CORPORATE GOVERNANCE AND FINANCIAL PERFORMANCE OF COMMERCIAL BANKS IN KENYA

BY

CYNTHIA NAIPASOI SHUKURU

REG. NO: 15/01496

A DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF MASTER OF BUSINESS ADMINISTRATION (CORPORATE MANAGEMENT) IN THE SCHOOL OF BUSINESS AT KCA UNIVERSITY

SEPTEMBER 2022
DECLARATION

I declare that this thesis is my original work and has not been previously published or submitted elsewhere for award of a degree or any academic credit. I also declare that this contains no material written or published by other people except where due reference is made and author duly acknowledged.

Cynthia Naipasoi Shukuru Reg. No: 15/01496
Signature………………………….. Date…………………………

I do hereby confirm that I have examined the master’s thesis of Cynthia Naipasoi Shukuru and have approved it for examination

Signature………………………….. Date…………………………

Dr. Rose Gathii
Lecturer, KCA University
ABSTRACT

The impact of corporate governance on the financial performance of Kenya's commercial banks was investigated in this study. The study examined the impact of board size, audit structure, ownership structure, and firm size on the financial performance of Kenya’s commercial banks. This study used a descriptive design and included all 39 of Kenya's commercial banks. The study relied on data from yearly financial reports from 2015 to 2021. The study adopted a descriptive research design and secondary data was used. The time scope of the study was 2016-2021. The study adopted the use of secondary data where panel data was used. The study conducted Multicollinearity, Heteroscedasticity, Normality test, Autocorrelation Test and Durbin–Wu–Hausman Test. The data was analyzed using descriptive and inferential statistics. The results showed a positive and significant relationship between board size and financial performance of commercial banks in Kenya. There was a positive and significant relationship between ownership structure and financial performance of commercial banks in Kenya. Audit committee structure had a positive but insignificant relationship with financial performance of commercial banks in Kenya. Lastly, the results further portrayed a positive and significant relationship between board size moderated with firm size and financial performance of commercial banks in Kenya. The study concluded that board size, ownership structure and audit committee structure and firm size had a significant effect on financial performance of commercial banks in Kenya. The study recommends that banks should ensure transparency and disclosure in all the activities undertaken during the period of operation to assist investor in decision making. The study also recommends that audit committees should enhance practices that will help them conduct effective meetings. Each committee should consider what is most effective for its circumstances, but certain practices are valuable. Critical discussion and engagement in meetings should be encouraged by the chairperson and members should come prepared, having read all advance materials and prepared questions for management.
ACKNOWLEDGEMENTS

I thank the Almighty God that this project would not have been possible without the assistance of many persons to whom I am deeply indebted. I must recognize and extend my sincere gratitude to my supervisor Dr. Rose Gathii for her constructive guidance, advice and time given throughout this dissertation.

I am also greatly beholden to my friends from KCA University (Kitengela Campus) and classmates for their support and encouragement they gave me that contributed immensely to the success of this dissertation.
# TABLE OF CONTENTS

DECLARATION......................................................................................................................... iii

ABSTRACT.............................................................................................................................. iv

ACKNOWLEDGEMENTS ........................................................................................................ v

TABLE OF CONTENTS .......................................................................................................... vi

DEDICATION......................................................................................................................... xi

LIST OF TABLES .................................................................................................................... xii

LIST OF FIGURES ................................................................................................................. xiii

ABBREVIATIONS AND ACRONYMS .................................................................................... xiv

OPERATIONAL DEFINITION OF TERMS ............................................................................. xv

CHAPTER ONE ....................................................................................................................... 1

INTRODUCTION..................................................................................................................... 1

1.1 Background of the Study ................................................................................................. 1

1.1.1 Corporate Governance .............................................................................................. 3

1.1.2 Financial Performance .............................................................................................. 5

1.1.3 Commercial Banks in Kenya ..................................................................................... 6

1.2 Statement of the Problem .............................................................................................. 8

1.3 Research Objectives ....................................................................................................... 9

1.3.1 General Objective .................................................................................................. 9
1.3.2 Specific Objectives ........................................................................................................9
1.4 Research Hypotheses ........................................................................................................10
1.5 Justification of the Study ..................................................................................................10
1.6 Scope of the Study ............................................................................................................11

CHAPTER TWO .........................................................................................................................12

LITERATURE REVIEW ............................................................................................................12

2.1 Introduction ......................................................................................................................12
2.2 Theoretical Review ...........................................................................................................12
2.2.1 Agency Theory ............................................................................................................12
2.2.2 Stewardship Theory ....................................................................................................14
2.2.3 Stakeholder Theory .......................................................................................................15
2.2.4 Upper Echelon Theory ...............................................................................................15
2.3 Empirical Review ..............................................................................................................16
2.3.1 Board Size and Financial Performance ......................................................................16
2.3.2 Ownership Structure and Financial Performance .......................................................28
2.3.3 Audit Committee Structure and Financial Performance ............................................31
2.3.4 Firm Size and Financial Performance .........................................................................34
2.4 Research Gap ...................................................................................................................37
2.5 Conceptual Framework ....................................................................................................37
4.3 Trend Analysis ............................................................................................................... 49
4.4 Diagnostics .................................................................................................................... 50
  4.4.1 Test for Multicollinearity ....................................................................................... 51
  4.4.2 Test for Autocorrelation ....................................................................................... 51
  4.4.3 Normality Test ....................................................................................................... 52
  4.4.4 Heteroscedasticity Test ........................................................................................ 53
  4.4.5 Hausman Specifications Test ................................................................................ 53
4.5 Correlation Analysis ..................................................................................................... 54
4.6 Regression Analysis ....................................................................................................... 56
4.7 Discussion of Findings ................................................................................................. 59

CHAPTER FIVE .................................................................................................................. 64

SUMMARY, CONCLUSION AND RECOMMENDATIONS ............................................. 64

  5.1 Introduction ................................................................................................................ 64

  5.2 Summary of Findings ............................................................................................... 64
  5.2.1 Board size and financial performance ................................................................. 64
  5.2.2 Ownership structure and financial performance ................................................. 64
  5.2.3 Audit committee structure and financial performance ....................................... 65
  5.2.4 Firm size and financial performance ................................................................. 65

  5.3 Conclusion ................................................................................................................ 66
5.4 Recommendation ................................................................. 67

5.5 Suggestions for Further Research ........................................... 68

REFERENCES ............................................................................. 69

Appendix A: Commercial Banks in Kenya .................................... 80
DEDICATION

I dedicate this dissertation to my family
LIST OF TABLES

Table 1: Operationalization of Variables ................................................................. 39

Table 2: Descriptive Statistics .................................................................................. 48

Table 3: Multicollinearity ......................................................................................... 51

Table 4: Serial Correlation Tests ............................................................................. 52

Table 5: Normality Test ............................................................................................ 52

Table 6: Heteroscedasticity Test Results .................................................................. 53

Table 7: Hausman Test .............................................................................................. 54

Table 8: Correlation Matrix ...................................................................................... 55

Table 9: Regression Analysis .................................................................................... 56

Table 10: Moderating Effect ..................................................................................... 58
LIST OF FIGURES

Figure 1: Conceptual Framework ................................................................. 38

Figure 2: Trend Analysis ........................................................................... 50
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>ANOVA</td>
<td>Analysis of Variance</td>
</tr>
<tr>
<td>AS</td>
<td>Audit Structure</td>
</tr>
<tr>
<td>BS</td>
<td>Board Size</td>
</tr>
<tr>
<td>CBK</td>
<td>Central Bank of Kenya</td>
</tr>
<tr>
<td>CDSC</td>
<td>Central Depository and Settlement Corporation</td>
</tr>
<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>CMA</td>
<td>Capital Market Authority of Kenya</td>
</tr>
<tr>
<td>FP</td>
<td>Financial Performance</td>
</tr>
<tr>
<td>FS</td>
<td>Firm Size</td>
</tr>
<tr>
<td>ICF</td>
<td>Investor Compensation Fund</td>
</tr>
<tr>
<td>NIM</td>
<td>Net Interest Margin</td>
</tr>
<tr>
<td>NSE</td>
<td>Nairobi Stock Exchange</td>
</tr>
<tr>
<td>OECD</td>
<td>Organization for Economic Co-operation and Development</td>
</tr>
<tr>
<td>OS</td>
<td>Ownership Structure</td>
</tr>
<tr>
<td>ROA</td>
<td>Return on Assets</td>
</tr>
<tr>
<td>ROE</td>
<td>Return on Equity</td>
</tr>
<tr>
<td>SMEs</td>
<td>Small and Medium Enterprises</td>
</tr>
<tr>
<td>SPSS</td>
<td>Statistical Package for Social Sciences</td>
</tr>
</tbody>
</table>
OPERATIONAL DEFINITION OF TERMS

**Corporate Governance:** Refers to process and structures used to govern and control financial institutions.

**Financial Performance:** This means the financial wellness or ability of financial institutions to generate revenue

**Board Size:** Refers to number of people who are members of board of directors

**Audit Structure:** Refers to executive and non-executive members who constitute the audit committee and meet from time to time to evaluate and advice the board on measures put in place to mitigate financial risks.

**Ownership Structure:** This refers to foreign and government shareholding in commercial banks

**Firm Size:** These are bank assets which are under management
CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Due to the rapid increase in competition and the drastic shift in the business environment, managers are continuously looking for ways to gain and maintain a competitive advantage for their organizations. Corporate governance has become a defining component in enabling financial institutions to succeed and gain a competitive edge in the banking business.

Corporate governance encompasses activities aimed as guiding, coordinating and controlling an organization by board of directors (Okiro, Aduda & Omoro, 2015). Corporate governance should act as a guide and offer strategic direction that is necessary in day to day operation of an organization. Corporate governance is significant in checking actions of top leaders and ensuring that activities undertaken by an organization are in line with organizational goals and objectives thereby improving effectiveness and efficiency of service delivery (Tricker, 1994). Similarly, effective corporate governance helps to cut down costs, reduce bureaucracy, strengthen internal controls and mitigate risks of fraud and financial losses (Tricker, 1994). The board structure, ownership structure, audit committee, and firm size are all important aspects of corporate governance.

Globally, corporate governance in the United States has traditionally been a subject of state corporate law, focused on the relative roles and powers of shareholders, the audit committee members and corporate officers in relation to corporate action, decision-making and oversight of management (Beasley, Carcello & Hermanson, 2016). Public companies must disclose various categories of information to the public as regulated by the Securities and Exchange Commission’s
(SEC). This includes disclosure on financial reports, organizational documents, certain shareholder information and material agreements and events (Holmstrom & Kaplan, 2014). US securities laws generally prohibit a public company from intentionally disclosing material non-public information. Any material non-public information that is unintentionally disclosed must be publicly disclosed promptly. One exception is that a company may provide such information to persons who expressly agree to keep the disclosed information confidential.

Regionally, the code of best practices on financial reporting in Nigeria (Sec, 2011) was the primary code of audit committees' code issued by Securities and Exchange Commission in 2003. The Code was pertinent to every single open organization enlisted in Nigeria. The happenings and quick changes in the corporate world made the code to end up inadequate that understood a couple of controllers of express fragments issuing industry-unequivocal financial reporting codes to convey matters specific to their different regions (Isa and Farouk, 2018). Plus, the Sec (2011) Code proposes that the audit committees ought to use its best judgment to uncover any issue in spite of the way that not unequivocally required in the code to be uncovered if in the supposition of the audit committees such issue is fit for affecting in a critical structure the financial condition of the association.

Commercial banks are private or public financial entities whose role is to issue loans to investors, accept deposits, make financial investments, and facilitate money transfers, all of which contribute to the country's economic growth and development (Capital Market Authority of Kenya, 2019). This means that commercial banks are pivotal for stimulating start-up of small businesses, facilitating small and long-term investments and promoting economic and social stability of Kenya. Among financial institutions regulated by Central bank in Kenya, thirty-nine are commercial banks; ten are Microfinance institutions and one is a mortgage financial institution
(Capital Market Authority of Kenya, 2019). However, several commercial banks in Kenya are experiencing various challenges which have taken toll on their financial performance and thus an urgent need to investigate the effect of corporate governance on financial performance of commercial banks.

1.1.1 Corporate Governance

Corporate governance is defined as the process and structure used to direct and manage the business and affairs of a company towards enhancing business prosperity and corporate accountability with the ultimate objective of realizing long-term shareholder value, whilst taking account of the interests of other stakeholders (CMA, 2019). In addition, corporate governance can be described as the process in which an organization draws its strategic goals and objectives, monitoring and reporting of performance indicators and migration of financial risks (Reddy, 2010). Besides, OECD (2015) describes corporate governance as synergy between the board, top management, shareholders and stakeholders aimed at building capacity and resilience towards attaining organizational goals.

