed that board size significantly influences performance of commercial banks. This was supported by a p value of 0.004 and $\beta = 0.146$. It can be noted that an increase in the performance of banks can be linked to an increase in board size thus indicating a significant relationship between board size and performance of commercials banks. Similarly, research established a positive correlation between board independence and performance of commercial banks generating a p-value of 0.009 and $\beta = 0.142$. Thus, a rise in performance of banks can be attributed to increase in board independence. Therefore, board independence is a strong predictor of the changes noted in organizational performance. In relation to the third objective, results revealed that gender diversity significantly affects performance of banks generating a p-value of 0.02 and $\beta = 0.045$. This concludes that gender diversity is a predictor of the increase or decrease of organizational performance. Therefore, the scholar concludes that these variables predicts changes in performance of the firm. This study recommends institutions to establish suitable boards with capacity to make sound decisions which promises efficiency. Finally, further studies should be advanced in this area to enhance this study and for more comparisons.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Currently, severe encounters fronting the banking sector and they include global monetary crisis, massive competition from other money lending institutions, fraud and money laundering, bank solvency, threats of reputation due to ineffective practices and even management inefficiency. Amongst all of the failures and challenges facing the banking institutions, many of them are linked to the management incompetency or failures and also the inability of the board of directors to indorse virtuous governance of their corporates. The most crucial issues to the successes of organizations is a competent board of directors as they defend shareholders and act in their best interests. They are also able to make decisions and implement them effectively so as to boost the concerned stakeholders' confidence (Heidrick & Struggles, 2015). Therefore, this study advanced the existing knowledge by closely assessing the features of boards that affects their performance as far as corporate governance is concerned.

This study was anchored on two theories namely; resource based view and stewardship theory. The stewardship theory acclaims that managers are viewed as truthful and aim to safeguard the shareholders' interests in decision making and implementation of strategies. The managers will strive to maximize the profits of the shareholders, regardless of their reputation and are driven to doing what is right. Due to this, there will be minimum or no agency costs incurred due to the reliability and responsibility of the managers of the firm. The second theory which was focused on is the resource based view theory and explains that the manner by which resources are applied to render organizations competitiveness.

Key amongst players in Kenya's banking sector are the licensed commercial banks. The board of director perform a major role by ensuring and enhancing the performance of these banks, in addition to policies plus the regulations set in place by the supervisory body, mainly Central Bank of Kenya. The board is charged with governance, policy development, strategy formulation and implementation. It is for these functions that they are key towards the overall performance of these banks. Therefore, successes and failures of these commercial banks could be accredited to the efficiency of the BOD, as it is one of the major internal factors. Effectiveness of the board however can be accredited to their size, gender diversity, age, board independence, average board tenure, different categories of the directors and their contributions to different committees of the board (Mureithi, 2013).

1.1.1 Composition of Board of Directors

A collection of precisely knowledgeable individuals whose role is the firm's internal corporate governance is explained as a board of directors (Heidrick & Struggles, 2015). The BOD enhances the application of effective corporate governance practices in an organization (Fama, 2012). A board of directors can also be explained as a system of regulation of a firm that administers management decisions. The performance of the firm is enhanced by efficient observations made on the administration decisions by the BOD. Guaranteeing that the board is fully experienced and prepared in technical expertise in areas of information systems, financial management, corporate governance, strategic planning, business continuity practices and the legal and policy environment. With such necessities for competence a single board member was capable of positively contributing to the enhancement of effective management decisions that convert into firm efficiency (Adams & Ferreira, 2014). This needs the board members to have knowledge in management like accounting, finance, marketing, information systems, legal

matters and many other functions associated with the process of decisions making in the organization. For the most part, board directors perform major roles in corporate governance as they possess the skills prerequisite, time and devotion to the general well-being of the firm. To be reliable administrators, board individuals should have a critical understanding of what threats the business is fronting, and how those threats are measured, tested, and organized (Adams & Ferreira, 2014). There is a contemplation by Denis & McConnell, (2003) that, combining administrative power in the board will absolutely affect the broad performance of the firm completely. However, there exists cost of agency associated to board of directors. Small shareholders may be significantly affected by exploitation of power of the board of directors. Secondly, tough control from the BOD to the management of the organization will obstruct or hinder the achievement of the set goals of the firm.

The literature explaining matters corporate governance recognizes board's features in four sets; which include composition of the board, its characteristics, its structure and processes. Francis (2000) expounded the idea of corporate governance that gained prominence in the 1980s. This era was categorized by crashes in stock markets around the world and also failures were experienced by companies caused by unproductive governance practices. Due to the rampant collapse experienced by different organizations, there was an urgent need for the revolution of corporate governance practices (United Nations, 1999). As many firms around the world experienced failure during this period, there brought about major transformations of approaches with a greater level of expectation being placed on the BOD of corporate entities. There also came a realization that boards need to ensure that those corporations are successfully ran and done in the right manner, as managers run corporations. Therefore, directors and managers need different sets of skills. However, managers do not necessarily make good directors. As explained

by Fama & Jensen, (2014) both authorization of management decisions and observing management performance are major responsibilities of board of directors. There is therefore a risk of managerial collusion if majority of board members are internal. According to Fama, (2012) this might be reduced by the involvement of directors who are considered external and who may be viewed as a different source of monitoring corporate acts and decisions. However, contrary to the above supposition on the board structure being a basis of corporate monitoring, Demsetz & Lehn, (2015) noted that various monitoring methods may be utilized in an optimal way, whereby no relation between these and performance would be observed. Additional studies recognized that there were strong links between the performances of firms and their BOD governance practices (Gregg, 2001), (Kiel & Nicholson, 2003).

For more than a century now, BOD of corporations have been the center of research in matters regarding management and therefore providing sufficient literature. The significance of the board in matters such as governance and their oversight role, the assumed levels to which they display negligence, and their contribution to the failures experienced within their jurisdiction have brought much attention in board research. Even though empirical evidences have not provided adequate support on this, organizational results is greatly influenced by corporate governance practices adopted by company. Board characteristics including; percentage of internal to external directors, size, diversity, know-how and tenure will be the focus of this study. There was a high percentage recorded by (Petrovic, 2008), (Wan & Ong, 2005), (O'Sullivan & Wong, 1998) and (Muth & Donaldson, 1998) of directors internal to the firm, who contributed directly in daily supervision of the organization to directors external to the firm, responsible for provided that the necessary checks and balances in safeguarding the interests of the stakeholders. Studies done recorded positive relationships (Shleifer & Vishny, 1997) and (Perry & Shivdasani, 2005).

