

**CHIEF EXECUTIVE OFFICER CHARACTERISTICS AND FINANCIAL
PERFORMANCE OF COMMERCIAL BANKS IN KENYA.**

BY

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**MASTER OF SCIENCE IN COMMERCE
(FINANCE AND ACCOUNTING)**

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KCA/05/08999

**A RESEARCH DISSERTATION SUBMITTED TO THE SCHOOL BUSINESS IN
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JUNE, 2025

DECLARATION

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

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ABSTRACT

The performance of commercial banks is critical to the stability and growth of Kenya's financial sector and the broader economy. This study investigates the influence of Chief Executive Officer (CEO) characteristics on the financial performance of commercial banks in Kenya. Specifically, it examines the effects of demographic attributes age, gender, education, and tenure on key financial indicators, including profitability, return on assets (ROA), and net interest margins. Anchored in the Upper Echelons Theory, the study adopts a quantitative research design and utilizes secondary data sourced from the annual reports and regulatory filings of 39 licensed commercial banks over the period 2003 to 2023. Regression analysis was employed to determine the relationship between CEO attributes and bank performance. The results indicate that certain CEO characteristics significantly influence financial outcomes. CEO tenure and gender diversity were positively associated with improved performance, suggesting that longer-serving CEOs and greater female representation at the executive level enhance strategic outcomes. CEO age also demonstrated a positive relationship with performance, reflecting the value of experience and maturity in executive decision-making. In contrast, the impact of educational background was inconclusive, showing no consistent effect across all performance metrics. These findings highlight the strategic role of executive leadership in shaping financial performance in the banking sector. The study offers key insights for policymakers, bank boards, and stakeholders, emphasizing the importance of integrating CEO demographic considerations into leadership selection processes. Recommendations include the adoption of performance-based remuneration systems, fostering leadership continuity, and promoting gender diversity in top executive roles. Overall, the study enhances understanding of leadership dynamics in corporate governance and lays the groundwork for future research on executive influence in financial institutions.

KEY WORDS: CEO Remuneration, CEO Tenure, CEO Age, CEO Gender, Financial Performance, Commercial Banks, Kenya

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ACRONYMS AND ABBREVIATIONS

CBK	Central Bank of Kenya
CEO	Chief Executive Officer
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GOK	Government of Kenya
KNBS	Kenya National Bureau of Statistics
ROA	Return on Assets
ROE	Return on Equity

TERMS AND DEFINATIONS

CEO Characteristics	The unique professional qualities and personal features of Chief Executive Officers, such as experience, values, and personality, influence strategic decisions and organizational performance (David, 2024).
CEO Age	The number of years a CEO has lived is associated with risk preferences and strategic decision-making, with older CEOs often exhibiting more conservative approaches (Duong et al., 2021; Coundouris et al., 2023).
CEO Gender	The classification of a CEO as male or female influences leadership styles, risk management approaches, and organizational outcomes due to diverse perspectives and decision-making processes (Shropshire et al., 2021; Choi and Ko, 2024).
CEO Tenure	The duration of time a CEO has served in their current leadership position, which influences their decision-making style, institutional knowledge, and organizational stability (Chen et al., 2019; Giao et al., 2020).
Financial Performance	A measure of a company's financial health and success, evaluated through metrics such as profitability, liquidity, and efficiency, often using indicators like Return on Assets (ROA) and Return on Equity (ROE) (Baloch et al., 2021; Muhmad and Muhamad, 2020; Yousaf and Dey, 2022).
Regulatory Compliance	The adherence to laws, regulations, and guidelines set by regulatory bodies, such as the Central Bank of Kenya, to

ensure financial stability and ethical operations within the banking sector (Baloch et al., 2021).

Return on Assets (ROA)

A financial metric that measures how efficiently a company utilizes its assets to generate profits, calculated as net income divided by total assets (Yousaf and Dey, 2022; Christine and Winarti, 2022).

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

The global banking sector has undergone substantial changes in its leadership landscape during the past years, including alterations in CEO traits, including their age distributions and tenure length, as well as education and management experience levels. The research shows these attributes significantly influence banking performance along with profit measures while affecting both risk-taking behaviour and strategic orientations of financial institutions (Díaz-Fernández et al., 2020). CEO characteristics demonstrate strong relationships with financial performance across different business sectors, which emphasizes the value of strong leadership for achieving organizational targets and stability (Adams et al., 2021). Research on chief executive officer attributes now receives greater importance in banking because banks perform a vital function throughout national economies and global financial systems.

This issue developed when the 2008 financial crisis exposed the deficient leadership abilities within banking institutions. Financial stability took a severe blow during the crisis because CEOs played an essential role in risk management and regulatory compliance, but demonstrated poor leadership. After the financial disruptions, regulators, together with scholars both began to emphasize evaluating CEO traits for preventing new financial crises. Gong et al. (2020) documented how banking environments require assessments of CEO risk behaviour due to their personal traits and experience level to make effective high-stakes decisions.

The African banking sector deals with distinct challenges because of political volatility and economic market fluctuations as well as weaker regulatory frameworks than in other developed regions (Oyetade and Muzindutsi, 2023). The attributes of African banking CEOs

become critical during their effort to guide financial institutions through unstable markets and various economic and social interfaces across the continent. The limited capital availability combined with operational uncertainty and financial inclusion requirements in African banking institutions makes leadership quality the essential factor for success (Biekpe, 2020).

African banking leaders face leadership difficulties because of fast economic transformations combined with more market freedom and changing regulatory standards that intensify executive burden. African banking CEOs need advanced strategic thinking and flexibility because they must guide their institutions through changing markets. The diverse banking sector in Africa, alongside its different financial development levels, has heightened attention on leadership traits in CEOs since these directly affect bank operational strength and growth performance (Motadi, 2024).

Commercial banks in Kenya have gone through profound changes during recent years, thanks to new regulations and heightened market competition, while customers expect different services (Marete, 2018). Economic development in Kenya relies on banking institutions to offer sectoral funding as well as financial access initiatives. The competitive environment of Kenya's banking sector is sustained by CEO characteristics related to education level and working experience (Khan et al., 2021). Operational efficiency and risk management receive increased importance for Kenyan banks, while excellent leadership plays a vital role to fulfil regulatory obligations and improve financial results.

The challenges that arose after Kenya introduced the 2016 interest rate cap legislation became the starting point of this issue, which badly affected bank profitability. Through their implementation of the 2016 interest rate cap law, bank CEOs faced challenges that demonstrated how leadership helps organizations navigate regulatory requirements (Wambua and Were, 2021). Success in adaptation mainly happened through banks led by CEOs who

brought specialized experience and relevant qualifications because they used these qualifications to make strategic choices under constraints. The emphasis on CEO qualities in Kenyan banking institutions has intensified because banks need sustained growth while meeting regulatory requirements (Johan and Sari, 2020).

The study provides substantial academic merit by creating connections between CEO attributes and bank financial success, specifically within Kenyan commercial banking institutions. Research about the relationship between CEO characteristics and firm performance exists globally, but lacks sufficient studies on how bank performance in developing economies and specifically in Kenya, responds to these traits. The investigation contributes depth to banking leadership studies by showing how specific leadership qualities impact financial outcomes and regulatory requirements for Kenyan commercial banks.

1.1.1 Chief Executive Officer Characteristics

The characteristics displayed by Chief Executive Officers describe their unique professional qualities and personal features, which might affect both the company's results and leadership decisions. Top executives' characteristics, such as experience together with values and personality, affect strategic choices and organizational performance according to Upper Echelons Theory (Carpenter et al., 2004). CEO characteristics serve as interpretational filters that enable executive officers to understand information while making decisions (Papadakis and Barwise, 2002). According to David (2024), these characteristics serve as powerful factors that direct both corporate governance and organizational strategic decisions. The financial performance of Kenyan commercial banks is analysed through four CEO characteristics, which include remuneration and tenure, together with age and gender structure.

The researcher chose extrinsic CEO characteristics remuneration, tenure, age, and gender because these observable traits significantly influence decision-making, leadership style, and ultimately, financial performance in commercial banks. Extrinsic characteristics are quantifiable and provide a concrete basis for analysing their impact on organizational outcomes, making them critical in banking sector research (Ahamed, 2022). CEO remuneration, as a financial incentive, directly affects executive motivation and decision-making in risk-taking environments (Khan et al., 2023). Tenure reflects accumulated experience and institutional knowledge, which enhances stability and strategic decision-making, particularly in volatile financial markets (Giao et al., 2020). Age is linked to cognitive styles, where older CEOs exhibit risk-averse tendencies that impact corporate strategies (Duong et al., 2021). Gender diversity at the executive level fosters multiple perspectives in decision-making, improving adaptability and resilience (Choi and Ko, 2024). The selection of these extrinsic variables aligns with Upper Echelons Theory, which posits that observable CEO attributes shape strategic choices and firm performance (Carpenter et al., 2004). Thus, studying these traits provides empirical insights into how CEO characteristics influence the financial performance of Kenyan commercial banks.

Organizations describe the duration of executive leadership as CEO tenure through the measurement of time spent in their current position. CEO decision-making tends to be more experienced and conservative when they maintain their roles at the organization for longer periods (Chen et al., 2019). The research incorporates CEO tenure as a variable because this measure demonstrates how well CEOs know their institutions, which impacts their strategic choices, particularly in the volatile banking sector. According to Giao et al. (2020), extended CEO term service leads to tremendous organizational learning that creates stability needed for the banking industry, regulatory, and economic challenges.