Board size is the number of board members involved in the function on management. The number of board members in the board of commissioners measures this variable. This data is derived from the disclosure the company does in its annual report (Abeysekera, 2010). Ownership structure is defined by the local to foreign ownership. Ownership structures are of major importance in corporate governance because they affect the incentives of managers and thereby the efficiency of the firm. The ownership structure is defined by the distribution of equity with regard to votes and capital but also by the identity of the equity owners (Huse & Solberg, 2016).

The structure of the audit committee could influence on the financial reporting quality of a firm (Pittman, Rui & Wu, 2017). An excessive number of committee members might influence
negatively on decision making, and the costs derived from audit committee could overweigh the benefits. According to Samaha, Khlif and Hussainey (2015), when groups increase in size coordination problems make them less effective. Furthermore, audit committees are expected to monitor top managers less effectively.

Banking institutions are charged with upholding the public’s trust and protecting depositors. Good governance requires boards and senior management to fulfill their fiduciary responsibilities by effectively communicating strategic business direction and risk appetite while assuring transparent and effective organization, risk assessment and mitigation, and sufficient capital support (Matiin, Ratnawati & Riyadi, 2018). Good governance complements traditional supervision of banking institutions, protects the interests of depositors and other investors in commercial banks, builds and maintains public confidence in the banking sector, and ultimately contributes to its integrity and credibility (De Haan & Vlahu, 2016). Banking institutions are uniquely vulnerable to liquidity shocks which can result in institutional and potentially, financial instability. Sound governance supports prudential supervision and regulation, enhancing the role and the effectiveness of the banking institution supervisor (Waemustafa & Abdullah, 2015).

The concept of corporate governance has evolved over the years. Kenya Capital Market Authority, which is a government institution mandated to license, supervise and monitor entities involved in money market developed guidelines in relation to good corporate governance (CMA, 2019). According to the guidelines, organizations should compensate board members appropriately; the board should determine the salaries of directors and set retirement age for board of directors at 70 years as well as emphasizes that organizations should have policies that promote board diversity. In addition, the guidelines clarify the issues of account opening for resident and
non-resident members, obligation to report suspicious transactions to authorities and prevention of money laundering and financial terrorism in Kenya (CMA, 2019).

The subject of corporate governance has gained attraction in the financial sector due to its ability to reduce capital cost, improve share price, and promote financial growth and performance of an organization as well as promote investor confidence, mitigate against risks of fraud and wastage and help in attainment of organizational goals and objectives (CMA, 2019). However, notwithstanding the benefits of corporate governance, cases of balance sheet malpractices have been linked to poor performance of financial institutions (CMA, 2019). Because existing studies do not provide solutions to the financial challenges that commercial banks face, it is necessary to investigate the impact of corporate governance on the financial performance of Kenya’s publicly traded commercial banks.

1.1.2 Financial Performance

Financial performance refers to how a company makes use of its assets to produce revenue and gain a competitive advantage (Nyanga, 2011). Furthermore, financial performance can be used to define an organization's overall financial soundness over a period of time (Nyanga, 2011). Equally, Prasad and Shrimal (2014) point out that a company's financial performance is measured in terms of profits and losses over a given time period.

There are three main methods used in determining the financial performance of commercial banks and include; ROA, ROE and NIM (Alexandru, Genu, & Romanescu, 2018). ROE is used to determine profit earned in relation to the total amount of shareholder equity invested in an organization, whereas ROA is used to determine profit of an organization and is expressed as a fraction of income to total assets. ROE is used to determine profit earned in relation to the total amount of shareholder equity invested in an organization, whereas ROA is used to measure the
Financial performance encompasses an organization’s ability to increase sales or revenue, make profit or have an increased level of return on equity or assets (Barnett & Salomon, 2012). Good financial performance is the ultimate goal of any organization. Financial wellness helps an organization to undertake its activities and meeting daily or long-term expenses. Financial performance promotes an organization’s survival and helps an organization to remain competitive. Financial performance of an entity is measured in different ways. Traditionally, financial performance indicators were designed to meet people’s budget and orders and were determined using methods such as ROA, ROE, Earning per Share and revenue generated (Barnett & Salomon, 2012). However, rapid growth of the financial sector has contributed to incorporation of other measures such as adoption of new financial ratios and, financial benchmarks. In modern society, organizations have embraced a variety of financial analysis methods aimed at explaining the financial performance (Huselid, 2010).

1.1.3 Commercial Banks in Kenya

The Kenyan banking sector regulated by the Central Bank of Kenya (CBK) comprises of 39 banking institutions (38 commercial banks and one mortgage finance institution). These banks hold total assets worth Kenya Shillings (KES) 3,199 Billion, US dollars (USD) 32 Billion and outstanding Loans/advances worth KES 1,531 Billion, (USD 15 Billion) (CBK Annual Report, 2019). The banking sector has been significantly modernized and strengthened since the 1980s and 1990s when it faced problems of under-capitalization, high levels of non-performing loans,
weak corporate governance, and low competition amongst other issues. Following the banking crisis of the mid-1980s, Kenya established a deposit protection fund Board to manage the deposit insurance fund and carry out the liquidation of insolvent institutions once the CBK closed them (CBK Annual Report, 2019). The Board has since converted into an independent entity, the Kenya Deposit Insurance Corporation (KDIC), under an independent act of parliament (Fusion Capital, 2018).

Nonetheless, there have been some adverse developments in the banking sector. After years of stability, the banking sector has recently witnessed two adverse developments/ incidents, defined as events which caused short periods of panic in Kenya’s financial sector. Kenya has seen the collapse and liquidation of one bank, Dubai Bank Kenya Limited (in August 2015) and another bank, Imperial Bank Limited (in October 2015) placed under statutory management, in the past few years (KBA, 2018). As the collapse of and subsequent liquidation of Dubai Bank was due to mismanagement, it did not have much of an effect on the banking sector. Besides, Dubai Bank was relatively small in size with a net asset of KES 3.5 Billion (USD 34 Million) and a market share of 0.1%. The placement of Imperial Bank Limited under statutory management, however, led to some alarm in the banking sector. Imperial Bank was a mid-tier bank in size (ranked 17th) with a market share of 1.8% and an asset base of KES 70.33 Billion (USD 679 Million) (June 2015). On top of this (and again unlike Dubai bank), the placement of the Bank under statutory management caught the market by surprise (Fusion Capital, 2015).

In September 2016, the government put a restriction on interest rates charged by banks at no more than 4% of the Central Bank of Kenya's base rate (CBK). The limit, which fixed bank interest rates at 4% above the Central Bank of Kenya's (CBK) base rate, was meant to solve the issue of loan affordability for small businesses and working people, who had complained for years
that high interest rates had kept them out of mainstream bank lending (KBA, 2019). The rate cap was found restrictive and the unintended consequence was that banks diverted their investments into Kenyan government liabilities and away from all but the most creditworthy private sector activities. The capping was thus removed in November 2019 (KBA, 2019).

1.2 Statement of the Problem

The voluntary disclosure levels of the commercial banks in Kenya ranged between 47-55% for period 2008-2013 (Mugo, 2014). According to Aikaeli and Rashid (2015) in 2013, three banks had disclosure scores of less than 40%, 20 banks disclosed between 41% and 70% of information while only 8 banks voluntarily released over 70% of their information through annual reports averaging the voluntary corporate disclosure score in Kenya at 62.8%. Despite the banking sector stability and resilience, two non-systemic banks, Dubai Bank Limited and Imperial Bank Limited, were placed in receivership by the Central Bank of Kenya (CBK, 2015) and Chase bank in 2016 which was attributed to failure to adhere to disclosure requirements spelled out in the prudential guidelines issued by the Central Bank of Kenya (Osembe & Chepkemoi, 2016). Furthermore, these failure did not provide early warning signals in the audited financial statements raising widespread public concern about the country's financial reporting quality (Jerubet, Chepng’eno & Tenai, 2017).

While corporate governance is essential for reaching the highest level of harmony inside a firm, research into the relationship between corporate governance and financial performance has yielded varied results. While Oino and Itan (2018) showed a negative link between board composition and financial success, Aktan et al. (2018) discovered a favorable link between financial performance and board size, ownership structure, and auditor qualities. Similarly, Darwanto and Chariri (2019) found a positive relationship between board of directors and Islamic
bank financial performance, but Khalil (2018) discovered a negative relationship between financial performance and director independence and board meeting frequency. This clearly shows that the results of the various studies on the subject are contradictory.

In Kenya, studies on corporate governance and commercial bank financial performance have yielded equivocal or contradictory results. For example, while Omware, Atheru, and Jagongo (2020) discovered a link between financial performance and board size and independence, board member academic qualifications, gender diversity, and ethnic affiliation. However, the study only used listed banks. Nyarige (2012) discovered a negative link between financial performance and board size and commercial bank interdependence. This shows contradictions among scholars and thus the need to conduct an investigation to assess the effect corporate governance and financial performance among commercial banks in Kenya.

1.3 Research Objectives

1.3.1 General Objective

The main objective of this study was to evaluate the influence of corporate governance on financial performance of commercial banks in Kenya.

1.3.2 Specific Objectives

The study will be guided by the following research objectives;

i. To determine the influence of board size on financial performance of commercial banks in Kenya.

ii. To explore the influence of ownership structure on financial performance of commercial banks in Kenya.
iii. To establish the influence of audit committee structure on financial performance of commercial banks in Kenya.

iv. To determine the moderating effect of firm size on the relationship between corporate governance on financial performance of commercial banks in Kenya

1.4 Research Hypotheses

The study will tests the following research hypotheses;

**H\textsubscript{01}:** Board size has no significant effect on financial performance of commercial banks in Kenya

**H\textsubscript{02}:** Ownership structure has no significant effect on financial performance of commercial banks in Kenya

**H\textsubscript{03}:** Audit committee structure has no significant effect on financial performance of commercial banks in Kenya

**H\textsubscript{04}:** Firm size does not significantly moderate the relationship between corporate governance on financial performance of commercial banks in Kenya

1.5 Justification of the Study

Corporate governance is a major issue affecting financial institutions in Kenya. A study by Cyntonn Investment Ltd (2016) revealed that poor corporate governance structures in Kenya resulted in loss of wealth of over Kshs. 264 billion. Chase Bank, CMC, Imperial Bank, Uchumi, Mumias, Kenya Airways, National Bank, and TransCentury were among the companies affected. This is a concerning trend that necessitates immediate examination to determine the efficiency of corporate governance systems in improving financial institution performance. This research aimed to shed light on the root causes of the problem and, as a result, encourage the establishment of effective corporate governance systems aimed at enhancing financial performance.
1.6 Scope of the Study

The focus of this research was the impact of corporate governance on the financial performance of Kenya's commercial banks. The data for the study was taken from financial reports for the years 2015 to 2021. Board structure was measured in terms of board size, and ownership structure was measured by local to foreign ownership and audit committee structure was measured in terms of audit committee size while firm size was measured in terms of bank total assets. Financial performance was measured in terms of Return on Assets (ROA). The descriptive design method was used.
CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section describes literature related to corporate governance and financial performance of commercial banks. This is significant in developing a thorough understanding of the subject under study, identification of similar studies done within the area and comparing the current study with the previous findings. This review focuses on influence of board size, ownership structure, audit committee and firm size on financial performance. It starts by a discussion on theories that govern the study. Secondly, it constructively critiques the available literature thus promoting identification of knowledge gap thereby informing the need for the current study.

2.2 Theoretical Review

In describing and assessing corporate governance, this study considers the following theoretical frameworks: Agency Theory, Stewardship Theory, Stakeholder Theory, and Upper Echelon Theory.

2.2.1 Agency Theory

Mitnick (1975) and Ross (1976) proposed the Agency Theory. The theory explains the dissociation between ownership and control in corporation and considers a firm as a set of contracting relationship among individuals. Mitnick (1975) and Ross (1974) argues that parties in a contractual relationship act to upscale their benefits by using information available to them and thus separating control from ownership can help address this challenge by entrusting professional managers to manage companies or companies on behalf of owners.
The main assumption of agency theory is that conflicts of interest occur when managers and shareholders have divergent interests or desires and in this case, agents are presumed to be rational but also opportunists. Similarly, agency theory assumes that managers are always thinking about themselves rather than maximizing shareholder value (Demsetz, 1983; Jensen & Meckling, 1976). The theory also implies that contracts are cheaper to write and enforce when they are in writing, and that knowledge is shared unequally between principals and agents. A contract's parties are also said to have limited rationality, according to the idea. According to the hypothesis, it is difficult for the principals to determine the efforts of managers due to unequal information sharing between managers and shareholders (Fama & Jensen, 1983).