However, other researchers found out that there is moreover undesirable or minimal correlation amid the board structure and organizational performance (Bhagat & Black, 2000), (Dulewicz & Herbert, 2004), (Erickson et al., 2005), (Shivdasani & Zenner, 2002) and (Yermack, 1996).

The complete number of directors is what determines the size of the board. As explained by Eklund et al. (2009), most findings show negative or mix relationship concluding that findings on board size are to somewhat inconsistent. Therefore, in explaining firm performance there is a reflection that there is an unclear nature of its representation. Yermack, (1996) who sought to investigate US industrial organizations over a period of eight years; from 1984 to 1991, using a sample of 452 firms, conducted one of the most prominent studies. An adverse correlation concerning firm performance and board size was noted and that findings were repetitive.

Studies conducted by (Adams & Mehran, 2003), (Kiel & Nicholson, 2003) and (Zahra & Pearce,1989) reported significant relationships of board size being an important driver of improved performance of an organization. Studies revealed that, regardless of establishment of the board and its size are key in determining performance of the firm; from a meta-analysis conducted on 29 empirical studies. As explained by Carpenter & Westphal, (2001), a well-balanced membership could be achieved by diversity of the board. This could be achieved by having a board that consists of individuals; from diverse expert arenas, gender and age group and who are not essentially from different cultural backgrounds. This will in turn create a combined effect that will aid the board in efficiently performing its legislative duties. With a well-diversified intellectual board in place, a self-reliance mechanism is created within the firm. This means that everything that the firm requires are within the organization; this can range from monitoring effectively, resource co-optation to quality decision making and being thoroughly resourceful (Watson *et al.*, 1993). Furthermore, Carter et al. (2003) noted that, to promote fair

play in the corporate world, there needs a more vigorous, well diverse, independent board. At the empirical level, findings acknowledged in literature is still mixed and equivocal regarding different characteristics of board diversity, which were the focus of the studies. However, relationship concerning women and minorities in the board with better-quality organizational performance was noted to be positive was recorded in a study by Erhardt et al. (2003). This conclusion was made using data that was gathered from 127 large companies from the US. Smith et al. (2006) supported this finding as his study concluded the same.

A learning curve is noted with every new duty or responsibility, and therefore the average tenure of the members of the board is significant. Decisions are generally uncertain and often encompass an inadequate analysis, during the initial stages of learning. Researchers in matters board characteristics and dynamics recommend that to obtain a satisfactory understanding of the organization, a new director requires a period of three and five years (Kesner, 1988). The decision-making process has been influenced substantially by the tenure of the board. For instance, (Kosnik, 1987) in his study noted that there board tenure and confrontation had influence on greenmail.

However, it is also noted that extensive tenure tends to escalate director impartiality. This offers a kind of protection counter to social segregation for challenging a decision made by management and the other directors. In addition, theory states that social burdens may ensure that directors act in accordance with the objectives, but directors with longer terms seem not to be constrained. Remarkably, longer tenure tends to display improved firm performance. Furthermore, board members who have similar tenures tend to come together and jointly are able to appraise top-level management decisions in a better manner (Kosnik, 1990). On the other hand, elongated typical tenure does not essentially mean that tenure similarity is utmost

appropriate. Differences in board tenure might make sure that there is an influx of different concepts for navigating through unpredicted threats or new opportunities.

1.1.2 Organizational Performance

Financial performance and or the key performance indicator could be used to ration the organization performance as explained by (Kaplan, 2001). Financial performance of a company shows how efficient resources are used to produce incomes over a specific time period. This measure is equated to a comparable organization operating in similar industry. Brealey et al. (2009) explained that financial efficiency is a sign of repayment capability and the level of debt to equity ratio. Moreover the net income/ net operating income, Return on Assets and the revenue to expense ratio-an indicator of efficiency will be used in this study to measure efficiency. Nevertheless scholars such as Kaplan, (2001) have lately claimed that financial measurements alone are insufficient indictors for accessing efficiency. Financial reporting is an exercise of evaluating past performance and converses little in respect to the long term worth of the organization. Efficiency methods are mostly financial as agreed to by Yacuzzi (2015). Methodologies such as the multiple dimensions of excellence and the balanced scorecard were used so as to understand the intensity of assessing efficiency and effectiveness (Enrique, 2005).

The correlation of board dynamics and firm performance has been assessed through several studies. The ultimate aim of commercial banks is making and sustaining profits. To realize this grand objective, the commercial banks ensure all approaches and activities are designed to this effect. However, commercial banks have other objectives. There are additional goals set by commercial banks; including societal and financial goals. However, this research placed more focus on overall performance of Kenya's commercial banks. Various ratios including; net

interest margin, return on asset and return on equity were used to quantify profitability of commercial banks (Murthy & Sree, 2003). Within the scope of the bank, the internal factors comprise of size of capital, size of liabilities, management quality, policies on interest rates, productivity of labor and information technology, size and configuration of credit portfolio risk level, and bank size. CAMEL is a framework which represents capital adequacy, asset quality, management efficiency, earnings ability and liquidity that is frequently applied by scholars to represent the specific issues of commercial banks (Dang, 2011).

The level of bank profitability is impacted by capital which is a bank specific factor. Capital is defined as the volume of funds existing that sustain the bank's operations and considered as a cushion during adversarial conditions (Athanasoglou *et al.,* 2005). Due to the important factor that the deposits of the bank are most vital, these institutions are prone to bank runs. Capital provides liquidity for the bank. Banks require a certain level of capital to mitigate possibilities which could greatly influence them and which include credit, market and operational risks. This refers to as capital adequacy and is important for them to absorb probable loses and shelter the debtors of the banks. Capital adequacy ratio (CAR) as explained by Dang, (2011) is adequacy of capital adjudicated in relation to sufficiency of capital. CAR indicates the ability of these institutions to overcome any loss in case of a crises occurrence. On the other hand, CAR is unswervingly comparative to the flexibility of the bank towards any crises. The ratio also has an unswerving consequence on the effectiveness of banks by defining its expansion to uncertain projects that are profitable ventures (Sangmi & Tabassum, 2010).