Within CEO decision-making, age represents the number of years a CEO has lived, and this generates an association with risk preferences and strategic caution. Research by Duong et al. (2021) demonstrates that senior CEOs choose to prioritize stability over aggressive expansion because they display risk-conservative tendencies. This research adopts CEO age as a key independent variable since proven research shows this factor influences strategic decision-making as well as corporate risk behaviours, which directly impact bank financial outcomes. The researchers justified their method by showing that age impacts cognitive styles, which determine decision-making processes and leadership efficiency while being essential for bank performance assessment (Coundouris et al., 2023).

The trait known as CEO gender evaluates how the selection of a male or female CEO affects organizational strategy and executive decision processes. Shropshire et al. (2021) 's study reveals that organizations led by female CEOs tend to use a team-oriented method, joined with caution, thus shaping their risk management methods. The following is a study that examines leadership preferences together with strategic choices implemented by male versus female CEOs. At the executive level, gender diversity leads to multiple viewpoints in decision-making processes, which creates organizations that are better able to adapt and show resilience (Choi and Ko, 2024). The study finds that CEO gender is relevant because it offers insight into performance effects on Kenyan banks that can result from gender differences in leadership.

1.1.2 Financial Performance

Financial performance represents the combination of financial aspects and performance outcomes. The word performance originated from perform, which means acting to do or execute something. Financial economists consider organizational performance to be a crucial element for operational management effectiveness, and it serves as a bedrock for national economic development (Baloch et al., 2021). Muhmad and Muhamad (2020) explain that

financial performance reflects business achievement in meeting financial goals during set periods from official financial information. A firm's financial status, which shows itself through cash management and generation, demonstrates its financial performance. Business viability and stability, and profitability combine with operational cost and financial data from accounting documents to measure financial performance (Kusumadewi et al., 2023).

Financial performance establishes both a company's overall well-being together with measures managerial decision effectiveness using multiple financial metrics. According to Fernandez et al. (2024), profit margins and liquid assets demonstrate how well the company follows financial rules, as they display managerial success levels. The evaluation of a company's success in carrying out its business plans reliably and generating monetary achievements defines the financial performance metrics in this environment. The organizational competitiveness depends heavily on financial success (Peprah and Ayaa, 2022) because it demonstrates both present and ongoing operational reliability and growth potential.

The assessment of financial performance examines stakeholder benefits between a starting period and an ending period. Financial ratios within income statements and balance sheets, along with securities market data, serve as the main methods for carrying out this assessment (Barker and Penman, 2020). The essential financial metrics for assessment includes post-tax profits, along with Return on Assets (ROA) and Return on Equity (ROE), and earnings per share and market-based values (Christine and Winarti, 2022). An organization achieves better resource efficiency when it demonstrates increased ROE value. The research adopts Return on Assets (ROA) to measure financial performance since it evaluates how effectively organizations utilize their assets to produce profits (Yousaf and Dey, 2022).

Research indicates that how many of females and males serving on a company's board directly affects their performance measures. According to García-Ramos and Díaz (2020),

there exists no association between the dimensions of the board directorship and organizational financial outcomes. Financial performance results seem to be affected jointly by CEO characteristics and organization scale, and audit quality within the firm. Almaqtari et al. (2022) explain that board independence has less influence on financial metrics despite their clear connection to CEO roles and board size. The understanding of how CEO identity affects business performance as well as management structure, definitely serves to assess a company's financial condition and operational quality.

1.1.3 CEO Characteristics and Performance

Academic experts continue to debate the influence that a CEO's traits have on corporate financial results. A company achieves expected financial outcomes through financial performance at its core, which includes sales volume and profitability (Fauzi et al., 2024). CEOs who lead strategic decision-making determine company performance since their characteristics impact corporate choices (Bonsu et al., 2023). Capital structure and performance outcomes of listed companies in Kenya are influenced by macroeconomic dimensions such as corporate tax rates and economic development, together with company-specific elements comprising asset tangibility and profitability, and firm size, growth potential, and asset liquidity (Fatoki et al., 2021). Commercial bank financial performance strongly correlates with the specific traits of CEO gender and financial experience, as well as age and time served (Gupta and Mahakud, 2020).

CEO gender effectively mirrors how modern society constructs business-related traits for men and women, thus shaping organizational results (Zhang, 2024). Research has revealed that selecting female CEOs leads to improved financial outcomes for companies, while chief executive positions with equal gender numbers create equal opportunities for male and female perspectives. Gender diversity evaluation commonly takes the form of proportion scores

between 0 and 1, which equate to complete female composition within a group (Humbert et al., 2021). The current method of diversity measurement using the proportion rating framework fails to encompass the complete heterogeneity since it neglects the diverse backgrounds and skill sets and multiple viewpoints that women leaders contribute (Vinnicombe and Mavin, 2022).

The management ability of CEOs within finance and accounting represents their financial expertise without formal educational requirements. The CEO's financial expertise leads to increased accomplishment rates among companies because it enhances both organizational confidence in management and the quality of strategic decisions (Oussii and Klibi, 2023). The CEO's financial expertise enables monitoring of internal audit and accounting departments to reveal irregularities in financial reporting, among other responsibilities. The upper-echelon theory demonstrates that CEOs use their personal skills and career background to both define strategic plans and create firm value and enhance reporting quality (Mehjabeen, 2023).

Firm performance shows indications that the age of a company's CEO plays a significant role. The maturity of a CEO reached through life experience appears in CEO age, which affects executive decision-making and produces company results according to Han (2023). Research demonstrates that CEOs below 50 engage in buying more companies than their senior counterparts. The acquisition drive of younger CEOs relates to their extensive period of employment (Chen et al., 2024). The research shows managers who have many years ahead of retirement tend to choose acquisitions with high long-term results since executives approaching retirement tend to prioritize immediate profits (Levi et al., 2020).

Organizational performance changes according to the length of time a CEO spends in their position. Studies show that companies benefit from having CEOs with extended periods

in position as long as these leaders establish beneficial relationships between colleagues (Cao et al., 2021). A CEO's time in office impacts how employees relate to each other through enhancing team unity, which directly impacts organizational performance. A CEO with extended service periods develops superior corporate standing both internally with employees and externally with industry stakeholders, which strengthens organizational reputation (Cao et al., 2021). CEO longevity often creates performance conflicts between addressing instant funding requests and achieving strategic growth targets, thereby influencing profit-making strategies (Naseem et al., 2020). These four characteristics of CEOs, starting from gender to financial expertise and including both age and tenure, demonstrate unique knowledge about how their leadership leads commercial banks toward better financial stability and strategic development.

1.1.4 Commercial Banks in Kenya

The Central Bank of Kenya identifies 43 financial institutions operating in Kenya, consisting of 39 commercial banks and one mortgage finance institution (CBK, 2023). Private entities control 30 banks throughout the system, and among them, 25 belong to local investors and 15 to foreign entities. Three commercial banks retain Kenyan Government majority ownership, while the majority of financial institutions within the sector have local ownership. The distribution reveals how private financial institutions, together with government banks, contribute to the economic development of Kenya, as commercial banks lead the financial industry.

The financial sector of Kenya relies on commercial banks for two essential functions, including both the role of economic growth promoters and the facilitation of savings and credit interchanges, as well as financial inclusion programs. In recent times, these financial institutions have faced potential challenges regarding their stability. The Central Bank of Kenya

has shown worry about the sector's condition since receivership was applied to two commercial banks and statutory administration was applied to another bank (Kiemo et al., 2024). The banking sector reveals its weak points through these actions while putting the stability of Kenya's banking industry under scrutiny as its traditional economic foundation.

The CBK maintains control over commercial banks through the enforcement of the Banking Act, together with multiple regulatory guidelines and the Prudential Guidelines. The legal frameworks provide banking institutions with tools to obtain licenses while authorizing monitoring abilities that verify financial regulations. The sector faces substantial difficulties despite regulatory safety measures because different banking institutions show varying financial success levels. Financial reports in 2023 show that different bank institutions achieved varying results, with some recording profitable returns versus others showing financial decline (CBK, 2023). The banking sector of Kenya operates under different conditions that require robust oversight to maintain regulatory compliance.

All banking institutions in Kenya display dissimilar profitability because individual financial organizations perform differently from one another. Different market conditions, together with operational obstacles and strategic limitations, create distinct levels of profitability between individual banks within Kenya's banking sector. The financial stability of the banking sector influences economic development in Kenya because banks serve as major sources of business and consumer lending and promote financial inclusion, and contribute to gross domestic product (GDP) (Biekpe, 2020).

The banking sector demonstrates decreasing financial growth during its recent performance period. The examined banking industry of Kenya showed a decline from its previous peak growth rate of 10.1% in 2021 to a diminished 7.1% in 2022, based on sources from CBK data (Statistics, 2023). The growth performance of the sector has decreased because

of economic slowdowns combined with possible declines in banking transactions. Various external economic pressures, together with shifting regulatory environments and internal operational inefficiencies, appear to be responsible for lowering the growth rate of the industry by affecting its ability to sustain previous growth patterns.

According to KNBS (2023) statistics, the overall financial industry growth in Kenya slowed down from 9.4% in 2021 to 6.9% in 2022. Financial institutions face impending obstacles because of this universal economic slowdown, which affects commercial banks and other financial institutions operating in Kenya's banking sector. The slowed growth affects banks in their capability to loan funds and in their profit generation and investment attraction, necessary to support overall economic development in Kenya.

The financial stability of Kenya's banking sector functions as a fundamental component for achieving Vision 2060, which outlines the development of Kenya into a successful global entity. Vision 2060 depends heavily on banks to advance savings growth and FDI entry, and financial security protection of the economy (GOK, 2022). The sector's strategic position continues to be established because of its dedicated pursuit of nationwide development initiatives.