Conflicts often arise when company owners accuse managers of not running the company in the best interest of the owners. Agency theory, according to Eisenhardt (1989), aims to explore and resolve problems between principals (owners or shareholders) and their agents or top management. It underlines the idea that the ultimate goal of a firm or organization is to maximize the principal's wealth (Blair, 1995).

Traditional approaches are too complex or have too many owners to manage in today's world (Ongore & Obonyo, 2011). This is why agency theorists argue that, in comparison to a board dominated by executive directors, organizations should have a large number of independent non-executive members on the board. This will improve decision-making and provide the necessary oversight to limit risks (Fama & Jensen, 1983).

According to agency theory, non-executive directors are critical in monitoring and overseeing CEOs since they are independent and more concerned with the company's image (Fama & Jensen, 1983). Non-executive directors can help to enhance value by monitoring and providing outside knowledge skills (Fama, 1980; Fama & Jensen, 1983).
The agency theory is relevant to this study because it addresses potential conflicts of interest among the board of directors, such as when the bank's management interests conflict with the shareholders' interests regarding the bank's operations. A problem in the agency theory is the inward focus of directors and management, who forget that a corporation exists to serve the interests of all stakeholders.

2.2.2 Stewardship Theory

Donaldson and Davis (1991) proposed this Stewardship Theory, which is the polar opposite of agency theory. It is assumed that shareholders and management have no competing interests. Instead, the theory suggests that businesses have established ways of coordinating their activities, which improves management's agility in attaining organizational goals and provides shareholder protection.

“Internal board member managers were more likely to be focused on the organization's operations than external directors in large firms, according to Fama and Jensen (1983). Agents are less inclined to act against the interests of shareholders due to fear of losing their reputations and career progression, according to stewardship theory, resulting in lower agency expenses (Donaldson & Davis, 1994).

Agency theory is relevant to this study since it assumes that board members have the greatest obligation of care as custodians of business resources and assets on behalf of capital owners. This theory is relevant to the research because it assumes that executive directors are preferable to non-executive directors because they are more likely to maintain correct knowledge of financial performance, which leads to excellent corporate governance.
2.2.3 Stakeholder Theory

This theory originated from the work of Freeman (1984) and explains that a company is considered successful only when it adds value to majority of the stakeholders. An organization is viewed as a type of input-output model, with employees, government institutions, the community, suppliers, agents, and customers. Stakeholder theory, according to Sundaram (2004), illustrates that any organization's ultimate purpose is to generate income and benefit for its stakeholders. The connection between various stakeholders influences decision-making and activity outcomes (Freeman, 1984). Stakeholder theory analyzes the relationships between inputs and outputs in an organization based on important decision makers (Wanyama & Olweny, 2013).

Analysis of stakeholder theory reveal that availability of many parties in a corporation aiming at promoting wellbeing of the company while at the same time having competing interests (Jensen, 2001). Instances where shareholders welcome high yielding but risky projects may affect the interest of debt holders especially when a company is struggling with liquidity issues (Jensen, 2001).

Stakeholder Theory is relevant because it helps a company to have higher productivity because of satisfied employees, it enhances retentions and subscription of new customers, it promotes investment and enhances financial performance of a company (Wanyama & Olweny, 2013).

2.2.4 Upper Echelon Theory

This theory originated from the work of Finkelstein and Hambrick (1996). The theory is premised on the assumption that top executives always conduct SWOT assessment—strengths; weaknesses; opportunities and threats before undertaking any investments. Hambrick (1996)
argued that success or failure of an organization determine the prowess of top executives. He further posits that key decisions in an organization cannot be separated from personal attributes of the management (Hambrick, 1996).

While most studies emphasize the role of CEO, Hambrick’s (1996) argues that an organization’s board of directors should play a big role in coming up with strategic goals and visions for the organization. Boards of directors should participate in providing counsel and guidance towards strategic direction of an organization. Golden and Zajac (2001) considers personal attributes of board of directors as a key determinant of an organization’s wellbeing because board of directors are key actors in corporate governance structure.

The Upper Echelon Theory is relevant to the study as it tasks the top management to steer corporate governance in the organization. The top management of the commercial banks have the duty and the responsibly to ensure that good corporate governance practices are pursued.

2.3 Empirical Review

This section examines the empirical literature on corporate governance and the financial performance of publicly traded commercial banks. The review takes a thematic approach, with board size, ownership structure, audit committee structure, and firm size all being addressed.

2.3.1 Board Size and Financial Performance

Orozco, Vargas, and Galindo-Dorado (2018) utilized a cross-sectional descriptive design to investigate the relationship between board size and top-ranked company performance in Colombia. Secondary data from 84 companies was used in the study, and the data was examined utilizing correlations and cluster analysis. While large boards were linked to strong corporate
reputation performance, there was no link between large boards and financial performance, according to the data.

In Sri Lanka, Achchouthan and Kajananthan (2013) conducted a study on corporate governance practices and performance of listed manufacturing company in Sri Lanka. Twenty-five listed firms from the period between 2007 and 2011 were studied. Corporate governance practices were measured by board leadership structures, proportionate of non-executive directors in the board, board committees and board meetings. Questionnaires were utilized to collect data from the publicly traded corporations. The authors used a single regression analysis method as well as a multiple regression analysis method. According to the study, there was no significant association between financial success and corporate governance methods such as board committees, board meetings, and the proportion of non-executive directors. The board leadership structure, on the other hand, was discovered to have a substantial positive link with company performance as assessed by capital management efficiency. They came to the conclusion that there was a skewed association between corporate governance practices and the performance of Sri Lanka's listed companies.

In Pakistan, Malik, et al., (2014) employed Pearson correlation, multiple regression, and ANOVA to examine the impact of board size on banking sector performance between the year 2008 and 2012. Data was obtained from financial reports of 14 commercial banks and findings revealed a link between board size and financial performance. In Malaysia, Abdulsamad, Wan, Wan, and Lasyoud (2018) investigated the link between board of director qualities and organizational performance using a longitudinal methodology and data from Malaysian listed businesses from 2003 to 2013. The panel data regression model was used to examine the data, and it revealed a negative link between board meetings, CEO duality, and independent directors on
financial success. Amran (2016) employed Tobin's Q and the Least Square Estimation Method in a similar study in Malaysia to examine the impact of corporate governance on public company performance, and found a negative association between financial performance and board size and leadership duality.

Similarly, Taghizadeh and Saremi (2013), using data from Malaysian public listed firms evaluated the impact of board of director characteristics on business performance. The study looked at 150 publicly traded Malaysian companies that were listed in the year ending 2008. Because of the financial crisis of 2008, the year 2008 was very significant. Secondary data was utilized to investigate the link between board of director characteristics, gender diversity, and firm performance as assessed by return on assets and return on equity. Data collected was analysed using descriptive analysis, Pearson correlation and regression analysis. Results of study suggested that high frequency of board meeting, high percentage of independent non-executive directors decrease amount of ROE, high percentage of female directors on board of directors increase ROE. The results also suggested that ROA is influenced by frequency of board meeting and high frequency of board meeting decrease ROA.

Amran (2016) study in Malaysia investigated the relationship between Corporate Governance Mechanisms and Company Performances empirically. The hypothesis was tested on 424 publicly traded Malaysian companies (233 family-owned enterprises and 191 non-family-owned firms), with data on corporate governance procedures and company performance acquired from the Sultanah Bahiyah Library database from 2003 to 2007. As corporate governance procedures, board size, board independence, director's professional qualification, and leadership structure were employed, while debt, company age, and firm size were used as control variables. Tobin's Q was employed as a metric for evaluating the success of a corporation. The hypothesis
was tested using panel data methods and the generalized least square estimation method. The listed companies were divided into two groups: family-controlled businesses and non-family-controlled businesses, according to the report. According to the study, director qualification, as assessed by the percentage of directors with a bachelor's degree or higher divided by total directors, improves non-family controlled firm performance but is inconsequential for family controlled enterprises. Board size and leadership duality had a considerable negative impact on the performance of family-controlled businesses, but were minor in the case of non-family-controlled businesses.

In Turkey, Topal and Doan (2014) utilized a descriptive approach to explore the impact of board size on manufacturing firm financial performance. The study employed secondary data from 136 businesses from 2002 to 2012, and descriptive and inferential statistics were used to examine the data. The findings revealed a link between the size of a company's board of directors and its financial performance.

In Denmark, Bennedsen et al. (2014) investigated the impact of board size and independence on the success of small and medium-sized businesses. Questionnaires were used to collect primary data from 111 SMEs. After that, the data was analyzed using both basic and multiple regression approaches. The study discovered that board size has no effect on performance when the board size is less than six members, but that when the board size is seven or more members, there is a significant negative relationship between board size and performance, whereas board independence has a significant positive relationship with performance. According to the findings, board size and independence have an impact on the performance of Danish SMEs.

In Ghana, Ansong (2015) used cross-sectional descriptive design to investigate the influence of board size and board activity on SMEs' financial performance. Data was collected via questionnaires and analyzed using inferential and descriptive statistics. The size of the board was
shown to be positively linked with SMEs' financial performance, whereas the level of board activity was found to be negatively connected with SMEs' financial performance.

Another study in Ghana by Torryeva and Wereko (2012) examined the link between corporate governance and insurance company financial performance. From 2010 to 2012, time series data was collected. The data was analyzed using panel data methods by the writers. Large board size, board skill, management skill, longer serving CEOs, size of audit committee, audit committee independence, foreign ownership, institutional ownership, dividend policy, and annual general meeting were all found to be positively associated with private company financial performance in Ghana, according to the study. They came to the conclusion that corporate governance has a considerable favorable relationship with private company financial performance.

In South Africa, Dzingai and Fakoya (2017) examined the impact of corporate governance on mining company performance in South Africa using data from the Johannesburg Stock Exchange (JSE) between 2010 and 2015. A descriptive design and inferential statistics were used to analyze the data. Smaller boards were found to contribute to better performance by eliminating the issue of free riding that plagues large boards, demonstrating a link between board independence and company performance.

In Ethiopia, Mitiku (2015) used a mixed research design and secondary data from insurance businesses between 2005 and 2014 to investigate the impact of corporate governance on financial performance. While there was no relationship between financial performance and board size or the availability of female directors, there was a positive relationship between financial performance and executive remuneration, academic qualification of directors, and specific sector working experience, according to the findings.
In Uganda, Nkundabayanga, Tauringana, and Muhwezi (2017) used ordinary least squares regression to investigate the impact of board structure on secondary school performance in Uganda. Data was acquired via questionnaires in this study, which used a descriptive approach. The findings revealed a link between school performance and the functions of the board, finance committee, number of meetings, and board members' financial expertise.

In Tanzania, Assenga, Aly, and Hussainey (2018) employed a descriptive research approach and the balanced panel data regression method to investigate the association between board qualities and listed company financial performance. While gender diversity had a favorable influence on financial performance, board size, doctorate attainment, and non-resident directors had a negative impact on financial performance of Tanzanian listed companies, according to the research.

Another study in Tanzania by Wanyama and Olweny (2013) investigated the impact of corporate governance on the financial performance of Tanzanian micro and small businesses. From 2010 to 2012, time series data was collected. As an advanced inferential analysis approach, the authors used Autoregressive Conditional Heteroskedasticity (ARCH) analysis. They discovered a link between board composition (executive and non-executive directors) and corporate financial performance. In addition, the size of the board of directors has been observed to have a detrimental impact on MME financial performance. The study discovered a substantial link between Corporate Governance standards such as a lean board of directors and accurate financial reporting and the financial performance of the company.

In Kenya, Ongore et al., (2015) investigated the impact of board attributes on firm performance using multivariate regression. According to the study, independent board members
had a negative impact on financial performance, gender diversity had a good impact on financial performance, and board size had an inverse relationship with financial performance.

Another study in Kenya by Kamau and Basweti (2013) analyzed the link between corporate governance and firm financial success. The Nairobi Securities Exchange is where the stock is traded. The study's population included 45 banks and two insurance businesses that had been continually listed between 2006 and 2012. Board size, CEO duality, CEO tenure, and directors' salary were all used to assess corporate governance. STATA software was used to analyze the data in the study. The study discovered that board size and CEO duality had a substantial positive link with financial institution financial performance, suggesting that a leaner board would result in greater financial performance.