Another variable that specifically affects the bank's profitability is the assets of the bank. These assets include, but not limited to, current assets, fixed assets and other investments. Growing assets in terms of size relates to the duration the bank has been in operations as explained by

(Athanasoglou *et al.,* 2005). One of the major assets that produces the largest portion of the bank's income are the loans offered by the bank. The quality of the credit range defines the profitability of banks. The excellence of the portfolio of the loan has a direct bearing on the productivity of the bank. Therefore, losses derived from non-performing loans brings about the highest risk facing a commercial bank (Dang, 2011). Hence, the best substitutions for quality of the asset are the loan ratios that are not performing. For the study of the performance of banks, diverse scholars in the past have used diverse types of financial ratios. It is therefore paramount for all commercial banks to uphold the loans that are not performing to a very minimum level. Consequently, the well-being of the portfolio of a bank is mostly determined by the ratio of the loans that are not performing so well to the total amount of loans. As a result, the lower this ratio, the healthier the bank perform (Sangmi & Tabassum, (2010).

The efficiency of the management is one of the main in-house influences that define the profitability of the bank. There are diverse financial ratios that define and help explain the efficiency of the management including, growth of assets, loans and earnings. Another element for quality of management is operational efficiency which deals with the operating expenses of a firm. Complete independent evaluation of the quality of the staff, the discipline of the organization, the system of management and management performance. The ratios of finance can be used as a measure of the management capacity to position resources efficiently, maximize incomes and lower expenses incurred during operations. Sangmi & Tabassum (2010) explained that operating profit to income ratio measures quality of management. For a firm's management to be resourceful and greater in efficient operations and generating incomes, there is need to improve the operating profits to total income (revenue). Proxy management quality could be determined by expense to asset ratio is another important ratio that measures management

quality. The operating expenses to total asset is negatively correlated to organizational profitability. Therefore, management quality as explained by (Athanasoglou *et al.,* 2005) is important in determining the amount of operating expenses, which affects productivity.

1.1.3 Commercial Banks in Kenya

The banking sector in Kenya currently comprise of 42 licensed commercial banks of which 41 are licensed banks with one mortgage financial institution which are privately with the state exercising control power in three remaining commercial banks recorded as at December 2020. According to CBK (2021), forty commercial banks and one mortgage finance institution are privately and locally owned while fifteen banks are foreign institutions. Importantly, financial institutions control the country' banking sector thus any catastrophic event can impose a gigantic consequence on the monetary progress of the country. This is because if any bankruptcy would take place in the sector, it will have an enormous outcome that can cause bank runs, disasters and cause general financial catastrophe and economic misfortunes. There are a few banks experiencing losses and financial constraints, in spite of the notable organizational performance (Oloo, 2011). The study is spurred by existing banking hitches in developing nations and the bailouts thereof, to assess the role of BOD towards performance of commercial banks. Boards are solely mandated for conducting long term expansions that involves strategic decisions.

Therefore, there is the need to consider protective and alleviating measures, as well as to appreciate the performance of banks and the determining factors. Commercial banks are key institutions in the economic resource distribution within a country. They act as a link, directing money from depositors to investors uninterruptedly. This is only possible, if they produce needed earnings which will shelter their costs of operations. For maintainable intermediation function, it is important for banks to be profitable. On the other hand, banks have a very important role as

their financial performance has a great effect on the development of economies round the world. This is because improved financial performance in turn rewards the owners for their investments which contributes to the overall economic growth.

1.2 Research Problem

The board has a precarious duty in the strategy of a company. It must ensure that the company has a proper structure to both for now and also the future, it must also ensure that it initiates development strategies in the long run and become more in involved in the future development of the strategy (Vaughan, 1997). An answerable and effective board will ensure that its management has an exceptional and buoyant corporate strategy, which is reviewed periodically to ensure that it is still valid and can be used as a reference point for all other decisions of the board and at the same time share the risk linked with its adoption with the management. Various researchers have not come into an agreement that the composition of the BOD directly affects firm performance and hence more studies need to be done to establish this correlation further. However, shareholders have the superior mandate of appointing board members who will manage the affairs of the organizations and for this reason the board of directors play significant function towards the success of the organization. Thus, a well-balanced, diverse and competent set of persons are required to ensure the performance of the firm is optimum and competitive amongst others in its respective sector (Atieno, 2016).

The main trials facing the banking sector in the present day include global monetary crisis, immense competition, ineffective risk management, fraud and weighty fines imposed by regulators, poor investment choices, challenges of reputation and also insolvency. Therefore, a capable BOD is significant as they sustain confidence of the owners and the parties interested by being the mechanism to respectable internal corporate governance. The BOD’s role in averting

fraud and guarding shareholder investment has been put to doubt due to past experiences hence the knowledge gap (Atieno, 2016). The CBK is the regulator of commercial banks and with strict guidelines and the Banking Act, the members of the board are to be selected within a set criteria. The composition of the board could be however adjusted to fit the specific commercial bank, without going below the acceptable minimums. Two commercial banks in Kenya, Chase Bank and Imperial Bank have faced financial problems leading to liquidation measures and this was linked to corporate governance weaknesses; which involves the BOD and the senior management (Central Bank of Kenya, 2021).

Zheka (2007) conducted a study in Ukraine that used the construction of a general index of corporate governance to evaluate how corporate governance impacts performance. From the study, it was noted that a one-point rise in the index results in a rise ranging from 0.4% to1.9%. Oskar, (2012) assessed the connection between corporate governance and organizational performance based on dividends issued; as a study that focused on the financial calamity in Poland. This study, however, did not address the prevailing variables leaving a gap that this study bridged. Research apply corporate governance index (CGI) to determine the level of corporate governance. Corporate governance and performance of an organization recorded a positive correlation. Good corporate governance led to the growth in cash dividends payouts to the shareholders. A study carried out by Ujunwa (2012) between 1991 and 2008 applied data from 122 listed companies in Nigeria. It was established that there was an influence on performance by CEO duality, board size and gender diversity; which was positive.

Additionally, some local studies done in Kenya have also been unsuccessful to institute the link between the dimensions of the BOD and organizational performance. A study done on how corporate governance impacts performance of Kenyan public corporations by Guze, (2012)

established that defining the level of performance of the firms is highly impacted by corporate governance. Notwithstanding many studies circulated in the past years, substantial corporate governance areas are still unexplored, therefore this study evaluated effect of composition of boards of directors on performance of commercial banks in Kenya.

1.3 Study Objectives

The general objective of this study was to determine the composition of board of directors and performance of commercial banks in Kenya.