The collapse of Kenyan banks such as Imperial Bank, Chase Bank, and Charterhouse Bank has been closely linked to CEO characteristics, particularly their decision-making approaches and governance practices. Imperial Bank's failure in 2015 was attributed to unsafe banking practices, including financial misreporting, which reflects the CEO's influence over organizational ethics and risk management (Infohub Kenya, 2024). Similarly, Chase Bank's 2016 collapse resulted from liquidity challenges due to financial misreporting, underscoring the critical role of executive leadership in ensuring financial transparency and stability (Infohub Kenya, 2024). Charterhouse Bank, liquidated in 2021, faced severe violations of the Banking

Act related to lending practices and inaccurate financial reporting, further highlighting the impact of CEO decisions on regulatory compliance and institutional integrity (Infohub Kenya, 2024). These instances demonstrate that CEO attributes, including ethical decision-making and governance styles, are pivotal in determining the financial health and sustainability of banking institutions.

The banking industry operating in Kenya offers diverse services through a dominant system but faces structural together with financial hurdles which put its expansion and stability at risk. The sector's leading function in achieving Vision 2060 economic development objectives arouses an immediate need to resolve these challenges because stable banking operations remain essential to meet national economic targets. Banks require both CBK's regulatory guidance and strong internal operational strategies to establish sector stability, which will enhance economic resistance in Kenya. The financial environment in Kenya needs sustained oversight and regulatory action, as well as continuous reform to sustain a healthy and growing banking sector in the country.

1.2 Statement of the Problem

As part of the financial services industry, the banking sector operates with distinctive financial offerings that support both economic advancement and development. Commercial banks require financial stability to build and maintain trust with clients, which in turn fosters economic growth (Ijaz et al., 2020). In the face of operational challenges such as cost reduction and production efficiency, organizations increasingly rely on CEO leadership qualities to drive performance. Recent scholarly work highlights the pivotal role of CEO characteristics in influencing financial outcomes due to their central role in decision-making (Altarawneh et al., 2020). However, there remains a limited focus on which specific CEO traits are most impactful within different banking contexts, particularly in emerging economies.

Despite the classification of commercial banks into different tiers in Kenya, performance outcomes have not followed expected patterns. Ideally, Tier I banks are expected to outperform Tier II and III institutions; yet, 2022 data shows that Tier I banks recorded ROA ranging between 3.1% and 5.0%, while Tier III banks ranged from -39% to 4.2% (CBK, 2022). Surprisingly, some Tier III banks recorded marked improvements, occasionally outperforming Tier I institutions. Furthermore, the collapse or restructuring of banks such as Charterhouse, Chase, Imperial, and National Bank underscores the role of CEO decisions in bank stability and financial performance (Khan et al., 2021). These variations in performance call for a deeper examination of the CEO attributes that drive successful outcomes in different banking environments, revealing a practical and contextual knowledge gap.

Although a number of global studies have examined how CEO traits influence financial performance, there is limited research specific to commercial banks within the Kenyan context. While Fang et al. (2020) evaluated CEO attributes and financial metrics, the findings are based largely on international or generalized corporate settings rather than on Kenya's unique banking structure. Additionally, Loh et al. (2022) found that board diversity and leadership independence positively influence performance, while Mamun et al. (2020) found no significant link between executive leadership changes and stock performance. These conflicting findings point to a methodological gap in how CEO characteristics are analyzed and measured in relation to performance, particularly in banking environments that are regulated differently across jurisdictions. Moreover, little consensus exists on the specific indicators that best reflect CEO influence on performance, making it necessary to develop more context-sensitive models. This study, therefore, seeks to fill both empirical and contextual research gaps by investigating the specific CEO traits that influence the financial performance of commercial banks in Kenya.

1.3 Objectives of the Study

1.3.1 General Objectives

The general objective was to determine the effect of chief executive officer characteristics on the financial performance of commercial banks in Kenya.

1.3.2 Specific Objectives

- 1 To assess the effect of chief executive officer remuneration on the financial performance of commercial banks in Kenya.
- 2 To evaluate the effect of chief executive officer tenure on the financial performance of commercial banks in Kenya.
- 3 To establish the effect of chief executive officer age on the financial performance of commercial banks in Kenya.
- 4 To determine the effect of chief executive officer gender on the financial performance of commercial banks in Kenya.

1.4 Research Hypotheses

1. **H01:** Chief executive officer remuneration does not affect the financial performance of commercial banks in Kenya
2. **H02:** Chief executive officer tenure does not affect the financial performance of commercial banks in Kenya
3. **H03:** Chief executive officer age does not affect the financial performance of commercial banks in Kenya

4. **H04:** Chief executive officer gender does not affect the financial performance of commercial banks in Kenya.

1.5 Significance of the Study

This research seeks to determine how the leader characteristics of CEOs impact financial outputs in commercial banks operating in Kenya. The research outcomes promise crucial additions of value to leaders in financial institutions, alongside governmental policy officers and university researchers who study banking leadership performance effects.

1.5.1 Financial Institutions

Financial institutions will derive great value from this study because the results provide management teams with detailed knowledge about which CEO characteristics support financial success or create obstacles. Financial institutions can use knowledge about the precise CEO traits that lead to better financial results as a basis for choosing leaders and developing leadership abilities. Understanding which specific leadership qualities CEOs should possess to sustain profitability, along with growth and overall value within the competitive banking industry, will serve as the foundation for successful strategic planning and long-term stability development.

This study responds to the expanding significance of corporate governance alongside strategic leadership, which represents a current organizational practice. Financial institutions can utilize the obtained research outcomes to establish governance systems that promote effective leadership performance among executives. The research investigates which CEO characteristics correlate directly to sound business governance practices, which supports financial stability independently verified via solid financial results.

1.5.2 Policymakers

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1.5.3 Scholars/Academicians

For scholars and academicians, this study will add to the existing body of literature on CEO characteristics and their relationship to financial performance, particularly in the Kenyan context. By offering empirical data on the influence of CEO attributes on the success of commercial banks, the study will fill a gap in regional research, enhancing the understanding of how executive leadership impacts financial metrics in Kenya's banking industry. The findings will also serve as a valuable reference for future research on the topic, laying a foundation for comparative studies across sectors and regions.

Moreover, this research will contribute empirical evidence that could be used to refine models like the Z-score, which measures financial stability, providing a specific application in Kenya's banking sector. The study can thus serve as a benchmark for further exploration, offering scholars insights into CEO leadership as a determinant of organizational resilience and financial sustainability. By expanding the academic discourse, this research will support the advancement of knowledge on bank performance and strategic leadership, encouraging more nuanced investigations in Kenya and beyond.

1.6 Scope of the Study

This study analyzed the financial performance of Kenyan commercial banks across different tiers and examined how various CEO characteristics contributed to financial success. Twenty-one years, from 2003 to 2023, were reviewed to capture comprehensive trends and changes in performance over time. The analysis focused on quantitative financial performance measures across different categories of banks, guided by specific hypotheses related to CEO traits expected to significantly influence key performance metrics. The dependent variable in the study was financial performance, while the independent variables included CEO gender, financial expertise, age, and tenure. Each characteristic was selected based on its potential impact on strategic decision-making and operational outcomes within banks. Secondary data sources, such as audited financial statements, annual reports, and information from official bank websites, were utilized to ensure data accuracy and reliability. By examining these variables and data sources, the study provided a holistic understanding of the relationship between leadership attributes and financial outcomes in Kenya's banking sector. The findings offered evidence-based insights into how specific CEO traits influence financial performance, thereby informing future leadership selection and governance practices in the industry.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The chapter is a detailed review of literature around the study topic, but limited to focus on behavioural biases and tax compliance. The chapter provides a basis for the analytical approach of the study by tracing theoretical foundations and previous empirical studies. The concepts are contextualized, analysed, and patterns, gaps, and important developments are uncovered in key theories and academic contributions in the field. It sharpens its own methodological and conceptual frame while critically evaluating these sources to relate known with fresh perspective knowledge regarding the dynamics of financial behaviour. In addition to placing the study within the deemed accepted academic discourse, this literature review also introduces new discussion about behavioural biases, financial risk, and tax compliance by highlighting trends and opportunities for further research.

2.2 Theoretical Review

An understanding of sound theoretical underpinnings is provided by examining the relationship between some CEO characteristics and the performance of commercial banks in Kenya to aid in understanding how some CEO attributes may influence organizational outcomes. Each CEO characteristic (remuneration, tenure, age, and gender) is associated with well-established theories of what it could do to strategic decision making and performance. Agency Theory, Upper Echelons Theory, Human Capital Theory, and Gender Role Theory are key theories that can be beneficial to explain how CEO behaviours and traits affect the operations of commercial banks. Each of these variables has been discussed below within the context of this study using theories that underpin these variables.

2.2.1 Agency Theory

Jensen and Meckling (1976) introduced Agency Theory to explain the relationship between principals (such as shareholders or owners) and agents (such as managers or CEOs). The theory highlights how conflicts of interest can arise because managers may pursue personal goals rather than the goals of the owners. To solve this "agency problem," the theory suggests aligning the interests of managers with those of the owners' using tools like performance-based incentives and close monitoring. One key idea is that when CEOs are rewarded based on how well the organization performs, they are more likely to act in the best interest of shareholders.

In this study, the theory directly supports the analysis of governance sustainability practices, particularly in how CEO remuneration affects bank performance. For example, in Kenya's commercial banking sector, CEO compensation plays a critical role in motivating performance toward profitability, customer satisfaction, and efficient asset management. Zhang et al. (2020) argue that aligning CEO pay with shareholder interests helps reduce agency costs and increase value. Similarly, Mondello and Ayed (2020) emphasize that a well-designed pay structure helps CEOs strike a balance between responsible risk-taking and maximizing performance something especially important in the highly regulated banking sector.