Okiro (2016) examined the connection between board size and board composition on firm performance utilizing selected organizations at the Nairobi Stock Exchange. He established there was no noteworthy connection on the size of the board and the disclosure of the firms. Baker and Gompers (2013) point out that organizations with complex organizations require bigger boards due to the troubles engaged with observing and instructing such firms and furthermore prerequisite concerning more noteworthy linkages to the outer condition. Extensive boards are generally greater than little boards and, therefore, are viewed as essential for authoritative adequacy and help fortify the connection amongst partnerships and their surroundings, give guidance and exhortation in regards to key alternatives for the firm and assume a vital part in making corporate personality. Further, expansive boards, individuals with differing foundations convey learning and brains to the boardroom.

Musyoka (2019) looked into how corporate governance pointers, for example, the size of the board, the composition and CEO duality among other factors impact on financing decisions
of firms. The investigation reaffirmed the idea that the administration arrangement of a company influences its economic decisions. Kerich (2014) conveyed a comparative report on corporate administration structures and performance of the organizations in the Nairobi Stock Exchange. The examination dissected elements identifying with board size, composition, insider possession and, and the way in which they have affected performance of firms in the stock trade.

Board size, CEO duality, and gender diversity were found to be negatively related to firm performance in Ujunwa's (2012) study, while board nationality, board ethnicity, and board members education were discovered to be positively related to firm performance in Ujunwa's (2012) study. The robustness test, which used the same board characteristics for 160 small businesses, revealed that the presence of a board of directors was positively associated with firm results, while a PhD degree was negatively associated.

Ghosh and Ansari's (2018) analysis of the relationship between board characteristics and financial performance in Indian urban cooperative banks found that, after adjusting for a variety of variables, board size has no effect on performance. Further disaggregation indicates that board size matters in high-income districts, even if larger boards are less conducive to success in general, owing to the complexities of free-riding issues and lengthy decision-making processes among board members. The findings indicate that board sizes should be carefully tailored, taking geographical and economic considerations into account.

According to the findings of Hussainey and Khaled's (2018) research on the effect of board characteristics on the financial performance of Tanzanian companies, while the findings support the separation of CEO/Chairperson positions in terms of agency theory, they do not support the outside directors-financial performance linkage. Furthermore, the results of the study indicated that gender diversity has a positive effect on financial efficiency. Furthermore, there is
no connection between financial performance and board size, PhD qualification, or international directors, according to the findings.

According to Abeysekera (2017), board of directors size is depicted by the number of audit members involved in the function on management. The number of board of directors members in the board of commissioners measures this variable. Anderson (2014) argues that if the size of a team is large, individual members may be more vulnerable to the pressures and more subject to follow the others’ opinion without giving another argument. A small team will facilitate the exchange of information in the firm and a better discussion between members, to assist management to identify potential errors in financial reporting and reduce the incidence of restatement of the minimum size requirements (Haron, Jantan and Pheng, 2015). A large committee may suffer from the problem of free riders. From previous studies (Eisenberg, Sundgren and Wells, 2018; Windram and Song 2014; Bromilow and Berlin, 2015), the size of the board of directors was determined by the number of board of directors members.

The size and composition of the board of directors, various board of directors representing the internal control system of an organization, particularly the board of directors and the remuneration committee, prove to be important control mechanisms. For instance, the board of directors assists the board of directors in overseeing and ensuring adequate functioning of internal control mechanisms, monitoring and focusing on reviewing financial risk and risk management (Bhuiyan, Hossain & Biswas, 2018). Hence, board of directors helps determine indicators of problems and address these problems, mitigate possible damage and enhance shareholder value (Haron, Jantan & Pheng, 2015).

Windram and Song (2014) pointed out the importance of an board of directors in a financial reporting process: Qualified, committed, independent, and tough-minded board of directors
represent the most reliable guardians of the public interest. Nevertheless, there have been cases abound of board of directors members who lacked the expertise in the basic principles of financial reporting as well as the mandate to ask probing questions. The stability of capital markets depends on reliable, transparent, and objective financial information to support an efficient and effective capital allocation process (Bromilow and Berlin, 2015). In recent years, accounting scandals in terms of their significance and frequency have been associated with crises in capital markets and have led to significant concerns over the effectiveness of board of directors (Song & Windram, 2014). The accounting profession and regulators are beginning to challenge the effectiveness of board of directors in ensuring the reliability of corporate governance quality.

In larger companies, board of directors are required to comprise between three and six members although Beavers (2015) even suggests a maximum of nine members. KPMG and the Institute of Director’s Board of directors Forum (ACF 2015) propose a less prescriptive guideline, namely that the committee should be large enough to represent a balance of views and experience, but small enough to operate efficiently. The actual size of the board of directors and the number of financial experts on the committee depend upon the size and complexity of the structure and business of the organization, the risk profile and its culture (Eisenberg, Sundgren & Wells, 2018). Other factors affecting the size are the responsibilities delegated by the board of directors, the size of the board and the qualifications, experience and time of those available for membership of the committee.

Zhang (2012) aimed to link audit board demographic diversity and independence to financial reporting. By using data collected from various sources for a sample of 475 publicly traded Fortune 500 companies over five years, the findings indicated that the proportion of outside committee and members non-duality were negatively associated with institutional and
technical weakness ratings. This evidence supports the view of McCabe and Nowak (2016) which suggests that majority of independent minds, reduced the hazard of groupthink. According to Davies and Schlitzer (2018), there was a convergence that fundamental features of disclosure, shareholder protection, and independence of directors and establishment of committees may be the preferred way forward.

McCabe and Nowak (2016) examined the views of directors of public-listed Australian companies regarding the role of the independent director. By using a grounded research approach where 30 directors were interviewed the findings indicate that a majority of independent minds expressing multiple points of view was perceived to reduce the boardroom hazard of groupthink. Firm-boards with a high representation of outside and foreign directors are associated with better performance. According to Yuan (2013), there are still shortcomings in China regarding the role of independent audit members such as unclear of the independence nature, irrationality of designation method, incomplete incentive system and short of relative responsibility mechanism, which restrict independent director system to be brought into full play.

Andres, Azofra and Lopez (2015) conducted a study on corporate audit boards in OECD countries with regards to importance of outside directors to a board’s effectiveness. The study found that inside board of directors play the roles as executive directors for managing and organizing daily operation and its activities. Although, inside board of directors members have specialized skills and expertise, there is a need for the independent members to contribute the fresh ideas, independence, objectivity and expertise gained from their own fields. The audit boards with a significant proportion of independent audit members is more effective in monitoring management and, therefore, they can limit the exercise of managerial discretion.
Cheng and Courtenay (2016) viewed that independent audit members have a strong incentives to perform their decision-making to maintain their reputation. The presence of independent audit members on boards may improve the quality of corporate disclosure. For instance, they are associated with less earnings management. Such findings may be attributable to the positive association between the number of independent directors and firms’ discretionary decisions to increase the level of independence on the board of directors above the suggested minimum. Chen and Jaggi (2012) stated that inclusion of independent non-executive directors on corporate boards improves the comprehensiveness and quality of disclosure. They further states suggest that bankrupt firms tend to have a lower proportion of outside directors.

Beasley (2012) empirically tested that audit boards with higher proportions of independent members have less financial statement fraud. The study points out that the presence of outside members tends to reduce the likelihood of financial fraud. The study reported that independent audit members are more effective in discouraging managers from engaging in earnings management. Bujaki and McConomy (2012) find that firms with more unrelated audit members are more likely to disclose corporate governance information.

Eng and Mak (2013) and Barako (2017) found a significant negative relationship between external board of directors members and the level of voluntary disclosure. The study suggests that inside board of directors members can contribute more to a firm than outside directors due to their firm-specific knowledge and expertise. According to Nicholson and Kiel (2007) inside audit members live in the company they govern. They better understand the business than outside audit members understand and so can make better decisions. Their assessment is based on information asymmetry between inside audit members and outside independent audit members. They emphasize that a lack of day to day inside knowledge may reduce the control role of the
independent audit members in the firm, and that the independent audit members may fail to perform because of appropriate support by the inside audit members.

2.3.2 Ownership Structure and Financial Performance

In Bahrain, Najjar (2012) investigated the link between corporate governance and financial well-being of insurance companies using a longitudinal research approach and secondary data from 30 insurance companies between 2005 and 2010. While there was no correlation between financial performance and the number of human resource personnel, ownership concentration, traded shares, industry growth, and executive status, board size, firm size, and number of block-holders, as well as firm performance, were found to have a positive correlation with insurance company financial performance.

In Turkey, using the Generalized Method of Moments (GMM) technique, Zer and ömlekçi (2014) evaluated the impact of ownership structure on company performance. For the years 2002 to 2012, the study used a descriptive design with secondary data from publicly traded corporations. While foreign ownership, management ownership, and ownership concentration all had a positive association with financial performance, the free float rate had a negative relationship with listed firm financial performance.

In Malaysia, Rahman and Reja (2015) investigated the impact of ownership structure types on bank performance in Malaysia using multiple regression models. The study included a descriptive research design, as well as secondary data from financial statements from 2000 to 2011. Insider and government ownership were found to have a positive impact on bank financial performance, whereas institutional ownership had a negative impact. In Vietnam, Malik, Thanh, and Shah (2016) employed descriptive design to investigate the relationship between bank ownership structure and performance. Panel data from 23 banks was employed in the study, and
inferential statistics were used to analyze the data. The analysis discovered a negative relationship between state ownership and bank performance.

In the United States, Adams and Mehran (2012) investigated the relationships between ownership concentration, board composition, management traits, and business performance. Probit and logit regression analysis models were employed in the investigation. The writers devised questionnaires to obtain information from the respondents. Managerial discretion was found to have a strong positive link with performance in the study. However, there was a negative correlation between ownership concentration and board composition and business performance. The study concluded that management discretion had a relationship with business performance, but that ownership concentration and board composition had no such association.

In South Korea, Choe and Lee (2015) conducted research on the impact of ownership structure on bank performance. For the years 1998 to 2002, the authors gathered time series data. To analyze the data, the researchers used a simple ordinary least square model. According to the study, having one foreign ownership director enhances bank performance greatly, but having numerous foreign directors does not boost bank performance. As a result, they came to the conclusion that in order for commercial to improve financial performance, the number of foreign directors who act as representatives of the firm owners' interests at the bank should be reduced.

Several scholars in Sub-Saharan Africa have attempted to investigate the impact of ownership structure on financial performance. Yahaya and Lawal (2018) used the System Generalized Moment Method to investigate the connection between bank ownership structure and financial performance. The research was descriptive and relied on secondary data from 15 different banks. Inferential statistics were used to evaluate the data, and the results revealed a favorable relationship between institutional ownership and bank financial performance.
In Zimbabwe, Musikavanhu, Matandare, and Zhou (2018) used descriptive design to investigate the impact of ownership structure on commercial bank performance. The research used secondary data from financial reports for the years 2009 to 2011, and the data was evaluated using Analysis of Variance (ANOVA). The data revealed a negative relationship between bank ownership structure and commercial bank profitability.

Studies on the impact of ownership structure on financial performance in East Africa have yielded varied results. Sunday (2017) investigated the influence of ownership structure on financial performance among privatized firms in Uganda using a descriptive design. Data was collected through prospectuses and financial reports between 2010 and 2016, and the data was examined using inferential statistics methods. The study found no link between the structure of a private company's ownership and its financial success.

Abdallah, et al., (2014) investigated the impact of size and ownership structure on commercial bank financial efficiency in Tanzania using a descriptive approach using secondary data obtained from 21 commercial banks between 2003 and 2012. Cost-effectiveness was shown to have a positive relationship with major banks, international banks, and government banks, but a negative relationship with small banks, local banks, and private banks. Small banks, foreign banks, and private banks, on the other hand, have been demonstrated to be more inefficient than major banks, local banks, and government banks in terms of cost. Madishetti (2013) compared the relationship between ownership structure and financial performance in two major Tanzanian commercial banks using a descriptive methodology. The study analyzed secondary data from publicly available financial reports and identified a negative relationship between the two banks' ownership structures and financial performance.
In Kenya, Mang'unyi (2011) utilized an exploratory design to investigate the effect of ownership structure on corporate governance on bank performance. Questionnaires were utilized to collect data, and descriptive statistics were employed to analyze the results, which demonstrated a negative link between ownership and financial performance. However, the research revealed that foreign-owned banks outperformed domestically owned banks.

2.3.3 Audit Committee Structure and Financial Performance

Hamdan, Sarea, and Reyad (2013) used descriptive statistics to examine the impact of audit committee qualities on financial performance of publicly traded firms in Jordan. Between 2008 and 2009, secondary data from the Amman Stock Exchange Market was used in the study. The findings demonstrated a favorable relationship between financial performance and audit committee size when the data was analyzed using descriptive statistics.