1.3.1 Specific Objectives

The study was guided by the following specific objectives namely;

i. To evaluate effect of board size on performance of Commercial Banks in Kenya.

ii. To examine impact of board independence on performance of Commercial Banks in Kenya.

iii. To investigate influence of gender diversity on performance of Commercial Banks in Kenya.

1.4 Value of the Study

Research findings helped managers, shareholders and investors seeking to attain a competitive edge in a fast developing business environment. A thoughtful of the relevant aspects of the board of director's role, will inform organizations strategy on board composition, remuneration and role allocation all aimed at enhancing performance. Policy makers are usually knowledgeable to findings of studies that addresses existing gaps in their respective fields. The study's findings and recommendations assists to improve efficiency in making of policy decisions backed by actual research findings.

Through policy changes, structural adjustments or even reviewing its banking regulatory policies, the Government of Kenya and other policy makers within the banking industry should make sure that there is implementation of well-versed policy adjustments. The information will be useful to Kenya's banking industry investors and other players, especially in executing strategies to enhance performance of the organization. Results was valuable to future scholars by providing a foundation for literature review, knowledge gap establishment, and in provision of a guide towards a specific school of thought. A keen observation of all the completed research studies in Kenya reveals that little research work done leading to creation of a gap and hence the necessitating the filling of the gap by present near future business academics.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section addresses various scholarly contributions and theoretical foundations relevant to strategic leadership, composition of board of directors and organizational performance. It offered important analyses towards literature which included previous studies in similar area.

2.2 Theoretical Foundation

This section discusses theories relevant to the current study. The literature in this section will be reviewed using two most prominent theories i.e. resource based view and stewardship theories.

2.2.1 Resource Based View

This theory is among numerous theories of organizational behavior that is in line with the human capital view of the people in a company. RBV ensures that competitive advantage is created through resource application within the firm (Barney, 1991); (Peteraf, 1993); (Wernefelt, 1984). Resource immobility and resource diversity are based this theory (Barney, 1991); Mata et al., 1995). Resource immobility necessitates resource that are challenging for competitors to acquire since developing, obtaining or using that resource is costly. On the other hand, resource diversity deals with the perception of whether ability or resource possessed by a company is also owned by several other competing companies. In this case, it’s somewhat impossible for the resource to provide a competitive advantage. These assumptions are used to establish if organizations are able to create competitive advantage that is sustainable. Firms are able to achieve competitive advantage through creation of precise knowledge, skills and culture that cannot be imitated easily (Afiouni, 2007; Mata *et al.,* 1995). Stated differently, creating diversity and immobility of resources can create and maintain sustainable competitive advantage. Organizations therefore need to have adequate organizational processes, social interaction, human capital, management

practices and educational opportunity among others in order to create the immobility and diversity (Afiouni, 2007; (Barney, 1991; Schafer, 2004).

2.2.2 Stewardship Theory

This theory has a foundation in both sociology and psychology. Managers here are considered to be individuals that are really trustworthy who will take care of the corporation owners' interest (Donaldson & Davis, 1991). The derivation of this theory is from the representation of a man with somewhat different behavior based on the view that human beings is preponderantly organized and united in their appearance.

The senior executives, according to the stewardship theorists, will not inconvenience shareholders for fear of tarnishing their repute. The key thing here is the senior executive's reputation since their utility decreases if they do not act in the firm's interests. The contention of stewardship theory proponents is that most of internal directors striving to maximize profits of the shareholder, will be connected to the superior corporate performance. The basis of this is the perspective that since internal directors comprehend the organization's operations in a better way, they rule in a better way than external directors and can make more and important decisions. The underlying principle here is that there will be no significant agency costs because managers are essentially trustworthy. The agency theory has an exact opposite prediction of this (Donaldson & Davis, 1991). The stewardship theory proponents view CEO-Chair as positive energy since there is an established company leadership. There is little proof particularly investigating the prediction of the stewardship theory. The study results by Brickley, Coles & Jarrell, (1997) however provide some support for the CEO-duality advantages. Just like the agency theory, there's no convergence of empirical evidence to support the assumptions of stewardship theory. This theory of management needs for managers to decide to act as agents or

stewards and the decision of the manager is based on their psychological encouragements and perception of situations.

Empirical studies from previous academic literature have made attempts at establishing corporate governance impact on performance of an organization. A review of literature from related various research works explained the characteristics applicable to corporate governance. The board size, autonomous directors, CEO duality, members' education level and their working experience, female board members, compensation and ownership were characteristics reviewed in corporate governance studies.

2.3 Summary of Literature and Knowledge Gaps

The most prominent theories in the conventional corporate governance research have been reviewed in this chapter. These theories have some differences but they also have several significant similarities. They greatly assess the correlation concerning the main internal corporate governance method, directors' board and performance of the organization. Particularly, all the theories largely pay attention to how structural characteristics of the BOD impact performance of companies. Considering contradicting empirical literatures on the correlation between structure of the board as a strategic human resource towards organizational performance, attention on the structure of the board has been criticized.

2.4 Empirical Studies and Research Gaps

2.4.1 Composition of Board of Directors and organizational Performance

Two distinct views in relation to a correlation concerning board size and organization performance. The first one reasons that a board size that is smaller will make more contributions to a firm's success (Lipton & Lorsch, 1996). The second thought however, states that bigger board sizes enhances the performance of an organization. A board which is large in size advises

the management of the firm more efficiently due to the complication involved in the business surroundings and the culture of the organization (Klein, 2012). For that reason, a large board size seems preferable for the performance of a firm (Dalton, 2013). The argument of Ghazali, (2014) in his study is that there exists a considerable variation in culture of management as compared to global practice. For example, they established that managements in Vietnam did not seem to share the executive control. This is a reflection of power gap in Vietnamese companies. The Vietnam culture is significantly different from the beliefs of group work and delegation of management. These authors, hence, concluded that increase in board size reduced delegation. In empirical studies, female board members are often examined. Female board members are a representation of board diversification. Additionally, (Smith, Smith & Verner, 2006) took into account three varied explanations to appreciate the impact of females on board. First, unlike the male members, female board members have an improved understanding of the market. Therefore, this understanding will improve the board decisions. Female board members will also paint a good picture in the community's perception of the firm, contributing positively towards its performance. There will also be an improved understanding of the business environment by other members with the appointment of female board members.