Costa et al. (2023) point out that Kenyan banks are adopting remuneration packages with both fixed and variable components. This structure ensures CEOs work toward both short-term gains and long-term financial stability. Enguix (2021) also supports the idea that linking pay to financial performance helps reduce moral hazards, particularly where governance systems may be weak or oversight is limited. These findings confirm that governance practices such as structured remuneration are a practical way to apply Agency Theory in Kenyan banks.

However, relying solely on financial incentives to drive performance has its flaws. Critics of Agency Theory argue that it assumes managers act only out of self-interest and ignores other motivations like ethics and professional responsibility. Isfahani and Mehdad (2022) suggest that CEOs may be driven by values, not just financial rewards. Tilton et al. (2022) also argue that the theory oversimplifies the relationship between shareholders and managers, especially in cultures where trust, tradition, and teamwork influence behavior.

Moreover, the theory does not fully consider the impact of non-financial motivators like job satisfaction, workplace culture, or career development. Christensen-Salem et al. (2022) stress that these factors are just as important in shaping CEO behavior. Han and Li (2024) add that the theory wrongly assumes all actors make rational decisions, ignoring the reality of cognitive biases and limited information especially in complex environments like banking.

Another common critique is that Agency Theory, developed in Western economies, does not fit well in developing countries like Kenya. Yan and Hyman (2024) explain that local factors such as regulatory systems, cultural expectations, and economic conditions significantly affect how managers and shareholders interact. As a result, applying the theory in Kenya without adjustments can lead to misleading conclusions.

In response to these weaknesses, scholars have improved the theory by combining it with ideas from behavioral economics. Bhesania et al. (2024) propose that including insights from psychology and social behavior helps explain why managers may act differently than expected. This makes the theory more realistic and useful in unpredictable or fast-changing business environments.

Also, modern approaches to governance now recognize that CEOs are motivated by more than just money. Kariuki et al. (2024) show that opportunities for leadership, training,

and recognition can also reduce agency problems. This is especially relevant in Kenya, where non-financial rewards help build loyalty and encourage better performance in banking institutions.

To make Agency Theory more useful in Kenya, researchers like Chen et al. (2021) recommend adapting it to fit the local context. This includes considering the influence of local economic conditions, corporate governance systems, and cultural norms. Kenyan banks operate under unique regulatory pressures and public scrutiny, so the traditional agency model must be customized accordingly.

In conclusion, Agency Theory is highly relevant to this study as it helps explain how governance sustainability practices, particularly CEO remuneration, affect bank performance. Despite its limitations, the theory offers a strong foundation for understanding the relationship between shareholders and executives. When updated with behavioral insights and tailored to local contexts, Agency Theory provides a valuable lens through which to examine how leadership decisions influence financial outcomes in Kenyan commercial banks.

2.2.2 Upper Echelons Theory

The Upper Echelons Theory, first introduced by Becker (1964) and later developed by Hambrick and Mason, explains how the personal background and experiences of top leaders influence their decision-making and, ultimately, the performance of their organizations. It suggests that traits such as a CEO's age, education, work history, and length of service shape how they understand issues and make strategic choices. This theory helps explain why different CEOs lead in different ways and how their personal attributes are linked to the success or failure of their institutions.

In the context of commercial banks, the theory is particularly relevant when examining how long a CEO stays in office known as CEO tenure and how this affects financial performance. According to Back et al. (2020), CEOs with longer tenures tend to have a better understanding of their organizations, build stronger internal and external relationships, and make more informed decisions. These advantages often translate into better financial results. On the other hand, short-term CEOs may lack this deep insight, which can result in weaker performance, as shown by Hakim and Tantri (2023). This supports the theory's claim that CEO characteristics shape strategic outcomes.

Longer-serving CEOs are also more likely to earn the trust of key stakeholders, encouraging cooperation and fostering long-term success in the banking sector (Jeong et al., 2021). According to Upper Echelons Theory, experienced CEOs use their accumulated knowledge and familiarity with the organization to guide decision-making. Research by Moon and Park (2020) confirms that longer CEO tenure is often linked with improved financial stability, making this theory an important lens through which to understand leadership effectiveness in banks.

However, the benefits of long tenure can diminish over time. Graf-Vlachy et al. (2020) argue that CEOs who stay too long may become resistant to change a problem known as strategic inertia. In such cases, their deep familiarity with the organization may limit their ability to respond to a changing business environment. Muthoni et al. (2023) emphasize that in Kenya's banking sector, it is important to strike a balance between leadership stability and strategic flexibility. This further supports the relevance of Upper Echelons Theory in evaluating the role of CEO tenure in bank performance.

Despite its usefulness, the theory is not without criticism. One major limitation is that it focuses heavily on basic traits such as age and education, which may oversimplify how CEOs

influence organizational performance (Neely et al., 2020). It does not fully consider personal motivations or leadership styles, which also affect outcomes.

Another criticism is that the theory often ignores external factors. As Baccarella et al. (2021) note, broader influences such as economic trends, regulatory changes, and market conditions can have a much larger impact than a CEO's personal traits. Additionally, the theory tends to overlook the role of top management teams, even though many strategic decisions are made collectively especially in banking.

The theory also fails to fully account for cultural and regional differences. Bonsu et al. (2023) argue that CEO behavior and impact can vary across countries and industries, so applying the theory without adjusting for local context can lead to misleading conclusions. Therefore, scholars have recommended expanding the theory to include more specific and context-aware variables.

To improve its application, researchers have modified the theory in several ways. Carlson et al. (2021) incorporated psychological and emotional traits to provide a more complete picture of leadership behavior. Others, like Mubeen et al. (2020), have suggested including environmental and institutional factors, such as market dynamics and regulatory frameworks, to better reflect real-world conditions. Attah-Boakye et al. (2021) recommend considering collective leadership and team dynamics, especially in sectors like banking where teamwork is crucial.

Finally, researchers such as Ademba and Kariuki (2021) have adapted the theory to fit local contexts. Their study on Kenyan banks shows that cultural norms and values also shape how CEOs influence performance, offering insights that are particularly relevant to this study.

In conclusion, Upper Echelons Theory is highly relevant to this study of commercial banks in Kenya because it provides a strong framework for understanding how CEO characteristics especially tenure affect financial performance. By highlighting the link between leadership experience and decision-making, the theory helps explain why some banks perform better than others. Even though it has some limitations, recent improvements have made it more adaptable and context-sensitive. As such, it remains a valuable tool for analyzing executive leadership in the dynamic and competitive banking sector across the COMESA region.

2.2.3 Human Capital Theory

Human Capital Theory, introduced by Schultz (1902) and later developed by Becker (2021), emphasizes that the knowledge, skills, experience, and competencies of individuals are valuable economic assets. According to the theory, investing in education, training, and professional development increases an individual's productivity. This idea extends to leadership, where a CEO's personal knowledge and experiences contribute significantly to an organization's overall performance.

In the context of commercial banks, Human Capital Theory is especially useful for understanding how the age of CEOs influences financial performance. As CEOs grow older, they gain more industry experience, develop strategic thinking abilities, and build wider professional networks. These factors allow older CEOs to make more informed decisions, plan for the long term, and access critical resources and partnerships contributing to stronger financial outcomes (Li et al., 2021; Dalimunthe et al., 2023).

However, the relationship between CEO age and bank performance is not straightforward. While older CEOs bring deep experience and valuable insight, they may also face challenges in adapting quickly to fast-changing markets. Younger CEOs, on the other

hand, often embrace innovation more readily and are more open to using new technologies (Christofi et al., 2024). Human Capital Theory highlights that age must be considered alongside continuous learning and adaptability, as both influence organizational performance (Adesina, 2021).

In Kenya's banking industry, CEO age also interacts with cultural expectations and regulatory factors. Research shows that in emerging markets like Kenya, older CEOs often favor traditional business approaches over disruptive innovations, which can limit organizational flexibility (Begum et al., 2020). Age, therefore, functions as a refined form of human capital, shaped by both personal ability and the surrounding environment.

Leadership style also plays an important role in connecting CEO age with organizational outcomes. Older CEOs, due to their experience, often adopt transformational leadership styles that inspire their teams and support organizational goals. In banking, such leadership is linked to improved staff motivation and higher operational efficiency (Motadi, 2024).

Although widely used, Human Capital Theory has faced criticism. One major concern is that it reduces complex organizational outcomes to individual traits, ignoring broader factors like company culture or economic conditions (Grewatsch et al., 2021). Another concern is that assessments based on age can lead to bias, making it harder to fairly evaluate leadership performance (Thrasher et al., 2023).

Some researchers also argue that the theory treats human capital as static. However, recent studies emphasize the need for dynamic capabilities, such as the ability to unlearn outdated practices and adopt new ones something that older CEOs may struggle with in fast-changing sectors like banking (Cyfert et al., 2021).

Critics also note that Human Capital Theory often ignores social, cultural, and contextual differences. In Kenya, for instance, factors such as political stability, customer behavior, and government regulations have a major influence on bank performance sometimes more than CEO characteristics themselves (Kirimi et al., 2022). This shows the need to combine personal and systemic factors when analyzing performance.

To address these shortcomings, researchers have updated Human Capital Theory to include more flexible and realistic perspectives. Modern versions of the theory emphasize lifelong learning and organizational innovation as key drivers of individual and institutional success (Sun et al., 2020). These updates better reflect the demands of rapidly evolving sectors like banking.