In the United States, Gill and Obradovich (2012) used descriptive design to investigate the association between company governance and financial success in the United States. The study used secondary data from 80 American manufacturing companies between 2009 and 2011, with data examined using a correlation analysis technique. The findings revealed a favorable association between financial performance and the audit committee, and they suggested using excellent corporate governance as a tool for enhancing commercial banks' financial performance.

In the United Kingdom, Zábojnková (2016) investigated the impact of audit committee characteristics on corporate financial performance. The size of the audit committee, the frequency of its meetings, the number of independent directors, and the financial expertise of its members were the four primary attributes investigated. Return on equity (ROE) and Tobin's Q were used to evaluate the financial performance of the company. Firm size and firm leverage were employed as control variables in the study. A total of 72 non-financial UK companies listed on the London
Stock Exchange were included in the study. Panel data was analyzed using a fixed effect panel data regression model to investigate the relationship between audit committee features and business financial performance. The study's major findings revealed that audit committee characteristics have an impact on UK corporate performance. The findings revealed a substantial positive association between the audit committee's size, frequency of meetings, and financial experience, as well as business financial performance. The audit committee's independence, on the other hand, appeared to be inversely connected with corporate performance.

In Iraq, Hanoon, et al., (2020) used Structural Equation Modelling (SEM) to investigate the association between internal control aspects and financial institution performance. The study was descriptive, and data was obtained from a sample of 100 respondents via questionnaires. Using descriptive and inferential statistics, researchers discovered a positive association between the audit committee and financial performance as a result of improved internal control systems. In Yemen, Al-Matari, Homaid, and Alaaraj (2016) used descriptive statistics to investigate the impact of audit committees on bank financial performance. The data was acquired using a questionnaire, and the data was analyzed using descriptive statistics. The findings revealed a link between the audit committee and bank financial performance.

In Pakistan, Azam and Haider (2015) performed research on the influence of corporate governance components on non-financial institutions listed on the Karachi Stock Exchange. The authors used data from 2009 to 2013 to compile a time series. To display and analyze data, the researchers employed cross tabulation and factor analysis. Return on assets and return on equity were employed as performance indicators, while corporate governance components included quality financial reporting and an audit structure. The findings revealed that good financial reporting has a beneficial impact on a company's success; however audit structure had no effect
on financial performance. Managers can boost shareholder value and return on assets by reducing inventory size, cash conversion cycle, and cash trading cycle, according to the findings.

In Nigeria, Olayinka (2019) used Ordinary Least Square (OLS) regression to examine the effect of the audit committee on the financial performance of publicly traded banks. For the years 2011 through 2015, data was extracted from yearly financial reports. Inferential statistics were used to examine the data and discovered a negative relationship between financial performance and audit committee features such as size, meetings, and membership. In Ghana, Baiden (2020) utilized a correlation design to investigate the impact of the board audit committee on the financial performance of selected commercial banks. The study used secondary data extracted from yearly financial reports for the years 2008 to 2017, with descriptive and inferential statistics used to analyze the data. The findings revealed that increasing the number of audit committees and audit sessions improved bank financial performance.

In Ethiopia, Belachew and Hunde (2020) employed Random Effect Model GLS regressions to investigate the association between corporate governance and financial performance of a group of commercial banks. The study used a descriptive design, with secondary data spanning the years 2010 to 2018, as well as questionnaires to collect data. The findings demonstrated a favorable relationship between the size of the audit committee and the performance of private banks when the data was evaluated using inferential and descriptive statistics. In Uganda, Ssemugenyi (2018) used a longitudinal design and panel data from 23 commercial banks in Uganda to investigate the impact of board composition on financial performance between 2014 and 2017. The study used a descriptive design, and descriptive and inferential statistics were used to examine the data. The findings revealed a link between the size of an audit committee and a bank's financial performance.
In Kenya, Maina and Oluoch (2018) used a descriptive approach to investigate the impact of audit committee features on manufacturing business financial performance. Between 2013 and 2017, data was obtained from secondary sources, involving 766 firms, and data was analyzed using inferential and descriptive statistics. In comparison to audit committees of a smaller size, large audit committees were found to be more prone to losing concentration and thus becoming less participative.

2.3.4 Firm Size and Financial Performance

In Malaysia, Wan, Wan, and Lasyoud (2018) employed Tobin's Q and the Least Square Estimation Method to investigate the association between board qualities and financial performance of publicly traded firms. The research was descriptive, and it drew on secondary data from 341 Malaysian publicly traded companies between 2003 and 2013. The study discovered that the size of a company has a detrimental impact on its financial performance. Amran (2016) discovered a negative association between firm size and public company financial performance in a comparable study.

In Bahrain, Najjar (2012) used a longitudinal research design and secondary data from 30 insurance businesses between 2005 and 2010 to investigate the impact of corporate governance on insurance company profitability. Data was studied using descriptive and inferential statistics, and a positive relationship was discovered between firm size and insurance company financial performance.

In Pakistan, Azhar and Ahmad (2019) used longitudinal methodology to examine the relationship between firm size and profitability in the textile sector. The study used secondary data from the top 10 listed textile companies on the Pakistan Stock Exchange from 2012 to 2016. The
findings demonstrated a negative association between a company's overall assets and financial success when data was analyzed using correlation and regression approaches.

In Sri Lanka, Abeyrathna and Priyadarshana (2019) employed correlation analysis and regression analysis approaches to investigate the association between firm size and manufacturing company profitability. The study used secondary data from 20 companies that were listed on the Colombo Stock Exchange (CSE) between 2014 and 2017. The data found that there was no link between the size of a company and its profitability in Sri Lanka.

In Mexico, Najjar (2012) investigated the impact of corporate governance frameworks on the insurance industry's performance. From 2005 through 2010, the author gathered data. The analysis for five insurance firms was done using the pooled data method. The study discovered that board size, company size, and the number of block-holders all have a statistically significant beneficial impact on the insurance industry’s performance as measured by the dependent variable return on equity (ROE). According to the findings, there was no statistically significant impact of corporate governance, as measured by CEO status, ownership concentration, employee count, industry performance, and number of shares traded, on firm performance in the insurance industry, as measured by the dependent variable - return on equity (ROE).

In Egypt, Abobakr (2017) used Generalized Methods of Moments (GMM) estimators to investigate constraints affecting bank profitability. Between 2006 and 2015, the study used a descriptive design as well as secondary data from 26 banks. The studies proved that there is a link between profitability and bank size. Furthermore, the study found that larger banks with higher capital ratios and operating income have a higher chance of improving their financial performance.
In Nigeria, Luqman (2017) used a regression model, a fixed effects model, and a random effects model to investigate the association between company size and non-financial firm performance. For the years 2005 to 2013, data was collected from 12 non-financial companies. While there was no link between a company's total assets and its financial performance, there was a link between a company's total revenues and its financial performance for non-financial enterprises, according to the research.

In Sudan, Sulub (2014) utilized a descriptive design to investigate the factors of banking sector financial performance. The analysis relied on secondary data from annual reports covering the years 2009 to 2012. While there was a positive association between firm size and profitability, there was a negative relationship between age and profitability of commercial banks in Sudan, according to the results of multiple linear regression analysis.

In Tanzania, Kipesha (2013) used a descriptive approach and a five-year panel data from 30 microfinance institutions to investigate the effect of business size and age on microfinance institution financial performance. The findings found that while there was a positive relationship between firm and financial performance of microfinance institutions, there was a negative relationship between financial performance and the number of employees when data was evaluated using descriptive and inferential statistics.

In Kenya, Mwangi (2018) employed a descriptive approach to investigate the impact of business size on the financial performance of commercial banks. Secondary data from published financial reports for the years 2007 to 2016 was used in the investigation. The data was analyzed using a regression approach, and the results demonstrated a positive relationship between firm size and commercial bank financial performance in Kenya. The formulation and implementation of policies to increase the firm size of Kenyan commercial banks has been recommended.
2.4 Research Gap

The literature review clearly shows that scholars who have sought to investigate the impact of corporate governance on bank financial performance have come up with mixed results. While some studies have discovered a favorable link between financial performance and corporate governance aspects such as board size, ownership structure, audit committee structure, and business size, others have discovered a negative link. As a result, there is a significant knowledge gap because scholars cannot agree on the subject. Furthermore, there is a scarcity of contemporary literature on the topic in Kenya. The few research that have come out in Kenya have been panned due to conceptual and methodological flaws. When a number of academics presume that corporate governance practices have been applied and the only issue is operational issues, they make major errors.

2.5 Conceptual Framework

The relationship between corporate governance and financial performance is illustrated in the conceptual framework. The independent variable is corporate governance, which has indicators such as board size, ownership structure, audit committee, and business size, whereas the dependent variable is financial performance, which is assessed in terms of Return on Assets, as illustrated in Figure 1.
Financial performance is promoted by corporate governance elements of; board size, composition, diversity, board meetings, and independence, which improves bank financial performance. The ability to inject resources into the firm, whether through foreign or government shares, leads to profitability. In terms of size and meetings, the audit committee structure improves effectiveness, reliability, efficiency, and transparency, as well as compliance and a seamless flow of information, reducing fraud and increasing the organization's financial performance. In terms of bank expansion, firm size enhances access and increases consumer subscriptions, resulting in improved financial performance.
### 2.6 Operationalization of Variables

#### Table 1: Operationalization of Variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>Objective</th>
<th>Indicators</th>
<th>Measurement Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial</td>
<td>To determine the influence of board size, ownership structure, audit</td>
<td>Return on Assets (ROA)</td>
<td>Ratio</td>
</tr>
<tr>
<td>Performance</td>
<td>committee structure and firm size on financial performance of commercial banks in Kenya.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Board Size</td>
<td>To establish the influence board size on financial performance of</td>
<td>Board members</td>
<td>Nominal</td>
</tr>
<tr>
<td></td>
<td>commercial banks in Kenya</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ownership Structure</td>
<td>To examine the influence of ownership structure on financial performance of commercial banks in Kenya</td>
<td>Local to foreign ownership</td>
<td>Nominal &amp; Ordinal</td>
</tr>
<tr>
<td>Audit Committee Structure</td>
<td>To evaluate the influence of Audit Committee on financial performance of commercial banks in Kenya</td>
<td>Proportion of female to male</td>
<td>Nominal</td>
</tr>
<tr>
<td>Firm Size</td>
<td>To determine the moderating effect of firm size on the relationship</td>
<td>Logarithm of the value of total asset base</td>
<td>Ordinal</td>
</tr>
<tr>
<td></td>
<td>between corporate governance on financial performance of commercial</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>banks in Kenya</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Financial performance refers to the extent, at which an organization increases sales, profits, and return on equity (Barnett & Salomon, 2012). Financial performance was determined through Return on Assets (ROA). Return on assets encompasses the ratio of annual net income to
average total assets of a business during a financial year while Return on Equity is the ratio of net income of a business during a period to its stockholders' equity during that period (Wang, 2013).

A board of directors is a group of individuals that are elected as, or elected to act as, representatives of the stockholders to establish corporate management related policies and to make decisions on major company issues (Hermalin & Weisbach, 2013). The board of directors was measured by board size.

The ownership structure is defined by the distribution of equity with regard to votes and capital, but also by the identity of the equity owners (Khanchel, 2007). The ownership structure was measured by local to foreign ownership. Najjar (2012) study on impact of corporate governance mechanisms on firm’s performance of the insurance industry used audit committee structure, foreign ownership and board composition as indictor to corporate governance.

The audit committee is a composed organizational department that is responsible for oversight of the financial reporting process, selection of the independent auditor, and receipt of audit results both internal and external (Sharma, et al., 2009). The measures for audit committee structure were; audit committee size. Tornyeva and Wereko (2012) study on the relationship between corporate governance and the financial performance of insurance companies in Ghana used size of audit committee, audit committee independence as measures audit committee structures.

Firm size is the total assets for a company in a given industry at a given time which results in the lowest production costs per unit of output (Pass, 2014). Al-Manaseer et al., (2012) study on the impact of corporate governance on performance banks listed at Amman Stock Exchange in Jordan used firm size as intervening variable. Following Pagano, et al, (1998), the study used the natural logarithm of the value of total asset base to measure firm size.
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes how the study was conducted. The chapter discusses the research design which the study adopted, the target population, sample size and sampling procedures and research instruments as well as validity and reliability, data collection procedures and data analysis techniques.

3.2 Research design

The descriptive design method was used. Descriptive design describes the phenomenon as it already exists (Kombo & Tromp, 2006). Descriptive design was chosen because it accurately describes the sample and aids in drawing conclusions. The use of a descriptive strategy allowed quantitative data to be collected from published financial reports among Kenya's commercial banks.

3.3 Target Population

Population refers to the aggregation of elements from which the sample is selected (Rubin & Babbie, 2015). This study targeted all 39 commercial banks in Kenya as shown in Appendix A.