Although empirical studies lack a provision for established view on duality contribution to the performance of a firm, there is an accord among the shareholders, investors and policy makers that a board's chairperson should be different from the CEO. As presented by Dahya, (2014) in her studies, legislators in 15 developed nations and in the UK suggested that boards and management should be separable. 84% of European firms separate the board chair and CEO roles (Heidrick & Struggles, 2015). A study was conducted in Sri-Lanka by Hewa-Wellalage & Locke, (2011) which explained that emphasis best policies for corporate governance including

balance of power within the organization for minimization of the influence of an individual in the process of decision making.

The recommendation provided by these rules is that in case of duality in a firm, there should be more directors for balance provision and efficiency and effectiveness in the board's operations. In the appreciation of the significance of the distinction of the responsibility of the chairman and CEO, many businesses have changed from duality to non-duality (Chen, Lin & Yi, 2013). The considerations of the authors was that most businesses with duality model observed power abuse at the expense of the company and the chairperson of the board should not be in the company's CEO position unless the shareholders annual general meeting approves of the duality. Additionally, Fama and Jensen, (2014) establish that duality will decrease supervision of the board on management. This increases agency cost. The board's function is the firm's internal corporate governance. The board also is the business's control system. The performance of the firm will be enhanced by supervising decisions by the board on management in an effective way. This requires full equipment of each member with knowledge on management for example accounting, marketing and information systems, and other departments that are linked to the process of decision making. The implication of these requirements is that each board member's quality will be of significant input to the management decisions that are translated into the performance of the firm (Adams & Ferreira, 2014).

Board members with higher age average are argued to possess more experience unlike the younger ones. The experience is expected to be of positive contribution to better the firm's performance. The decisions made by older-age members of the board seem to be more aggressive and dictatorial. Such characteristics could lead to risky decision making which may destabilize the performance of a firm (Carlson & Karlsson, 2010). Additionally, the older

members of the board might be faced by limited pressure to changing business environment which may obstruct the execution of decisions that are more strategic (Child, 2015). There has been a conflict in the view of the connection concerning the experience of members of the BOD and organization performance. However, the idea on constrained resources takes into account that more experienced board members will positively contribute to performance. The significance of independent directors to the firm's success have been agreed upon by many empirical studies. Elloumi and Gueyie (2011) for example, established that the elevated fraction of autonomous directors in a board exposes them to reduced financial pressure. Additionally, in the case where the business environment worsen, firms that have several autonomous directors have less chance of filing for bankruptcy. Consideration of a representative in agency theory is important as the intentions employed by the management and the shareholders will differ. Therefore, shareholders are required to assign financial benefits to compensations remunerated to the management. Compensation is a mechanism by the corporate governance to motivate the management to operate the firm considering shareholders vested interests. This connection assumes a positive correlation with to organizational performance as it is considered a resolution to the agency issue between management and shareholders (Jensen & Meckling, 1976).

A conclusion made by Brickley et al. (1997) noted that the board ownership acts as a motivation to its members. This motivation will aid members of the board in supervision of management in a more effective way. Chung and Pruitt, (2006) took into account that ownership of the board is key in improving the performance of the firm. A study by Bhabra (2003) indicate a significant relationship between tenure of board and organizational performance. Fama & Jensen (2014) in their study, argue that contribution of the ownership of the board, where an optimal level of ownership of the board positively contributes to the performance of an organization.

2.5 Conceptual Framework

According to Kothari (2010), conceptual framework is a diagrammatical representation of the independent and dependent variables of the study.

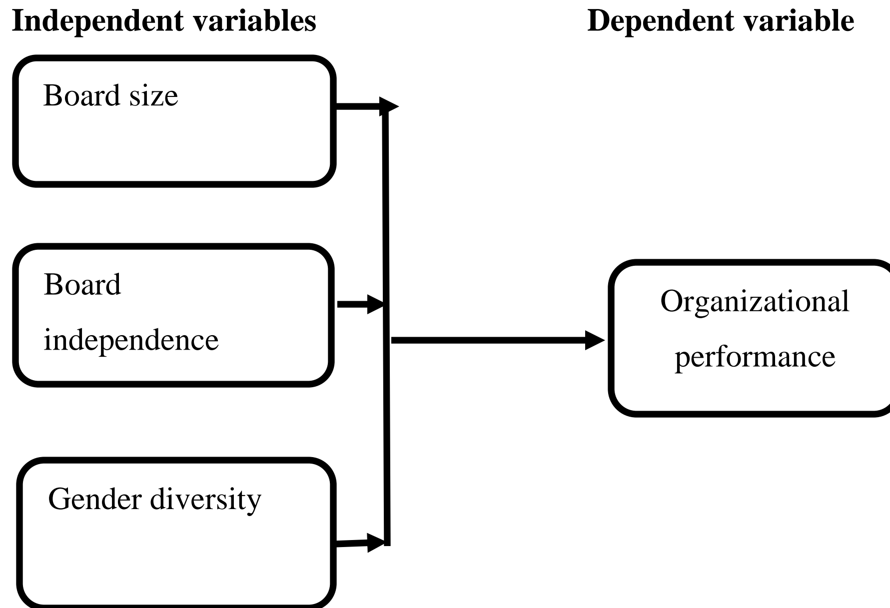

Figure 2.1: Conceptual framework

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter addressed the process used to gather relevant data for the study. It entails research design, target population, data collection methods and finally data analysis technique.

3.2 Research Design

Research design facilitate research to yield maximum information from it is and is significant in a study. It is defined as a method of stipulating the ways to be used to collect, examine and report the data. Therefore, the design that minimizes bias and maximizes the reliability of the information gathered should be selected. The drive of the study is to explain relationship amongst the several variables included. To ensure the study addresses the problem at hand, the researcher will use a research design to incorporate the different concepts of the study in a logical manner (Kothari, 2010).

This study incorporated the descriptive survey design. It is fact finding and brings about sufficient explanation to support it. The study assessed the roles of board of directors on performance of stated organizations therefore this research design helped to provide answers to the chosen research problem chosen for this study.

3.3 Study Population

A full universe of persons or items, where a sample is chosen from as defined by Greener, (2008) is known as a population. There are 42 commercial banks, where 40 are commercial banks are privately owned according to the CBK. For the remaining 2 commercial banks, the Kenyan government holds governing stakes. Out of the 42, 2 are under receivership and statutory management. They are Chase Bank Ltd and Imperial Bank Ltd, and weren't involved in the study (Central Bank of Kenya, 2021). Study therefore had a population of 40 commercial banks.