Another improvement to the theory is the inclusion of social and relational capital. Research shows that CEOs achieve better outcomes when they can leverage professional networks and collaborate effectively (Mawdsley et al., 2020). This is especially important in competitive banking environments, where strategic partnerships can enhance performance.

Recent research also highlights the importance of psychological factors such as resilience and emotional intelligence in shaping how CEOs perform. These traits can help older CEOs overcome challenges associated with age and remain effective leaders under pressure (Dóci et al., 2023).

In summary, Human Capital Theory provides a strong foundation for examining how the age of CEOs affects the financial performance of commercial banks in Kenya. The theory helps explain how accumulated experience, industry knowledge, and leadership ability contribute to success, while also recognizing the need for adaptability in dynamic environments. By integrating age with broader human capital considerations, the theory offers

valuable insights for understanding executive performance in Kenya's banking sector and remains highly relevant to this study.

2.2.4 Gender Role Theory

Gender Role Theory, as explained by Du et al. (2020), suggests that society shapes people's behaviors, attitudes, and roles based on gender norms. According to Eagly, men and women are expected to take on different roles, which influences their leadership styles and decision-making approaches. These socially constructed expectations create certain stereotypes that affect how leaders are perceived and how they behave in organizational settings. This theory provides a useful framework for understanding how male and female CEOs influence the performance of commercial banks.

In the context of Kenyan commercial banks, the CEO's gender is an important factor that can be explained through Gender Role Theory. The theory shows how societal views on gender affect leadership styles and, ultimately, organizational outcomes. Research suggests that female CEOs often lead using transformational styles that focus on collaboration, long-term planning, and team development (Jensen et al., 2020; Zhang et al., 2022). Male CEOs, on the other hand, are more likely to use transactional leadership, focusing on short-term goals, clear hierarchies, and performance-based rewards (Young et al., 2021). These different approaches to leadership shaped by gender roles can significantly affect how banks operate and perform financially.

Gender expectations in the workplace can also lead to bias in performance evaluations. Female CEOs often have to outperform their male counterparts to be seen as equally competent (Correll et al., 2020), and they may be judged more critically by stakeholders. In Kenya, research shows that female CEOs tend to take more cautious approaches to risk, which can

help banks remain stable during uncertain or volatile times (Shropshire et al., 2021; Palvia et al., 2020). These findings highlight how social factors influence the relationship between CEO gender and bank performance.

Despite its usefulness, Gender Role Theory has received criticism. Some scholars argue that it overly focuses on social expectations while ignoring individual choices and the evolving nature of leadership (Roth, 2022). Others suggest that differences in leadership may come more from professional experience or organizational context rather than being directly tied to gender (Larsson & Alvinus, 2020; Shen & Joseph, 2020). Critics also say the theory overlooks other important factors such as ethnicity, age, and socioeconomic background, which all play a role in leadership behavior and performance (Camarena & Jung, 2024; Gunzenhauser et al., 2021).

To address these concerns, modern researchers have expanded Gender Role Theory by including more complex ideas. For instance, intersectional frameworks now look at how gender interacts with other identity factors like race or class to shape leadership outcomes (Badura et al., 2020; Poekert et al., 2020). Companies that promote inclusive cultures and mentorship programs help leaders of all genders perform better by reducing the limitations created by traditional gender expectations (Singh et al., 2024; Azmat & Boring, 2020). These updates have made the theory more relevant and useful in today's workplaces.

Today's researchers also move beyond the traditional male/female view of gender. They now understand gender as a spectrum and recognize that gender identity can shift and influence leadership in more flexible ways (Blaney, 2020; Teig et al., 2024). This modern approach allows for a more inclusive understanding of how gender affects leadership and organizational performance.

In summary, Gender Role Theory provides a strong foundation for analysing how CEO gender influences the performance of commercial banks in Kenya. The theory explains how social expectations shape leadership behaviour and impact business results. Its recent improvements address earlier limitations and make it better suited to studying gender dynamics in modern organizations. This makes the theory highly relevant to your study, as it helps explain the role gender plays in shaping leadership effectiveness and financial performance in Kenya's banking sector.

2.3 Empirical Review

This methodological literature review studies past research about how Chief Executive Officer (CEO) attributes affect commercial bank performance in Kenya as a part of the research topic exploration. This part analyses the organizational outcome effects of CEO gender as well as experience length and age, alongside compensation structures, while pointing out dominant patterns from the research findings. The review examines the different research methodologies used in prior studies, which determine how well scientists analysed the relationship between CEO characteristics and bank performance outcomes. This section combines the results of empirical research to explain how CEO characteristics affect commercial bank results when analysing strategic and operational choices influenced by these traits.

2.3.1 Chief Executive Officer Remuneration and Financial Performance

Rousseau et al. (2023) conducted a study about the link between CEO compensation and financial performance in U.S. publicly listed companies from a worldwide viewpoint. The research evaluated how performance-based compensation enables CEOs to pursue decisions that benefit shareholders. A five-year dataset of 500 companies acted as the basis for the research, where panel data regression analyses were applied. The research data demonstrated a

positive correlation between CEO pay directly connected to performance metrics and financial results, such as ROA and EPS, which showed clear evidence of successfully connecting incentives to organizational objectives.

Assenso-Okofu et al. (2020) executed their study to analyse financial outcomes as related to CEO compensation structures among European multinationals. A total of 250 European companies based in Germany, France, and the United Kingdom were selected for analysis under structural equation modelling using year-end report data. Organizations that based their CEOs' pay packages on long-term incentives demonstrated greater profitability along with market stability than businesses that used either fixed salaries or short-term bonuses as their main compensation method. Sustainable financial performance benefits from strategic remuneration according to the research findings.

Barde and Zik-Rullahi (2020) investigated the connection between CEO pay levels and financial results in Nigerian banking institutions from the perspective of regional Africa. Descriptive survey design research 20 banks on the Nigerian Stock Exchange, while multiple regression analysis served as the analytical method. The research demonstrated that paid-to-performance strategies between CEOs led to decreased organizational profitability characterized by poor net interest margins and ROE levels. Officials suggest that a performance-related executive pay mismatch exists and might lead to agency problems.

Mensah and Bein (2023) researched CEO compensation and organizational results within Ghana's manufacturing industry. The analysis included both qualitative interviews results along quantitative regression analysis to examine 50 surveyed manufacturing firms. The researchers established that CEO pay and firm profitability show no significant relationship, which implies that market conditions, along with governance practices, could be stronger factors in creating performance changes.

Siwendu et al. (2024) examined CEO pay levels and their impact on financial results within South African mining sector operations. Fifteen mining companies participated in the analysis covering 10 years through this mixed-methods research. Shareholder returns demonstrated a negative connection with excessive CEO remunerations, therefore showing that too much emphasis on executive pay results in resource distribution problems, which weaken overall organizational performance.

The financial performance of Kenyan commercial banks underwent examination based on CEO compensation by researchers Blandina et al. (2021). A census approach that included all 43 commercial banks and their financial statements served as the data source for this study, which used panel regression. Research findings revealed a meaningful correlation between compensation systems linked to performance results and bank financial performance metrics, namely ROA and net interest income. Strategic remuneration structures became essential for banks because they help connect CEO decisions to organizational goals.

Morrison et al. (2024) researched the relationship between CEO pay and business results in Kenyan microfinance businesses. The study accepted thirty microfinance institutions and performed both financial information analysis along interview procedures. CEO compensation linked to non-financial metrics of client satisfaction, combined with loan repayment rates, generated positive effects on the institutions' performance levels. The research findings demonstrated that organizations need to strike a proper balance when creating compensation plans for their executives.

Kamau et al. (2021) performed a study to determine how mismatched CEO compensation affects insurance sector performance in Kenya on 25 insurance companies using multiple regression. High CEO-pay levels compared to those of lower-level employees demonstrated a negative relationship with corporate financial outcomes. The researchers

established that such organizational pay differences between leaders and their subordinates lead to decreased employee motivation and reduced corporate productivity rates.

2.3.2 Chief Executive Officer Tenor and Financial Performance

The analysis by Khan et al. (2020) studied the link between CEO tenure and organizational financial results within publicly listed US companies. This research aimed to establish if CEOs who serve longer terms achieve superior financial measurements, consisting of return on equity (ROE) and market capitalization performance. The research employed 1,200 firms over eight years between 2010 and 2018 to validate the findings by using a panel regression analysis, which confirmed a curvilinear pattern. Financial performance reached its peak when CEOs held their positions for an intermediate duration because excessive time in office resulted in performance decline caused by organizational stagnation and executive entrenchment.

Bai et al. (2022) researched how CEO tenure affected firm innovation and financial outcomes among Chinese technology firms that were listed. The research evaluated the relationship between the time a CEO holds the position and their impact on organizational performance and decision strategies. The research utilized a sample of 500 technology firms, and it applied structural equation modelling techniques. The research demonstrated that CEOs with longer terms in office maintained stable financial performance and steady cash flow, though they demonstrated less interest in strategic innovation that might extend profitability into the long run.

According to Boachie (2021), CEO duration correlates with financial metrics within Ghana's banking sector from an African regional perspective. The research aimed to understand the relationship between executive leadership period and profit generation alongside operational effectiveness in banking institutions. Using regression analysis to study financial performance indicators such as ROE and net interest margin, the research conducted its analysis

on an assortment of 20 banks. Past experience of CEOs yielded positive effects on profitability since their extensive institutional understanding helped optimize banking operations.