3.4 Sample and Sampling Procedure

All the 39 commercial banks were sampled through census due to a small number. Sampling all the 39 commercial banks enhanced degree of significance of the findings thereby allowing the researcher to make generalization to all commercial banks in the country.
3.5 Data Collection

The research adopted the use of secondary data. The data was obtained from the 39 commercial banks. Data was covering 7 years from 2015 to 2021 so as to provide more observations and also enable a panel data analysis. Panel regression is a modeling method adapted to panel data, also called longitudinal data or cross-sectional data. Durbin – Wu –Hausman Test, was conducted to test on the data to determine the most appropriate estimation model between the random effects and the fixed effects.

3.6 Data Analysis

Etikan Musa and Alkassim (2016) define data analysis as a process that reviews, converts and displays data to bring forth important information, and suggest conclusions to the researcher for purposes of decision-making. Brooks (2008) asserts that panel data regression is preferred in conditions where the data at hand comprises both time series and cross-sectional components. This is because panel data can address a wider range of issues and more sophisticated problems than the classic cross-sectional data or the perfect time-series. Gujarat (2004) considers panel data to be desirable because it incorporates more information in the model, that is, it combines variability across time and cross-section units.

Subsequently, this research model is focused on panel data approach where the cross-sectional component is reflected by the commercial banks while the time-series component is reflected by the period of study (2015-2021). The study utilized a panel regression model using STATA software (Version 14). The study adopted the use of panel regression analytical model as shown;
Before Moderation

\[ Y = \beta_0 + \beta_1 BS_{1it} + \beta_2 OS_{2it} + \beta_3 AC_{3it} + \varepsilon \]

Where;

- \( Y \) = Return on Asset (ROA)
- \( BS \) = Board Size
- \( OS \) = Ownership Structure
- \( AC \) = Audit Committee structure
- \( FS \) = Firm Size
- \( \beta_0 \) = Constant Term;
- \( \varepsilon \) = Error term (Margin of error)
- \( i \) = Commercial Banks
- \( t \) = the index of time.

After Moderation \( M \) (Firm Size)

The moderator \( M \) (firm size) was interacted with each of the independent variable as presented below;

\[ Y = \beta_0 + \beta_1 BS_{1it} + \beta_2 OS_{2it} + \beta_3 AC_{3it} + \beta_1 BS*M_{1it} + \beta_2 OS*M_{2it} + \beta_3 AC*M_{3it} + \varepsilon \]

Where;

- \( Y \) = Return on Asset (ROA)
- \( BS \) = Board Size
- \( OS \) = Ownership Structure
- \( AC \) = Audit Committee structure
- \( M \) = Moderation term (Firm Size)
\[ \beta_0 = \text{Constant Term;} \]
\[ \varepsilon = \text{Error term (Margin of error)} \]
\[ i = \text{Commercial Banks} \]
\[ t = \text{the index of time.} \]
\[ M = \text{Firm Size} \]
\[ \beta_0 = \text{Constant Term;} \]
\[ \varepsilon = \text{Error term (Margin of error)} \]
\[ i = \text{Commercial banks} \]
\[ t = \text{the index of time.} \]

### 3.7 Diagnostic Tests

The study was conducted Multicollinearity, Heteroscedasticity, Normality test, Autocorrelation Test and Durbin – Wu –Hausman Test. The diagnostics was conducted so as to avoid doing regression analysis with spurious results.

#### 3.7.1 Multicollinearity

Multicollinearity is the condition in which there is a high degree of association between independent variables and dependent variable. Multicollinearity was tested using variance inflation factor VIF. Multicollinearity was found present if VIF value is above 10. This is according to Bryman and Bell (2013) who indicated that where VIF ≥ 10 indicate presence of Multi-collinearity. Where the values are above 10, multicollinearity was corrected by removing the highly correlated independent variables.
3.7.2 Heteroscedasticity

According to Williams (2016), heteroscedasticity gives equal weight to all observations and causes the standard errors to be discriminated and consequently results in an incorrect conclusion when testing the hypothesis. Breusch-Pagan was used to check for existence of heteroscedasticity in the data collected. The hypothesis was that the data is homoscedastic and was tested at 0.05 significance level. If the p-value is larger than the critical 0.05, then we conclude that the data does not suffer from heteroscedasticity.

3.7.3 Normality test

The assumption of normality enables one to make accurate statistical inferences from test of hypothesis (Field, 2009). This study was use the Jarque-Bera test statistic (Bera & Jarque, 1982) to test for the normality of the residuals. The hypothesis was that the data is normal. If the p-value was above the critical 0.05, then we conclude that the data is normally distributed.

3.7.4 Autocorrelation Test

Autocorrelation occurs when data seem to pick up on a certain trend over time. The data, in this case, produce some similarities in the rates of change over successive periods of time. Models with autocorrelation suggest that they are well defined which suggests that the key variable(s) are missing from the model. Autocorrelation Test was conducted to determine if the data contravenes the attributes of the Ordinary Least Square (OLS), which culminates to wrong outcomes in hypothesis testing. The study used Wooldridge test to ascertain whether the data collected has a serial autocorrelation.
3.7.5 Durbin – Wu – Hausman Test

Also known as the Hausman specification test, the test is carried out to check for consistency of the estimator when compared to an alternative and less efficient estimator. Green (2008) opines that for one to decide between random effects and fixed effects, it is important to run a Hausman specification test whereby the null hypothesis is the random effects.
CHAPTER FOUR
DATA ANALYSIS AND PRESENTATION OF RESULTS

4.1 Introduction

This section presented the findings from the results and their analyses as to their relevance to the objectives and hypotheses. The findings are presented in tables and narrations as per the specific objectives. In addition, we have presented the descriptive statistics, and the diagnostic tests. The chapter further presented the results of the models that was adopted in order to achieve the study’s objective. The chapter discusses the impact of corporate governance structure on the financial performance of commercial banks in Kenya. Data was gathered from 38 commercial banks regulated by the Central Bank of Kenya utilizing secondary sources (i.e. financial reports). The data was also checked for completeness and any outliers from excel before importing to STATA where it was set to panel data.

4.2 Descriptive Statistics

The descriptive statistics shows the mean, standard deviation, minimum and maximum values of the variables on financial performance, board size, ownership structure, audit committee structure and firm size for period 2015-2021. The results are depicted in percentages and are presented in Table 2.
Table 2: Descriptive Statistics

<table>
<thead>
<tr>
<th>Variable</th>
<th>Obs</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Min</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial performance</td>
<td>273</td>
<td>1.63</td>
<td>0.49</td>
<td>0.82</td>
<td>4.93</td>
</tr>
<tr>
<td>Board Size</td>
<td>273</td>
<td>10</td>
<td>2</td>
<td>8</td>
<td>13</td>
</tr>
<tr>
<td>Ownership structure</td>
<td>273</td>
<td>48.10</td>
<td>5.44</td>
<td>36.00</td>
<td>88.00</td>
</tr>
<tr>
<td>Audit committee structure</td>
<td>273</td>
<td>14</td>
<td>4</td>
<td>7</td>
<td>26</td>
</tr>
<tr>
<td>Firm size</td>
<td>273</td>
<td>5.44</td>
<td>1.61</td>
<td>3.04</td>
<td>8.62</td>
</tr>
</tbody>
</table>

The financial performance depicted by the Return on Assets had a mean of 1.63 and a standard deviation of 0.49. The minimum was 0.80 and the maximum of 4.93. The Return on Assets mean of 1.63% implied that most of the commercial banks had average profitability relative to their assets. However, the minimum of 0.82 implied that some of the commercial banks had realized less than 1% of returns from their assets. Board Size had a mean of 10 and a standard deviation of 2.00. The minimum ratio was 8.00 and the maximum of 13.00. Kenya’s listed commercial banks in 2020 held an average of seven board meetings per year, with the largest bank holding 12 and the smallest holding only 4.

Ownership structure based on local to foreign ownership had a mean of 48.10 and a standard deviation of 5.44. The minimum was 36.00 and the maximum of 88.00. This implied that majority of the commercial banks were had local ownership. Audit committee structure had a mean of 14.00 and a standard deviation of 4.64. The minimum was 7.00 and the maximum of 26.00. This implied that the female audit committee members were less than the male numbers. Lastly, firm size depicted by log of total assets had a mean of 5.44 and a standard deviation of 1.61. The
minimum was 3.04 and the maximum of 8.62. This implied that there was a varied difference in terms of the commercial banks assets.

4.3 Trend Analysis

This section presents the analysis of the trends of the variables. The trend analysis is as shown in Figure 4.1.
Figure 2: Trend Analysis

The trend line in Figure 2 shows that the board size dropped in 2018 but had an increasing trend from 2018 to 2021. The trend line for ownership structure recorded an increase in 2018 and 2021. The audit committee female to male proportion recorded a decrease towards 2017 but increased in 2018. A decrease was then recorded until 2021. The trend for firm size as depicted by total assets indicated an increasing trend from the year 2015 to 2021. This implied that there was a continued asset growth by the commercial banks, which then increased their assets. Lastly, the trend for financial performance of the commercial banks decreased towards 2017 and 2018. However, the performance increased in 2019 but dropped in 2020. The performance increased towards the year 2021.

4.4 Diagnostics

The study conducted out different diagnostic tests to make sure that the postulations of Classical Linear Regression Model (CLRM) are not contravened. The pre-estimation tests conducted in this case were the Normality test, Multicollinearity, Test for Fixed or Random
Effects, Wooldridge Test for Serial Correlation and Heteroscedasticity Test. The study performed these tests to avoid spurious regression results.

### 4.4.1 Test for Multicollinearity

Multicollinearity analysis was conducted to assess whether the study variables board size, ownership structure, audit committee structure and firm size are collinear with performance. Multicollinearity was assessed in this study using the variance inflation factors (VIF). According to Field (2009) VIF values in excess of 10 is an indication of the presence of Multicollinearity. The results are illustrated in Table 3.

<table>
<thead>
<tr>
<th>Variable</th>
<th>VIF</th>
<th>1/VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board Size</td>
<td>6.18</td>
<td>0.162</td>
</tr>
<tr>
<td>Ownership Structure</td>
<td>5.87</td>
<td>0.170</td>
</tr>
<tr>
<td>Audit committee structure</td>
<td>4.25</td>
<td>0.235</td>
</tr>
<tr>
<td>Firm Size</td>
<td>3.91</td>
<td>0.256</td>
</tr>
</tbody>
</table>

As shown in Table 3, board size had a VIF value of 6.18, ownership structure had a VIF value of 5.87, audit committee structure had a VIF value of 4.25, and firm size had a VIF value 3.91. Therefore, the results revealed that there was no multicollinearity since all the values for VIF were less than 10.

### 4.4.2 Test for Autocorrelation

Autocorrelation Test was conducted to determine if the data for the study variables board size, ownership structure, audit committee structure and firm size contravenes the attributes of the Ordinary Least Square (OLS), which culminates to wrong outcomes in hypothesis testing. The
study used Wooldridge Test for Serial Correlation to ascertain whether the data collected has a serial autocorrelation. The results are as shown in Table 4.

Table 4: Serial Correlation Tests

<table>
<thead>
<tr>
<th>Wooldridge test for autocorrelation in panel data</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>H₀: no first-order autocorrelation</strong></td>
</tr>
<tr>
<td>F(1, 38) = 0.026</td>
</tr>
<tr>
<td>Prob &gt; F = 0.8730</td>
</tr>
</tbody>
</table>

The results for the Wooldridge test for autocorrelation indicated that the F-test value was 0.026 and the P-value was 0.8730 indicating that the F-test is not statistically significant at 5% level. Hence, the null hypothesis of no autocorrelation was supported and the study concluded that residuals are not auto correlated.

4.4.3 Normality Test

Normality Test was conducted to assess whether the data for the study variables board size, ownership structure, audit committee structure and firm size are normal. To test for normality, the study applied the Jaque Bera test method. The Jarque–Bera test is a goodness-of-fit test of whether sample data have the skewness and kurtosis matching a normal distribution. Normality was checked on the residuals of a model, because those assumptions apply to the unexplained variance of a model. The hypothesis was that the data was normally distributed. The results are as shown in Table 5.

Table 5: Normality Test

<table>
<thead>
<tr>
<th>jb residuals</th>
<th>Jarque-Bera normality test: 10.17 Chi(2)</th>
<th>0.059</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Jarque-Bera test for Ho: normality:</td>
<td></td>
</tr>
</tbody>
</table>
The results in Table 5 indicated that the Chi-square value was 9.22 and the P-value was 10.17 which was larger than the 0.05. We thus concluded that the data was normal since the p-value was larger than the critical 0.05.