Similarly, researcher applied census method to collect data from the population. This is encouraged by Saunders et al., (2009) who explained that the use of census is viable if all the research respondents are within reach and easily accessible. Therefore, census was conducted because of the small nature of the target population. The researcher sought guidance from the banks' head offices to get responses and identification of the respondents. Different banks have their designated officers who respond to research and scholarly issues and who would respond on behalf of the BOD in each bank.

3.4 Data Collection Procedure

A sample is the number of items that's purposely considered to represent study target population and it is used to draw a conclusion about the general population of interest. In any research the sample size should neither be too small nor very large so as to be cost-effective and accurately predict the characteristics of the whole population. The study adopted purposive sampling, in particular the total population sampling technique. The total population sampling will involve examining the entire population which is considered to be small in size. In this context, it was the 40 commercial banks. The method was preferred as the population was not too big to be researched.

The data collection instrument was the use questionnaires. These contained open questions where the respondents would fill in questions based on their knowledge or bank reports and also closed ended questions which are to be filled using the choices provided. The questionnaires were used to gather primary data which is data gotten straight from the source. To ensure the effectiveness and usability of the questionnaires, the validity and reliability tests were done. The researcher collected secondary data through annual reports of CBK and of the respective institutions involved in the study.

3.5 Data Analysis

This study applied Karl Pearson's Correlation Coefficient (r), to analyze data thus determining the relationship between variables. The strength of the variables vary between 0 and 1, where 0 indicates a nil relationship, 1 implies perfect relationship and when coefficient is closer to 1, the relationship of the variables is much stronger. Using multiple regression model, regression analysis scrutinized collected data to assess correlation between the variables. Correlation coefficients were also used to help in understanding the regression model in a better way. The outcomes and conclusions were presented using Tables and Figures. This was presented in the following equation; $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$

Where;

Y = Organizational performance

β_0 = Constant beta factor, the value of Y when all Xs are zero

$\beta_1 - \beta_3$ = Beta regression coefficients introduced by Y in each X

X_1 = Board size

X_2 = Board independence

X_3 = Gender diversity

ε = Accounting error for other board features not included in the model.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSIONS

4.1 Introduction

This section elaborated on this study's response rate shown by the responses of the participants, explanation of the results and analysis done on data, which included multiple linear regression and correlation analysis. Study findings were later discussed in an in-depth manner.

4.2 Response Rate

As there are 40 commercial banks is Kenya, it was found fit to conduct a census, that is, conduct a study involving all the commercial banks in Kenya. Conversely, only 35 banks had a complete set of data, meaning that 35 questionnaires only were fully filled accordingly and these were considered fit for data analysis and interpretation. This gave an 87.5% response rate which is said to be acceptable for further analysis as explained by Kothari (2010). The author explains that a 50% and above response rate is considered sufficient but a response rate that is above 70% is considered better and enough for data analysis.

4.3 Demographic Information

Data was gathered from thirty five commercial banks in relation to the composition of board of directors and organizational performance from 2018 to 2021. Data gathered were sorted and analyzed using descriptive and inferential statistical analysis.

4.4 Composition of Board of Directors

Subsequent analysis presents a breakdown of composition of board of directors for the stated banks and findings were presented using Table. This section analyzed board size, board independence, gender diversity and period of service of directors.

4.4.1 Board Independence

This section required participants to fill in the number of independent, executive and non-executive directors that stated organizations have results were presented in the Table as follows.

Table 4.1: Number of Independent Directors

Number of Independent Directors	Frequency	Percentage (%)
Below 5	8	22.8
6-10	10	28.6
11-15	13	37.1
Above 15	4	11.5
Total	35	100

Source: Study Data (2021)

The table presents the number of independent directors in the 35 banks in consideration. Findings revealed the number of those directors below 5 were 8 (22.8%), those who had independent directors from the range of 6 to 10 were 10 commercial banks (28.6%). Those commercial banks who had directors from the range of 11 to 15 were 13 (37.1%) while only 4 commercial banks had more than 15 directors.

The table below presents the number of executive directors as presented by respondents of the study.

Table 4.2: Number of executive directors

Number of Executive Directors	Frequency	Percentage (%)
Below 5	10	28.6
6-10	9	25.7
11-15	13	37
Above 15	3	8.6
Total	35	100

Source: Study Data (2021)

As presented above, commercial banks with below 5 directors were 10 (28.6%) and those with directors ranging from 6 to 10 were 9 (25.7%). Commercial banks with directors ranging from 11 to 15 were 13 (37%) and those who had 15 directors and above were only 3 banks (8.6%). This gave a total of 35 commercial banks under the study, presenting 100% of the target population. The table below shows the number of non-executive directors in terms of frequencies and percentages.

Table 4.3: Number of Non-Executive Directors

Number of Non-executive Directors	Frequency	Percentage (%)
Below 5	11	31.4
6-10	12	34.3
11-15	7	20
Above 15	5	14.3
Total	35	100

Source: Study Data (2021)

As presented above, commercial banks with non-executive directors below 5 were 11 (31.4%) while those that have non-executive directors range from 6 to 10 were 12 commercial banks (34.3%). From the ranges of 11 to15 directors, there were 7 commercial banks (20%) had while 5 banks (14.3%) had 15 directors and above.

4.4.2 Board Size

This section presents the number of directors in the commercial banks through the years, from 2018 to 2021. The table below shows this through frequencies and percentages.

Table 4.4: Number of Directors

Number of Directors	2018	2019	2020	2021
Below 5	5	3	4	3
6-10	20	18	16	15
11-15	7	9	8	10
Above 15	3	5	7	7
Total	35	35	35	35

Source: Study Data (2021)

The table above shows the number of directors spread out from 2018 to 2021. These figures did not fluctuate as much due to the tenure of the directors which was noted to be mostly above 5 years. In 2018, directors below 5 were 5, 2019 there were 3, 2020 there were 4 and in 2021 there were 3. In 2018, directors ranging from 6 to 10 were 20, 2019 there were 18, 2020 there were 16 and in 2021 there were 15. In 2018, directors ranging from 11 to 15 were 7, 2019 were 9, 2020 were 8 and in 2021 there were 10. In 2018, there were 3 commercial banks with directors above 15, 2019 were 5 as well, 2020 were 7 and in 2021 were 7 commercial banks as well.