The research by Naseem et al. (2020) investigated the relationship between CEO longevity and business performance in Nigerian manufacturing organizations. The research evaluated the effect that an extended duration of CEOs in position had on company performance and business outcomes. Fifty manufacturing firms formed the sample for the study, which used a combination of qualitative interview-based data collection alongside quantitative methods. The initial financial benefits from extended CEO tenure reversed as time progressed because decision-making reduced its flexibility and adaptability, negatively impacting organizational growth.

The authors Okofo-Darteh et al. (2020) conducted a study to evaluate how CEO tenure duration influences corporate governance standards in South Africa's energy businesses. The researchers focused on understanding how an extended period of employment impacts financial performance along with corporate governance practices. A database consisting of 30 energy companies helped researchers do descriptive statistics analysis and calculate correlations. An extensive CEO's stay in the top position in leadership showed an inverse relationship to governance quality, resulting in decreased corporate financial results due to reduced accountability.

Kirimi et al. (2024) evaluated commercial bank financial outcomes as they relate to CEO term duration through their Kenyan research. The research evaluated the effect of CEO staying time on both business profitability together with risk management approaches. A census of 43 Kenyan commercial banks was conducted to analyse secondary data through panel regression techniques. Financial performance reached its peak when CEOs maintained

medium-term positions because they had both substantial organizational understanding along dynamic market responsiveness.

The agricultural sector of Kenya received an analytical study from Cao et al. (2021) regarding the relationship between CEO tenure length and business outcomes. This study set out to analyse whether the business duration since CEO recruitment influences company financial stability. The research analysed twenty-five agricultural businesses through regression methods, which revealed that financial development was best achieved with moderate CEO tenures. The extended period in office decreased the ability to adjust to market variations, thus leading to poor performance outcomes.

Gachanja et al. (2020) conducted a study that researched the effects of CEO tenure on corporate innovation within Kenyan manufacturing firms. The research aimed to determine how extended periods of employment impact crucial strategic choices regarding innovation alongside financial development. The research collected data from 40 manufacturing companies through both surveys and financial reports. Financial performance improved under CEOs who stayed in office for medium periods by pursuing innovative strategies alongside controlled risk-taking, but long-tenured CEOs weakened both creativity and performance.

2.3.3 Chief Executive Officer Age and Financial Performance

Davis et al. (2023) performed extensive research to examine CEO age links with financial results in Fortune 500 businesses from an international viewpoint. The main objective of this research project was to determine if senior executive age levels impacted both strategic approach patterns and organizational achievement results. A team of researchers used panel data regression to analyse 300 organizations across eight years through their data. Results from the research study established significant differences between these age groups. CEOs under 45 adopted innovative approaches and risky strategies for their companies, leading to short-

term profitable effects. The financial strategies implemented by these managers were associated with extensive volatility effects. Old CEOs exhibited risk-averse behaviours by choosing financial stability along with gradual growth over immediate financial gain. The research examined the organizational trade-off points between innovation and risk management techniques used by people from different age groups.

Morrisonet et al. (2024) explored how executive age relationships with compensation systems influence the financial results of European technology firms. The research explored how CEO age affected the success of performance-based compensation plans as motivators of financial performance. To evaluate their research, the authors picked technology companies from five European nations in their analysis, which used structural equation modelling to process their data along with 150 businesses. The research data showed that CEOs who were younger reacted strongly to performance incentives, so they used these rewards to enhance profitability alongside market share increases. Older CEOs displayed less connection between their compensation incentives and organizational performance results than younger CEOs, thus indicating that intrinsic motivations surpass monetary remuneration for executive leaders in this age group. The study concluded that executive compensation needs specific adjustment according to CEO age to achieve the best organizational results.

Sani and Ghoneim (2024) studied the impact of CEO age on financial performance in Nigerian banking sector operations from a regional African standpoint. The research measured the variances in profit levels and business risk exposure, and operational effectiveness that occurred when CEOs belonged to different age groups. The study used quantitative regression analysis along with qualitative interviews on 25 commercial banks to attain a deeper understanding of the subject. Performance outcomes existed as clear opposites depending on the age of respondents. Aggressive lending practices, together with innovative financial

products, created higher profitability for CEOs who were relatively young. The strategies implemented by these financial institutions created both increased risks regarding credit defaults and increased operational instability. Older CEOs took stable financial approaches that achieved steady performance, yet they prevented faster organizational expansion. The study validated the need to harmonize a youthful approach with experienced caution when leadership responsibilities are at stake.

Naseem et al. (2020) performed an analysis on how CEO age is associated with organizational performance within Eswatini's energy sector. This investigation sought to understand age-related aspects that affected the strategic business decision process along with financial performance within a modernizing sector. The researchers applied regression analysis on 15 energy companies alongside conducting qualitative case studies. The research demonstrated that CEOs with advanced ages typically rejected technology adoption along with operational process enhancements, thus creating barriers to business performance improvement. Many younger CEOs prefer change-oriented strategies along with technological investments, as these changes enhance business operations and revenue performance. The aggressive modernization techniques implemented by younger CEOs led to operational risks, even though they demonstrated the trade-offs between age-based leadership.

Okofu-Darteh and Asamoah (2020) researched the telecommunications sector in Ghana to study how CEO age interacts with pay structures, which affects financial success. The goal of this analysis was to determine how organizational profitability and efficiency reacted to the combined effects of employee age, together with compensation packages. Quantitative regression analysis of the dataset came from studying eight telecommunications companies' statistics. Research findings showed that CEOs from advanced age groups chose to reject performance-driven pay structures, instead choosing proven salaries. The organizational

performance suffered setbacks due to this rejection and created challenges for both efficiency and adaptability in this volatile business environment. CEO executives who were younger accessed performance-based payments to advance growth and innovation that resulted in substantial financial achievements. This research established that matching reward systems with CEO ages enables better organizational progress.

Kirimi et al. (2022) researched the CEO age impacts on financial performance within commercial banks operating in Kenyan markets. Leadership effectiveness and organizational profitability stood as the primary research goals, which sought to test the connection between CEO age. Financial data from 35 commercial banks served as the basis for conducting panel regression analysis of the information. Financial performance reached its highest levels among middle-aged CEOs who were 40 to 50 years old. The middle-aged executive demographic leveraged their youth energy with senior executive strategic abilities to produce an equilibrium leadership style.

The financial performance of Kenyan insurance companies under research by Kang et al. (2020) depends on CEO age. The study examined age-related effects on strategic planning along with organizational expansion and profitability across the insurance markets in Kenya. Research data was collected from 20 insurance organizations through which the authors utilized descriptive analysis and regression methods for their study. CEO executives with advanced age tended to choose stability-focused growth strategies that kept their organizations steady yet restricted their adjustment to marketing environment changes. The adoption of risky and innovative business approaches by younger CEOs generated higher revenues, although it increased business uncertainties.

The study by Njoroge et al. (2020) studied how CEO age along with compensation affects profitability in Kenyan manufacturing sector companies. The goal of their research was

to discover how different age groups responded to compensation schemes affecting corporate profitability along with strategic planning mechanisms. A study was conducted on 30 manufacturing firms through mixed research methods which integrated financial data with survey responses. Study results showed senior executives were less focused on linking pay to performance thus creating performance issues that blocked business growth and adaptability. Pay structures became more effective performance boosters for younger CEOs when they shaped superior financial outcomes because leaders of various ages require unique reward systems.

2.3.4 Chief Executive Officer Remuneration and Financial Performance

Fischer et al. (2020) performed a study that analysed the connection between CEO salary compensation and corporate financial results within publicly-traded U.S. firms from a worldwide point of view. The main goal of this research evaluated the effectiveness of pay structures based on performance to drive superior financial deliverables from CEOs. The authors analysed a dataset containing 500 companies from different industries through panel data regression analysis. The research showed that CEO compensation generated positive financial results especially through extensive use of equity-based incentive programs. The association between executive compensation and organizational performance helps executives share similar business objectives with shareholders to expedite better financial results.

Research conducted by Bloomfield (2020) examines CEO compensation effects on profit generation within the European pharmaceutical industry domain. The research investigated whether organizational success could be influenced by the organization of pay packages for CEOs. The study assessed 120 pharmaceutical businesses through structural equation modelling to assess their relationship patterns. The research findings demonstrated that fixed salary payments had an insignificant impact on financial results, but performance-

based compensation systems directly increased company profitability. The financial success of companies strengthened when they offered higher levels of equity-based incentive compensation to their CEOs, as this demonstrated the central importance of incentive alignment for company success.

Chukwujekwu et al. (2022) investigated CEO pay effects on the financial outcomes of Nigerian manufacturing companies from an African regional standpoint. The research examined whether compensation plans properly encouraged CEOs to enhance operational results for their organizations. Research data came from 50 manufacturing firms, as regression analysis produced the findings. Businesses generating more profits from performance-based pay components reported enhanced business performance according to the research findings. The growth rate proved slower among companies whose remuneration packages chiefly contained fixed components, yet demonstrated no positive impact during this period.

Carlson and Bussin (2020) researched how CEO payments influence the financial marketplace behaviour of South African retail companies. The research analysed whether retail companies achieved improved financial results through their remuneration structures. A research sample of thirty retail firms received statistical analysis through descriptive and inferential methods. Performance incentives, which form part of pay schemes, demonstrated a positive influence on retail companies' revenue growth and their profit margins. The study showed that financial performance saturated by fixed payments resulted in lower company efficiency and created an indication that establishments must maintain an equilibrium between fixed and variable pay aspects.

Anyigbah et al. (201) researched the effects of CEO salary packages on business success within Ghana's banking institutions. Research aimed to find out if compensation systems determined company financial performance, as well as risk management approaches.