4.4.4 Heteroscedasticity Test

Heteroscedasticity test was conducted to test whether the variance of the errors from a regression is financial performance on the values of board size, ownership structure, audit committee structure and firm size. In regression models, the error term difference or variance is assumed to be constant across observations. If this assumption is violated, the random variable is called heteroscedastic. If the control model is heteroscedasticity, then the analysis is not correct. This study used Breusch-Pagan test to check for existence of heteroscedasticity in the data collected with the hypothesis that the data was homoscedastic.

Table 6: Heteroscedasticity Test Results

<table>
<thead>
<tr>
<th>Breusch-Pagan / Cook-Weisberg test for heteroscedasticity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ho: Constant variance</td>
</tr>
<tr>
<td>Variables: fitted values of financial performance</td>
</tr>
<tr>
<td>chi2(1) = 0.90</td>
</tr>
<tr>
<td>Prob &gt; chi2 = 0.3416</td>
</tr>
</tbody>
</table>

The hypothesis was therefore not rejected at a critical p value of 0.05 since the reported value for the chi2 (1) was 0.90 with a p-value of 0.3416 which was larger than the critical 0.05. Thus, the data did not suffer from statistically significant heteroscedasticity.

4.4.5 Hausman Specifications Test

The Hausman specification test, was carried out to check for consistency of the estimator when compared to an alternative and less efficient estimator. The Hausman test was conducted to detect endogenous regressors (Board size, ownership structure, audit committee structure and firm size...
size) in a regression model. Green (2008) opines that for one to decide between random effects and fixed effects, it was important to run a Hausman specification test whereby the null hypothesis is the random effects. The hypothesis was that random effect is preferred to fixed effect and the results are as shown in Table 7.

**Table 7: Hausman Test**

<table>
<thead>
<tr>
<th></th>
<th>(b) fixed</th>
<th>(B) random</th>
<th>(b-B) Difference</th>
<th>sqrt(diag(V_b-V_B))</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board size</td>
<td>0.01320</td>
<td>-0.0870</td>
<td>0.0751</td>
<td>0.056</td>
</tr>
<tr>
<td>Ownership structure</td>
<td>0.014601</td>
<td>0.0440</td>
<td>0.024</td>
<td>0.033</td>
</tr>
<tr>
<td>Audit committee structure</td>
<td>0.0470</td>
<td>-0.026</td>
<td>0.073</td>
<td>0.095</td>
</tr>
<tr>
<td>Firm size</td>
<td>0.0145</td>
<td>0.041</td>
<td>0.059</td>
<td>0.057</td>
</tr>
<tr>
<td>chi2(3)</td>
<td></td>
<td></td>
<td>3.31</td>
<td></td>
</tr>
<tr>
<td>Prob&gt;chi2</td>
<td></td>
<td></td>
<td>0.0643</td>
<td></td>
</tr>
</tbody>
</table>

The Hausman test revealed a chi-square of 3.31 with a p-value of 0.0643 indicating that at 5 percent level, the chi-square value obtained is statistically insignificant. Thus, the researcher did not reject the hypothesis that random effects model is preferred to fixed effect model and random model was adopted.

**4.5 Correlation Analysis**

The study conducted correlation analysis for the various variables that are board size, ownership structure, audit committee structure and firm size for financial performance of commercial banks in Kenya in order to examine the nature of the statistical relationships between each pair of variables. Table 8 shows the correlation matrix of all the variables included in the study.
Table 8: Correlation Matrix

<table>
<thead>
<tr>
<th></th>
<th>Financial performance</th>
<th>Board size</th>
<th>Ownership structure</th>
<th>Audit committee size</th>
<th>Firm size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial performance</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Board size</td>
<td>0.962**</td>
<td>1.000</td>
<td>0.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ownership structure</td>
<td>0.935**</td>
<td>0.596</td>
<td>1.000</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>Audit committee size</td>
<td>0.864**</td>
<td>0.628</td>
<td>0.498</td>
<td>1.000</td>
<td></td>
</tr>
<tr>
<td>Firm size</td>
<td>0.837**</td>
<td>0.591</td>
<td>0.409</td>
<td>0.526</td>
<td>1.000</td>
</tr>
</tbody>
</table>

The results in Table 8 show that Board Size (r= 0.962**, p=0.00) had a positive and significant relationship on financial performance of commercial banks in Kenya. Ownership Structure (r=0.935**, p=0.000) had a positive and a significance relationship on financial performance of commercial banks in Kenya. Audit committee structure (r= 0.864**, p= 0.000) had a positive and significance relationship on financial performance of commercial banks in Kenya. Lastly, firm size (r=0.837**, p=0.000) had a positive and a significance relationship on financial performance of commercial banks in Kenya. This positive coefficient implied that an increase in board size, ownership structure, audit committee structure and firm size led to an increase on financial performance of commercial banks in Kenya.
4.6 Regression Analysis

The study sought to carry out regression analysis to establish the statistical significance relationship on corporate governance and financial performance of commercial banks in Kenya. The variables were board size, ownership structure and audit committee structure on financial performance of commercial banks in Kenya. The regression includes techniques for modeling and analyzing several variables, when the focus is on the relationship between a dependent and one or more independent variables. The results before moderation are presented in Table 9.

Table 9: Regression Analysis

| Financial Performance       | Coef. | Std. Err. | z      | P>|z| |
|-----------------------------|-------|-----------|--------|-----|
| Board size                  | 0.107 | 0.006     | 17.720 | 0.001|
| Ownership structure         | 0.030 | 0.003     | 11.640 | 0.000|
| Audit committee structure   | 0.017 | 0.002     | 6.960  | 0.000|
| Constant                    | 0.021 | 0.022     | 0.980  | 0.327|
| Wald chi2(3)                | 6413.38 |          |        |     |
| Prob>chi2                   | 0.000 |          |        |     |
| R squared Overall           | 0.7597 |         |        |     |

The regression equation was:

\[ FP = 0.021_{it} + 0.107BS_{1it} + 0.030OS_{2it} + 0.017AC_{3it} \]

Where;

FP = Financial performance
BS = Board size of bank \( i \) at time \( t \)
OS= Ownership structure of bank \( i \) at time \( t \)
AC = Audit committee structure of bank \( i \) at time \( t \)
The overall R squared of 0.6597 implied that the variables namely board size, ownership structure and audit committee structure explained 65.97\% on the variations on financial performance of commercial banks in Kenya. The overall model was significant as indicated by the Prob>chi2 of 0.000 with a Wald chi2 (4) of 6413.38. In addition, the constant of 0.021 showed that when board size, ownership structure and audit committee structure are held constant, on financial performance of commercial banks in Kenya would remain at 0.021 units.

The results further portrayed a positive and significant relationship between board size and financial performance of commercial banks in Kenya (β= 0.107, p=0.001). There was a positive and significant relationship between ownership structure and financial performance of commercial banks in Kenya (β= 0.030, p= 0.000). Lastly, audit committee structure had a positive but insignificant relationship with financial performance of commercial banks in Kenya (β= 0.017, p= 0.0470).

**Moderating Effect of Firm Size**

The fourth objective was to determine the moderating effect of firm size on the relationship between corporate governance on financial performance of commercial banks in Kenya. Each of the independent variables was moderated by the variable firm size. Results for the moderation effect are presented in Table 10.
Table 10: Moderating Effect

| Financial Performance          | Coef.  | Std. Err. | z     | P>|z| |
|-------------------------------|--------|-----------|-------|-----|
| Board Size                    | 0.106  | 0.006     | 17.717| 0.000|
| Ownership Structure           | 0.028  | 0.001     | 45.867| 0.000|
| Audit Committee Structure     | 0.125  | 0.007     | 19.058| 0.047|
| Board size*M                  | 0.020  | 0.007     | 2.734 | 0.006|
| Ownership structure*M         | 0.057  | 0.005     | 10.394| 0.009|
| Audit committee structure*M   | 0.070  | 0.006     | 11.692| 0.007|
| _cons                         | 0.034  | 0.022     | 1.520 | 0.013|

Wald chi2(3) 6528.30
Prob>chi2 0.000
R squared Overall 0.8922

The regression equation was as shown below;

\[ FP_{it} = 0.034 + 0.106BS_{1it} + 0.028OS_{2it} + 0.125AC_{3it} + 0.020X_{1it}M + 0.057X_{2it}M + 0.070X_{3it}M \]

Where:
FP= Financial performance of commercial bank \( i \) at time \( t \)

\( X_{1it} = \) Board size of commercial bank \( i \) at time \( t \)
\( X_{2it} = \) Ownership structure of commercial bank \( i \) at time \( t \)
\( X_{3it} = \) Audit committee structure of commercial bank \( i \) at time \( t \)

M= Moderation Term (Firm size of bank \( i \) at time \( t \))

The overall R squared of 0.8922 implied that when interacted with firm size, board size, ownership structure and audit committee structure explained 89.22% on the variations on financial performance of commercial banks in Kenya. The overall model was significant as indicated by the
Prob>chi2 of 0.000 with a Wald chi2 (3) of 6528.30. In addition, the constant of 6528.30 showed that when the interaction of firm size with board size, ownership structure and audit committee structure are held constant, financial performance of commercial banks in Kenya will remain at 0.034 units.

The results further portrayed a positive and significant relationship between board size moderated with firm size and financial performance of commercial banks in Kenya (β= 0.020, p=0.006). There was a positive and significant relationship between ownership structure moderated with firm size and financial performance of commercial banks in Kenya (β= 0.057, p=0.009). Lastly, audit committee structure when moderated with firm size had a positive but insignificant relationship with financial performance of commercial banks (β= 0.070, p=0.007).

4.7 Discussion of Findings

The objective of this study was determine the effect of influence of corporate governance on financial performance of commercial banks in Kenya. The variables were board size, ownership structure and audit committee structure and firm size on performance of commercial banks. The pre-estimation tests conducted on normality test, multicollinearity, test for fixed or random effects, test for serial correlation and heteroscedasticity indicated that the underlying assumptions were fit for regression analysis.

The first objective of the study was to determine the influence of board size on financial performance of commercial banks in Kenya. Correlation results showed that board size (r= 0.962**, p=0.00) had a positive and significant relationship on performance of commercial banks in Kenya. Further, regression analysis portrayed a positive and significant relationship between board size and performance of commercial banks in Kenya (β= 0.107, p=0.001). This implies that
a unitary increase in board size led to an increase in the performance of commercial banks in Kenya by 0.107 units holding other factors constant.

The null hypothesis was thus rejected that board size has no significant effect on financial performance of commercial banks in Kenya. These results are consistent with Abeysekera (2010) who conducted a study on the effect of the size of board on financial performance in firms at the NSE and found that firms with more board members more made more corporate performance than those with less board members who revealed less, utilizing the mean for all organizations for every financial disclosure. However, thee, outcomes gave insights into how a greater board size can support boards with overcoming capacity insufficiencies in making additional strategies for self-interests especially on salaries. These findings are also consistent with Gandia (2018) who found that expanding the quantity of board individuals enhances the ability of the board in observing and controlling administration activities. This upgrades the straightforwardness and the divulgence of more material data by administration. As bigger boards have diverse capabilities and various opinions, it expands their observing limits, and upgrades the company's divulgence arrangements report a positive effect between the size of the board and degree of intentional exposure, showing a board's capacity to impact directors to disclose more.

The second objective of the study was to examine the effect of ownership structure on financial performance of commercial banks in Kenya. “Correlation results showed that ownership structure (r= 0.935**, p=0.00) had a positive and significant relationship on financial performance of commercial banks in Kenya. Further, regression analysis portrayed a positive and significant relationship between ownership structure and financial performance of commercial banks in Kenya (β= 0.030, p=0.000). This implies that a unitary increase in ownership structure led to an
increase in the financial performance of commercial banks in Kenya by 0.030 units holding other factors constant.

The null hypothesis was thus rejected that ownership structure has no significant effect on financial performance of commercial banks in Kenya. These results are consistent with Daiily and Daliton (2013) who found a positive correlation on board composition and financial performance. Their study expressed that expanding board gender orientation enhanced the making of leadership decisions, as a more extensive assortment of perspectives and issues are viewed and a more extensive scope of results. Further, the results agree with Adams and Ferreira (2013) on their study on women in the boardroom and their impact on governance and performance and found that higher extent of female directors at the board corresponds with better firm performance. In addition, Husie and Soliberg (2016) established that females contribute on corporate boards by making partnerships, planning and association, partaking in imperative choices, taking influential positions and being noticeable. Barakio and Browin (2008) express the view that an expanded number size of female on the board prompts improved corporate correspondence. However, Aydin, Sayim and Yalama (2017) claimed that foreign owners have the ability to oversee managers and provide performance-based incentives so that they do not engage in behaviors that impair wealth growth.