4.4.3 Gender Diversity

This section presents the gender diversity section of the questionnaire. The number of male and female directors present in the commercial banks from 2018 to 2021 was required from the respondents as presented below through frequencies and percentages.

Table 4.5: Gender Diversity

Gender Diversity	Number of male directors				Number of female directors			
	2018	2019	2020	2021	2018	2019	2020	2021
Below 5	5	8	3	5	6	8	7	6
6-10	11	12	8	9	10	8	13	12
11-15	13	11	12	11	15	16	12	12
Above 15	6	4	12	10	4	3	3	5
Total	35	35	35	35	35	35	35	35

Source: Study Data (2021)

The above results indicate the gender diversity of the BOD of the 35 commercial banks in Kenya, which was examined by the number of male and female directors in boards. Number of female directors below 5 who were noted in the years ranged were present in 6 to 8 commercial banks. In the ranges of 6 to 10 female directors, they were present in 6 to 13 commercial banks. From 11 to 15 female directors, they were present in 12 to 16 commercial banks and those who had above 15 female directors were present in 3 to 5 commercial banks. This shows that there was gender diversity as there is also a presence of both female and male directors present in the boards of the commercial banks.

4.4.4 Period of service of directors

Concerning period of service of directors, resulted were presented using a Table as follows.

Table 4.6: Period of Service of Directors

Period of service of directors	Frequency	Percentage (%)
Three years	4	11.4
Four years	10	28.6
Five years	21	60
Total	**35**	**100**

Source: Study Data (2021)

Results shows the period of service of the directors in the 35 commercial banks under the study. Directors who served for three years were in 4 banks only (11.4%). In only 10 commercial banks, the directors served for four years (28.6%) and those who served for five years were 21 commercial banks (60%).

4.5 Performance of Commercial Banks in Kenya

Performance of commercial banks were explained by overall performance of organizations using return on total assets, total sales growth and return on total sales. The participants of the study were requested to indicate to the extent to which board of directors influence organizational performance with regards to those aspect, using a scale of 1 – 5 where; 1 = no extent, 2 = little extent, 3 = moderate extent, 4 = great extent and 5 = greatest extent.

Table 4.7: Performance of Commercial Banks

Statement	N	Mean	Standard deviation
Overall firm performance and success.	35	4.76	0.872
Return on total assets.	35	3.86	0.713
Firm's total sales growth	35	3.71	1.798
Return on total sales	35	3.29	1.554

Source: Study Data (2021)

Above outcome presents participants responses drawn from the 35 financial institutions. Results indicate a mean and standard deviation of 4.76 and 0.872 respectively hence participants agreed that composition of board of directors influenced overall performance of banks. The respondents also agreed that the return on total assets were influenced with the composition of the BOD with a mean and standard deviation of 3.86 and 0.713 respectively. With a mean and standard deviation of 3.71 and 1.798, participants agreed that the firm's total sales growth was greatly influenced by the composition of board of directors. Supported by a mean and standard deviation of 3.29 and 1.554, participants' concurred that return on total sales was greatly influenced by composition of board of directors of mentioned firms under study.

4.6 Composition of Board of Directors and Performance of Mentioned Banks

This section discusses correlation that exist between composition of board of directors and performance of the commercial banks. This relationship were determined and analyzed using correlation and multiple linear regression analysis as discussed below.

4.6.1 Correlation Analysis

Karl Pearson's coefficients of correlation was applied to analyze correlation between the study variables. Results of this analysis were presented as follows.

Table 4.8: Pearson's Correlation Coefficient

		Board size	Board independence	Gender diversity	Performance
Board size	Pearson Correlation	1			
Board independence	Pearson Correlation	0.781**	1		
Gender diversity	Pearson Correlation	0.589**	0.971**	1	
Performance	Pearson Correlation	0.634**	0.508**	0.741**	1

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Study Data (2021)

Results established 0.634 positive relationship between board size and firm performance, board independence and gender diversity indicated 0.508 and 0.741 positive correlation with firm performance. As all the correlations were positive, the variables were considered significant and fit in their relation to performance and therefore they were all used in this study.

4.6.2 Multiple Regression Analysis

Table 4.9: Regression Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.963[a]	0.917	0.926	0.22198

a. Predictors: (Constant), Board size, board independence and gender diversity.

Source: Study Data (2021)

Findings presents a summary of regression model incorporated in the research. The R square of 0.917 implies that 91.7% of the fluctuation or changes in performance of licensed commercial bank could be credited to the effect of board size, board independence and gender diversity.

Remaining 8.3% is attributed to other components of board of directors not included in the model as symbolized by error term in the regression equation as presented as follows.

Table 4.10: ANOVA

	Model	Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	47.800	3	9.267	7.70	.000[b]
	Residual	8.500	31	2.250		
	Total	56.300	34			

a. Dependent Variable: Performance

b. Predictors: (Constant), Board size, board independence and gender diversity.

Source: Study Data (2021)

Study findings established a significance value of 0.000 which is below 0.05 significance level. The three predictor variables were therefore good measures of performance. Thus, the model of the study is significant and is able to explain composition of board of directors and performance of banks in Kenya. The coefficient of the regression model of the study is as presented below.

Table 4.11: Coefficients

Model		Unstandardized coefficients	Standardized coefficients	T	Sig.
		Beta	Beta		
1	(Constant)	3.87		8.953	0.003
	Board size	0.872	0.146	6.792	0.004
	Board independence	0.523	0.142	7.796	0.009
	Gender diversity	0.473	0.045	2.856	0.023

a. Dependent Variable: Performance

Source: Study Data (2021)

Findings established that the board size of p = 0.04, board independence of p = 0.009 and gender diversity of p = 0.023 were all significant in predicting performance of the stated banks as they all had significant values of below 0.05, thus the independent variables fit predicted the dependent variable. Therefore, independent variables are positively and statistically significant to firm performance. Any change in the unit representing board size will cause a 0.146 unit change in performance with a p value of 0.004. A unit change in board independence will cause a 0.142 unit change in the performance of banks. Additionally, a change in the unit representing gender diversity will cause a 0.045 unit change in the performance as the dependent variable.