Researchers obtained data from 20 banks to perform mixed-methods research that included quantitative measurement and interview responses. Results demonstrated that banking institutions implementing performance-based compensation schemes for their CEOs acquired increased profitability, together with improved operational effectiveness. The growth of organizations with predominant fixed pay structures remained stagnant, thus indicating that effective dynamic compensation strategies should become fundamental for organizational success.

Christine (2023) completed research about CEO compensation links with banking industry financial results in Kenyan commercial banks. The research investigated whether the deployment of pay systems would effectively boost organizational profitability performance. The researchers analysed data through regression methods using 35 commercial banks as their examination sample. Performance-based pay systems displayed a strong positive relationship, which improved financial results but fixed pay structures had no significant impact on organizational profitability. The research demonstrates that CEO incentives need to directly target organizational objectives to boost organizational results.

Morrison et al. (2024) investigated how CEO compensation affects financial output in Kenyan insurance enterprises. This research devoted its focus to determining whether payment structure components affected success at the organizational level. The study team conducted quantitative analysis on a database consisting of 25 insurance organizations. High equity-based pay components enabled firms to achieve substantial financial success because CEOs dedicated their efforts toward long-term organizational goals. The adoption of fixed pay packages resulted in reduced organizational expansion rates along with deteriorating business profitability outcomes.

Through their research, Njoroge et al. (2020) examined the performance effects of CEO pay in manufacturing firms across Kenya. The research examined the role of different pay systems in defining corporate performance and operational effectiveness. An evaluation of 30 manufacturing companies was based on their analysis of descriptive statistics and regression analysis. CEO financial outcomes improved when compensation was based on performance, but fixed remuneration led to poor business growth, together with operational inefficiencies. The research findings revealed that market competition demands performance-based motivation systems for achieving business success.

2.4 Knowledge Gap

Research on the relationship between Chief Executive Officer (CEO) compensation and financial performance remains insufficient, particularly due to a significant contextual gap. Most of the existing studies such as those by Gyimah et al. (2021) and Rodrigues et al. (2020) focus primarily on the U.S. and European economic regions, where corporate governance systems are highly developed and institutional frameworks are mature. Similarly, research by Cerasi et al. (2020) and Bennett et al. (2020) has explored the link between CEO remuneration and bank performance in countries like Nigeria and South Africa. However, while these studies offer insight into African markets, they cannot be fully generalized to Kenya due to differences in governance frameworks, economic structures, regulatory environments, and institutional maturity. Therefore, a clear contextual gap exists, and this justifies the need for empirical research that investigates how CEO compensation influences financial performance specifically within the Kenyan commercial banking sector.

In addition to the contextual limitations, there exists a conceptual gap in how researchers define and measure CEO characteristics in relation to firm performance. For example, Odey et al. (2023) focus exclusively on financial metrics such as profitability and

stock market indicators, whereas Fladerer et al. (2020) expand the evaluation to include strategic leadership effectiveness. These varying definitions and measurement approaches create inconsistencies in understanding how CEO characteristics influence performance outcomes. This lack of a harmonized conceptual framework makes it difficult to draw general conclusions across different studies. Thus, there is a pressing need for a unified model that combines both financial and strategic performance perspectives to provide a more comprehensive understanding of CEO influence on bank performance, particularly in the Kenyan context.

Further complicating the issue is a notable methodological gap. Many studies reviewed rely on outdated financial data, often spanning more than a decade. For instance, Ogunbiyi et al. (2023) base their analysis on historical financial reports that do not reflect the current economic realities or the recent changes in leadership structures and technological advancements. This reliance on obsolete data limits the relevance of the findings to present-day conditions. Consequently, there is an urgent need for studies that use up-to-date data sets and capture the dynamic nature of Kenya's financial and regulatory landscape. Using current data would better illuminate how modern economic and technological factors interact with CEO characteristics to shape financial performance outcomes.

Moreover, there exists a dichotomy of findings in the current literature concerning CEO age and tenure. For instance, Khushk et al. (2022) report that younger CEOs bring innovation and adaptability to leadership, which enhances performance. Conversely, Gao et al. (2023) warn that this same innovation-driven leadership can also increase financial risk. Naseem et al. (2020) add another dimension, suggesting that CEOs with extended tenures often lead organizations into strategic stagnation, thus impairing performance. These conflicting findings demonstrate an unclear and inconsistent relationship between CEO characteristics and financial

results. As such, there is a strong justification for conducting further empirical studies in Kenya to clarify these contradictions and provide context-specific evidence.

Another significant methodological shortcoming in the literature is the overreliance on quantitative methods, particularly regression-based analyses, to examine the relationship between CEO traits and financial outcomes. Researchers such as Guchait et al. (2023) and Greene et al. (2024) adopt statistical methods without incorporating qualitative insights into leadership behavior or decision-making processes. However, financial performance is often shaped by nuanced leadership dynamics that cannot be fully captured through numerical data alone. By integrating qualitative approaches such as interviews or case studies future research can achieve a deeper understanding of how CEOs influence organizational outcomes, particularly in terms of leadership styles, strategic vision, and interpersonal dynamics within banking institutions.

Additionally, there is a noticeable lack of attention given to the psychological attributes of CEOs, which presents another conceptual and empirical gap. These psychological traits, such as risk tolerance, motivation, and cognitive style, may vary depending on the CEO's age, gender, and length of tenure, and they can significantly influence how compensation translates into decision-making and performance outcomes. While Costa et al. (2023) examine the link between remuneration and performance, they overlook the underlying psychological processes through which CEOs respond to incentive structures. Integrating psychological dimensions into future research would provide a more holistic view of how CEO characteristics drive financial decisions and outcomes.

In conclusion, the existing literature reveals several gaps contextual, conceptual, methodological, and empirical that call for a more comprehensive investigation into the role of CEO characteristics in shaping the financial performance of commercial banks in Kenya.

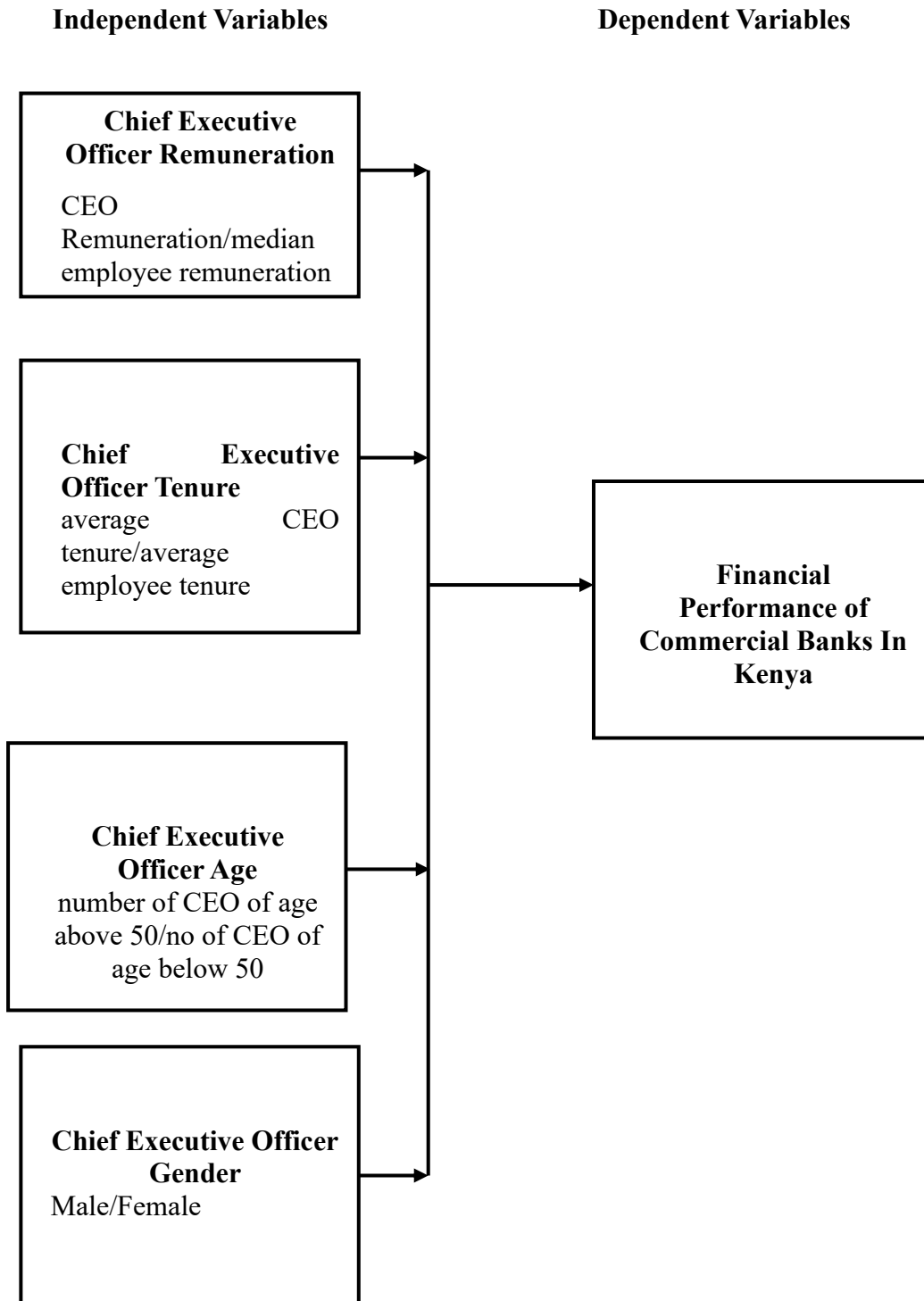
Future research should adopt a mixed-methods design that merges qualitative and quantitative approaches, uses current data, and integrates strategic, financial, and psychological dimensions of CEO behavior. Such an approach would provide deeper insights and practical recommendations to enhance executive leadership and improve financial outcomes in Kenya's banking industry.