The third objective of the study was to examine the effect of audit committee structure on financial performance of commercial banks in Kenya. Correlation results showed that audit committee structure ($r= 0.864^{**}$, $p=0.00$) had a positive and significant relationship on financial performance of commercial banks in Kenya. Further, regression analysis portrayed a positive and significant relationship between audit committee structure and financial performance of financial performance of commercial banks in Kenya ($\beta= 0.017$, $p=0.470$). This implies that a unitary
increase in audit committee structure led to an increase in the financial performance of financial performance of commercial banks in Kenya by 0.017 units holding other factors constant.

The null hypothesis was thus rejected that audit committee structure has no significant effect on financial performance of commercial banks in Kenya. The findings are consistent with Okiro (2016) who examined the relationship between audit committee size and audit committee composition on firm performance using quoted companies at the Nairobi stock exchange. He found that there was no significant relationship between audit committee size and firm disclosure. According to the agency hypothesis, the presence of an audit committee has a positive and significant relationship with the quality of financial statements (Felo, et al., 2003). Furthermore, the audit committee can be useful in defending shareholders' interests and verifying the accuracy of information given. An audit committee's job is to guarantee that financial reports are transparent and that an external audit is objective by providing a channel of communication (Vicknair, et al., 1993). According to Bouaziz (2012), auditor size has a significant impact on a firm's financial performance in terms of return on assets and return on equity. The audit committee must meet with the external and internal auditors on a regular basis to evaluate the financial statements, audit process, and internal controls of the company in order to carry out their various tasks. Regular audit committee meetings, according to Al-Mamun et al. (2014), can help a corporation reduce agency problems and information asymmetry by giving fair and timely information to investors. According to DeZoort et al. (2002), a corporation with a more frequent audit committee is more likely to protect the interests of its shareholders.

The fourth objective of the study was to determine the moderating effect of firm size on the relationship between corporate governance on financial performance of commercial banks in Kenya. Each of the independent variables was moderated by the variable firm size. The overall
model was significant as indicated by the P-value of 0.000<0.05. The results further portrayed a positive and significant relationship between board size, ownership structure and audit committee structure when moderated with firm size. The Rsquare increased significantly by 23.25% from 65.97% before moderation to 89.22% after moderation.

The null hypothesis was therefore rejected that firm size has no significant moderating effect on the relationship between corporate governance on financial performance of commercial banks in Kenya. This is consistent with Sanghani (2014) who investigated the effect of current ratio on financial performance of non-financial companies listed at the NSE. The study established that current ratio positively affects the financial performance of non-financial companies listed at the NSE. The study also revealed that an increase in operating cash flow ratio positively affects the financial performance of non-financial companies listed at the NSE.
CHAPTER FIVE
SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the study findings, its conclusions and recommendations, presented in consideration to the study objectives used to analyze the influence of corporate governance on financial performance of commercial banks in Kenya.

5.2 Summary of Findings

5.2.1 Board size and financial performance

The first objective of the study was to determine the influence of board size on financial performance of commercial banks in Kenya. Correlation results showed that board size had a positive and significant relationship on performance of commercial banks in Kenya. Further, regression analysis portrayed a positive and significant relationship between board size and performance of commercial banks in Kenya. This implies that a unitary increase in board size led to an increase in the performance of commercial banks in Kenya by 0.107 units holding other factors constant. The null hypothesis was thus rejected that board size has no significant effect on financial performance of commercial banks in Kenya.

5.2.2 Ownership structure and financial performance

The second objective of the study was to examine the effect of ownership structure on financial performance of commercial banks in Kenya. Correlation results showed that ownership structure had a positive and significant relationship on financial performance of commercial banks in Kenya. Further, regression analysis portrayed a positive and significant relationship between ownership structure and financial performance of commercial banks in Kenya. This implies that a
unitary increase in ownership structure led to an increase in the financial performance of commercial banks in Kenya by 0.030 units holding other factors constant.” The null hypothesis was thus rejected that ownership structure has no significant effect on financial performance of commercial banks in Kenya.

5.2.3 Audit committee structure and financial performance

The third objective of the study was to examine the effect of audit committee structure on financial performance of commercial banks in Kenya. Correlation results showed that audit committee structure had a positive and significant relationship on financial performance of commercial banks in Kenya. Further, regression analysis portrayed a positive and significant relationship between audit committee structure and financial performance of financial performance of commercial banks in Kenya. This implies that a unitary increase in audit committee structure led to an increase in the financial performance of financial performance of commercial banks in Kenya by 0.017 units holding other factors constant. The null hypothesis was thus rejected that audit committee structure has no significant effect on financial performance of commercial banks in Kenya.

5.2.4 Firm size and financial performance

The fourth objective of the study was to determine the moderating effect of firm size on the relationship between corporate governance on financial performance of commercial banks in Kenya. Each of the independent variables was moderated by the variable firm size. The overall model was significant as indicated by the P-value of 0.000<0.05. The results further portrayed a positive and significant relationship between board size, ownership structure and audit committee structure when moderated with firm size. The Rsquare increased significantly by 22.64% from 65.97% before moderation to 88.61% after moderation. The null hypothesis was therefore rejected
that firm size has no significant has no moderating effect on the relationship between corporate governance on financial performance of commercial banks in Kenya.

5.3 Conclusion

According to the findings, the study has highlighted a number of major concerns in the Kenyan banking industry's corporate governance processes. According to the findings, corporate governance parameters including; board size, ownership structure, audit structure, and firm size have significant influence on the financial performance of Kenya's commercial banks.

The study concluded that board size, ownership structure and audit committee structure and firm size had a significant effect on financial performance of commercial banks in Kenya. The study established that there was strong relationship between financial performance of commercial banks and board size, ownership structure and audit committee structure and firm size.

The study concluded that there was positive association between board size and financial performance of commercial banks. The study concluded that the board size was crucial in determination of financial performance of commercial banks. Expansion of the board individuals enhances the ability of the board in observing and controlling administration activities. This controls and maintains the truthfulness and honesty of corporate information of the company. As bigger boards have diverse capabilities and various opinions, it expands their observing limits, and upgrades the company's divulgence arrangements report a positive effect between the size of the board and degree of intentional exposure, showing a board's capacity to impact directors to seek financial performance. Extended boards are thus essential for management suitability and help fortify the connection amongst partnerships and their surroundings, give guidance and exhortation in regards to key alternatives for the firm and undertake a vital part in making corporate
personality. Further, larger board size members with differing expertise convey knowledge and intelligence to the boardroom.

Based on the study findings, committee gender diversity impacts positively on firm performance. The involvement of women in the board is advantageous as women are add more competence, and rationality in decision making. Further, gender diversity promotes better understanding of the market since a wide array of skills are brought on board.

The study concluded that firm size has a positive and significant effect on financial performance of commercial banks. Firm size can indicate that the company is experiencing growth and growth so that the market will respond positively. The greater the total assets and sales, the greater the size or scale of a bank.

5.4 Recommendation

Based on the findings of this study, the following recommendations arise;

Corporate governance practices should be emphasized in all practices and disclosure levels should not be restricted to annual reports only as the figures on the annual reports may not disclose all the information that investors may require to aid in decision making. Therefore, banks should ensure transparency and disclosure in all the activities undertaken during the period of operation to assist investor in decision making.

The study also recommends on involvement of women in as gender diversity promotes better understanding of the market since a wide array of skills are brought on board. The study also recommends that audit committees should enhance practices that will help them conduct effective meetings. Each committee should consider what is most effective for its circumstances, but certain practices are valuable. The chairperson should work with management to determine
who should attend each meeting. Although it is important to have the right subject-matter resources in attendance, the chairperson should keep the meetings small enough to encourage candid discussions. Each attendee should have a role and contribute to the overall goals of the meeting. Critical discussion and engagement in meetings should be encouraged by the chairperson and members should come prepared, having read all advance materials and prepared questions for management. The chairperson should keep the discussion focused on important topics and reprioritize the agenda if necessary.

The study recommends that in order for commercial banks to increase their financial performance there is need from commercial banks to increase size by increasing various aspects of customer base, net assets, deposit liabilities and market share.

5.5 Suggestions for Further Research

The findings of this study can be improved if the study is expanded to cover a longer period. A future research can be carried out on the same topic, but using data across a longer period. This is with the assumption that the data for a longer time would provide results that are better than those provided by the data used in this study. The possible higher objectivity that arises based on the sample period may be settled covering a longer period.

In addition, given that Kenya is a key player in the East African community, the study can be expanded to cover other commercial banks within the East African community in order to provide result that was useful in that context. A study can be done to cover all the commercial banks in East Africa. Such a study would be used as a referential manuscript when coming up with corporate governance to enhance the financial performance of commercial banks.
REFERENCES


### Appendix A: Commercial Banks in Kenya

<table>
<thead>
<tr>
<th>No</th>
<th>Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>KCB Bank Ltd</td>
</tr>
<tr>
<td>2</td>
<td>Equity Bank Ltd.</td>
</tr>
<tr>
<td>3</td>
<td>Co-operative Bank of Kenya Ltd</td>
</tr>
<tr>
<td>4</td>
<td>NCBA Bank Kenya Plc</td>
</tr>
<tr>
<td>5</td>
<td>Absa Bank Kenya Plc</td>
</tr>
<tr>
<td>6</td>
<td>Stanbic Bank (Kenya) Ltd</td>
</tr>
<tr>
<td>7</td>
<td>Diamond Trust Bank (K) Ltd</td>
</tr>
<tr>
<td>8</td>
<td>I&amp;M Bank Ltd</td>
</tr>
<tr>
<td>9</td>
<td>Standard Chartered Bank (K) Ltd</td>
</tr>
<tr>
<td>10</td>
<td>National Bank of Kenya Ltd</td>
</tr>
<tr>
<td>11</td>
<td>Family Bank Ltd.</td>
</tr>
<tr>
<td>12</td>
<td>Bank of Baroda (K) Ltd</td>
</tr>
<tr>
<td>13</td>
<td>HFC Ltd</td>
</tr>
<tr>
<td>14</td>
<td>Prime Bank Ltd</td>
</tr>
<tr>
<td>15</td>
<td>SBM Bank (Kenya) Ltd</td>
</tr>
<tr>
<td>16</td>
<td>Citibank N.A. Kenya</td>
</tr>
<tr>
<td>17</td>
<td>Gulf African Bank Ltd</td>
</tr>
<tr>
<td>18</td>
<td>Victoria Commercial Bank Ltd</td>
</tr>
<tr>
<td>19</td>
<td>Ecobank Kenya Ltd</td>
</tr>
<tr>
<td>20</td>
<td>Bank of Africa (K) Ltd</td>
</tr>
<tr>
<td>21</td>
<td>African Banking Corporation Ltd</td>
</tr>
<tr>
<td>22</td>
<td>Sidian Bank Ltd</td>
</tr>
<tr>
<td>23</td>
<td>Credit Bank Ltd</td>
</tr>
<tr>
<td>24</td>
<td>Guaranty Trust Bank Ltd</td>
</tr>
<tr>
<td>25</td>
<td>Bank of India</td>
</tr>
<tr>
<td>26</td>
<td>First Community Bank Ltd</td>
</tr>
<tr>
<td>27</td>
<td>Kingdom Bank Limited</td>
</tr>
<tr>
<td>28</td>
<td>Guardian Bank Ltd</td>
</tr>
<tr>
<td>29</td>
<td>Development Bank of Kenya Ltd</td>
</tr>
<tr>
<td></td>
<td>Bank Name</td>
</tr>
<tr>
<td>---</td>
<td>--------------------------------</td>
</tr>
<tr>
<td>30</td>
<td>Consolidated Bank of Kenya Ltd</td>
</tr>
<tr>
<td>31</td>
<td>M-Oriental Commercial Bank</td>
</tr>
<tr>
<td>32</td>
<td>Access Bank (Kenya) PLC</td>
</tr>
<tr>
<td>33</td>
<td>Paramount Bank Ltd</td>
</tr>
<tr>
<td>34</td>
<td>Habib Bank A.G. Zurich</td>
</tr>
<tr>
<td>35</td>
<td>Middle East Bank (K) Ltd</td>
</tr>
<tr>
<td>36</td>
<td>Spire Bank Ltd</td>
</tr>
<tr>
<td>37</td>
<td>DIB Bank Kenya Ltd</td>
</tr>
<tr>
<td>38</td>
<td>Mayfair Bank Ltd</td>
</tr>
<tr>
<td>39</td>
<td>UBA Kenya Ltd</td>
</tr>
</tbody>
</table>