4.7 Discussion of Findings

Study findings were supported by Atieno (2016) who also agreed that, in determining performance of the stated banks, composition of boards is an important factor. Results further indicated that board independence was a key predictor of performance and should be put into consideration. These findings were supported by Bhagat and Black (2000) who agreed that independence of the board was crucial and brought about monitoring and evaluation aspect into the decisions made by the board. Study findings also noted that board size is important in determining performance of commercial banks. These findings were also held by a study done by Fama and Jensen (2014) who agreed that the size of the board should be appropriate and enough to make decisions of the companies. Study findings further revealed that gender diversity influences performance of commercial banks. Dalton (2013) and Klein (2012) had the same sentiments from their study who agreed that diversification of gender in the BOD is important and it also diversifies the decisions and skills in the board.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This section examines summary of findings, conclusions of the study, recommendations of the study, limitations of the study and lastly areas for further research.

5.2 Summary of Findings

This study considered board size, board independence and gender diversity as main components of boards. All commercial banks were selected as the population of this study in order to achieve the research objectives, however, only 35 commercial banks gave complete information which was considered useful for data analysis and interpretation.

Research revealed that board size significantly influences performance of commercial banks. This was supported by a p value of 0.004 and $\beta = 0.146$. It can be noted that an increase in the performance of banks can be linked to an increase in board size thus indicating a significant relationship between board size and performance of commercials banks.

Similarly, research established a positive correlation between board independence and performance of commercial banks generating a p-value of 0.009 and $\beta = 0.142$. Thus, a rise in performance of banks can be attributed to increase in board independence. Therefore, board independence is a strong predictor of the changes noted in organizational performance. In relation to the third objective, findings revealed that gender diversity significantly affects performance of banks generating a p-value of 0.02 and $\beta = 0.045$. This can be concluded that gender diversity is a predictor of the increase or decrease of organizational performance.

5.3 Conclusions

Based on findings, research concludes a positive relationship between board size and performance of organizations. Results indicate that number of directors have a great impact on performance of companies. Similarly, study concludes that there's a strong correlation between board independence and performance of organizations. Board independence that's explained further by number of executive, non-executive and independent directors is viewed as important since these factors influence the independence of thoughts and decisions deliberated upon by the directors. Lastly, the study concludes that gender diversity which was determined by the number of male and female directors is positively and statistically correlated to performance of company.

5.4 Recommendations

Research recommends that institutional managers should seek to have suitable board size, with gender equality so as to bring about diverse decisions and management styles to the banks. The board size should just be enough, not too big or too small, so that it is able to ran and make effective decisions of the operations of the commercial banks. The board should also be independent, such that both non-executive and independent directors participates in decision making so as to bring about integrity, independent of thoughts and monitoring aspect in the operations and decisions made.

5.5 Limitation of the Study

This study encountered several bottlenecks which included not getting all responses for the study as it aimed to carry out a study involving all the commercial banks. However, there was a high response rate which was adequate enough to carry out analysis and interpretation. There was also a limitation where the banks were not confident enough to provide information which they considered sensitive and private to them. While this was encountered, the researcher used the

introduction letter which explained the study, emphasizing that information rendered was intended for academic and research purposes.

5.6 Areas for Further Studies

In regards to the structure of board of directors of organizations in relation to its impact on performance, further studies should be conducted to improve the research findings. Additional studies should be carried out in commercial banks to narrow down the implication of the various components of board of directors on performance of organizations. Since, this study mainly focused on the size of boards, board independence and gender diversity, the scholar recommends a study on other factors on structure of board of directors and performance of commercial banks. More so studies should be conducted on composition of board of directors on other financial institutions other than mentioned banks for comparisons and conclusions. Notwithstanding, a similar study should be conducted in developed nations to help compare results with emerging economies such as Kenya to inform decisions and policies

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APPENDIX I: QUESTIONAIRE

Section A: General Information

1. Name of your bank……………………………….
2. How many branches does the bank have…………………….

Section II: Composition of the Board

1. **Board Independence**

Kindly specify the number of directors in categories provided.

Classification	Number of directors
Executive Directors	
Non-Executive Directors	
Independent Directors	

2. **Board Size**

How many board members does the bank had in the following years?

Year	Number of Directors
2021	
2020	
2019	
2018	

3. **Gender Diversity**

How many male and female directors are there in your board for the stated years?

Year	Number of male directors	Number of female directors
2021		
2020		
2019		

2018		

4. Please indicate the period of service of directors.

Three years ☐

Four years ☐

Five years ☐

Others (Specify) ☐

SECTION C: Performance of Commercial Banks

5. Indicate the degree to which board of directors has influenced performance of your bank (1-No extent, 2-little extent, 3-moderate extent, 4-great extent, 5-greatest extent).

Statement	1	2	3	4	5
Overall firm performance and success.					
Return on total assets.					
Firm's total sales growth					
Return on total sales					

6. Please indicate the value of the items mentioned below.

Item	Value (Sh.) As at 2021
Annual net income	
Average shareholders' equity	
Average total assets	
Return on equity	
Return on assets	

Thanks for your participation

APPENDIX II: LIST OF COMMERCIAL BANKS IN KENYA

No.	Bank
1	African Banking Corporation Limited
2	Absa Bank Kenya
3	Access Bank Plc
4	Bank of Africa Kenya Limited
5	Bank of Baroda (K) Limited
6	Bank of India
7	CFC Stanbic Bank Ltd
8	Cooperative Bank of Kenya
9	Commercial Bank of Africa Limited
10	Consolidated Bank of Kenya Limited
11	Credit Bank Limited
12	Citibank Kenya
13	Development Bank of Kenya Limited
14	Diamond Trust Bank Kenya Limited
15	DIB Bank Kenya Limited
16	Ecobank Kenya Ltd
17	Equity Bank Kenya
18	Family Bank Limited
19	First Community Bank Ltd
20	Guaranty Trust Bank
21	Guardian Bank Ltd
22	Gulf African Bank Ltd

23	Habib Bank A.G Zurich
24	I&M Holdings
25	Jamii Bora Bank Ltd
26	Kenya Commercial Bank Ltd
27	Kingdom Bank Limited
28	Middle East Bank (K) Ltd
29	M-Oriental Bank Limited
30	NCBA Bank Kenya
31	Paramount Universal Bank Ltd
32	Prime Bank Limited
33	SBM Bank Kenya Limited
34	Standard Chartered Bank Kenya
35	Sidian Bank Limited
36	Spire Bank Limited
37	UBA Kenya Bank Limited
38	Victoria Commercial bank Ltd
39	National Bank of Kenya Ltd
40	Mayfair CIB Bank Limited

Source: CBK, Bank Supervision, Annual Report (2021)