2.5 Conceptual Framework

A study depends on a conceptual framework to show predicted relationships between variables. As Johnson and Christensen (2021) explain a conceptual framework leads to better research method and goal alignment that produces organized study conclusions. The authors state in Jeffries et al. (2021) that a clearly defined conceptual framework helps researchers interpret their findings and serves as an essential basis for modifying the study. The research will use a conceptual framework to investigate its research questions. The conceptual framework consists of four independent variables together with one dependent variable which are presented in Figure 1.

FIGURE 1

Conceptual Framework



2.6 Operationalization of Variables

TABLE 1
Operationalization of Variables

Variable	Nature of Variable	Measurement	Citation
Financial Performance	Dependent Variable	<ul style="list-style-type: none"> • Return on Asset 	<p>Yenesew (2022)</p> <p>Gupta and Mahakud, (2020)</p>
CEO Gender	Independent Variable	<ul style="list-style-type: none"> • male/female 	<p>Ullah et al (2020)</p> <p>Gupta and Mahakud, (2020)</p>
CEO Remuneration	Independent Variable	<ul style="list-style-type: none"> • CEO Remuneration/median employee remuneration 	<p>Shakir (2019)</p> <p>Gupta and Mahakud, (2020)</p>
CEO Age	Independent Variable	<ul style="list-style-type: none"> • number of CEO of age above 50/no of CEO of age below 50 	<p>Tarus (2018)</p> <p>Gupta and Mahakud, (2020)</p>
CEO Tenure	Independent Variable	<ul style="list-style-type: none"> • average tenure/average CEO tenure 	<p>Zheng (2019)</p> <p>Gupta and Mahakud, (2020)</p>

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This section presents an extensive summary of the methods used to conduct the investigation while satisfying all research aims. The investigation utilized particular research designs and techniques to follow the research objectives which are examined for their appropriate fit. The methodology details complete descriptions of target population feature that establish their importance for the research environment. This portion analyses the sampling approach to understand participant selection methods and justify the chosen sample number to guarantee both representative research results and reliable findings. The section explains the data collection process through description of systematic tools alongside instruments used to obtain relevant information. The research instruments demonstrated precision in variable measurement because researchers selected them through careful validation procedures. The paper examines sampling techniques which focus on achieving proper coverage of target groups along with bias reduction measures. The research provides intensive information about data analysis procedures which explain the combination of quantitative statistics with qualitative methods for complete interpretation of research results. The planned research methodology enables the production of relevant information which leads to successful accomplishment of the research objectives.

3.2 Research Design

The research adopts a descriptive design methodology. Charli et al. (2022) describe descriptive research design as a methodical approach that monitors phenomena while documenting their aspects without making alterations to the study context. Such research creates an exact and

comprehensive depiction of particular groups as well as individual situations or concepts. The research design selection occurs because it allows researchers to collect organized data about CEO characteristics including compensation packages and employment duration and background details. By implementing this design method, the researcher can collect and interpret data regarding the relationship between these traits without changing their conditions. This research exploration of specific CEO relationships enables better understanding of Kenyan commercial bank performance-driving elements.

3.3 Target Population

As defined by Skrzynski and Creswell (2020), a target population contains every member having defined characteristics. The entire aggregate of items or individuals that satisfy research project inclusion standards is categorized as the population based on Braby et al. (2021). In this study, all the licensed commercial banks operating in Kenya will serve as the study's target population.

According to the Central Bank of Kenya (2023), there are 39 commercial banks actively operating in Kenya and that will form the target population for this study. The study achieves robust analysis through its examination of this lengthy 22-year period (2003 to 2023) since it includes both times of CEO transition and different tenure lengths and leadership styles. The period selection matches with major economic developments along with regulatory actions in Kenya, since these elements affect both leadership management and organizational achievement results.

3.4 Sample Technique and Sample Size

A researcher chooses units from a specified population to study their sample, which lets them make universal conclusions about the initial population. The study by Turner (2020) underlines

that sampling provides researchers with tools to examine population subsets for characterizing purposes, which contributes to research validity. A sampling design functions as a conceptual outline to determine the population frame, combined with sample selection criteria, as well as sample size determination and sampling method specifications.

Since the target population has only 39 commercial banks licensed in Kenya, a census study was ideal so as to include the entire population and avoid sampling biases. A census study serves smaller populations because it utilizes complete data while removing sampling misconstructions due to potential sampling biases (Lomax, 2022).

3.5 Data Collection

The research study on Chief Executive Officer Characteristics and Performance of Commercial Banks in Kenya depends primarily on secondary data collection methods. The research utilizes online public resources of the Central Bank of Kenya (CBK) supervisory reports combined with financial report information found in commercial bank websites. Secondary data use ensures both easy access to accurate, comprehensive records and cost-effectiveness because it reduces time and financial requirements (Sarwar et al., 2022).

A twenty-one-year data collection period from 2003 through 2023 makes up this study. The extensive twenty-one-year data collection gives researchers dependable grounds to study dissimilarities as well as perpetual patterns between these associations when economic and governance standards change by the use of panel data.

3.6 Research Instrumentation

Research instruments serve as essential tools for collecting data from both respondents and study-specific items. According to Lukitasari et al. (2022), effective research instruments offer structured and reliable methods for gathering data that align with the research objectives. In

this study, a structured data collection sheet will be employed to extract financial performance metrics from audited commercial bank financial statements, ensuring a systematic approach to data gathering.

To capture data on the independent variables specifically CEO characteristics such as compensation and tenure, as well as employee demographics including age and gender a document review checklist (document check index) will be used. This tool will facilitate the consistent extraction of qualitative and quantitative data from relevant internal documents and external databases. The Think Business Bank Survey database will be a key data source, offering validated information on financial and operational performance, CEO profiles, and employee data for Kenyan commercial banks.

The use of secondary data sources, such as audited financial statements and the Think Business database, provides credible, standardized, and cost-effective access to historical data. This dual-data collection approach ensures comprehensive coverage of both dependent and independent variables, allowing for a robust analysis of the relationship between CEO characteristics and financial performance in the Kenyan banking sector.

3.7 Data Analysis

The systematic procedure of data analysis includes organizing various collected data points before researchers structurally analyse them to address their research questions. The study regarding Chief Executive Officer Characteristics and Performance of Commercial Banks in Kenya makes use of descriptive statistics and inferential statistics to understand the links between CEO traits and commercial bank financial success. The collected data will be imported into STATA 17 for processing after cleaning and preparation for analysis. STATA functions as

an extensive data analytical tool for complex dataset management and statistical procedure execution (Ho et al., 2021).

The first step involves calculating descriptive statistics through mean and standard deviation evaluations for all financial performance and CEO characteristic variables before identifying data distributions and central tendencies. The calculated statistics will provide essential insights into the dataset before any analysis begins. Diagnostic tests will follow to determine the most suitable econometric model which should be used for analysis. The analysis needs to conduct diagnostic tests that will determine which model best fits the panel data obtained from Kenyan commercial banks between Fixed Effects and Random Effects and Pooled Ordinary Least Squares (OLS).

The model selection process depends on diagnostic test outcomes that validate each candidate model using standards such as data structure and constant terms detection and estimator reliability. The correct selection of a model becomes possible because this process ensures relationships between independent (CEO characteristics) and dependent (financial performance) variables get precisely represented which yields more trustworthy results. Below is the general form of the panel regression model that researchers will use to investigate their study while omitting control variables:

Panel Regression

$$FP_{it} = \beta_0 + \beta_1 CEOG_{it} + \beta_2 CEORE_{it} + \beta_3 CEOA_{it} + \beta_4 CEOT_{it} + \epsilon_{it}$$

Where;

FP = Financial Performance

CEOG_{it} = Chief Executive Officer Gender

CEORE_{it} = Chief Executive Officer Remuneration

CEOA_{it} = Chief Executive Officer Age

CEOT_{it} = Chief Executive Officer Tenure

3.8 Diagnostic Tests

Econometric models benefit from better reliability through diagnostic tests which check their robustness. The diagnostic test methodology establishes a system for checking model assumptions while determining limitations which might compromise study accuracy. The study on CEO characteristics and bank performance in Kenya utilized diagnostic tests to evaluate model definitions as well as check for multicollinearity and homoscedasticity and identify autocorrelation effects. The chosen econometric models and obtained conclusions require confirmation through these necessary procedures.

3.8.1 Multicollinearity Test

A regression model displays multicollinearity when multiple predictor variables have a strong correlation because this leads to unclear independent effects of individual variables on the dependent variable (Shrestha, 2020). The assessment of age tenure and gender characteristics among CEOs plays a crucial role when measuring financial outcomes for commercial banks in Kenya. The Variance Inflation Factor (VIF) stands as the first-choice diagnostic tool researchers used to detect multicollinearity. Multicollinearity assessment depends on VIF values that exceed thresholds of 5 or 10 according to Kalnins and Hill (2023) and generally require additional examination and model alterations.

According to Assaf and Tsionas (2021), the null hypothesis for multicollinearity tests verifies that predictor variables show no significant correlations. The assumption remains valid

when all VIF values remain under 5 which indicates that multicollinearity does not affect the study. A VIF value exceeding this threshold signals multicollinearity existence since it produces unstable models along with unreliable coefficient values. When faced with multicollinearity problems two solutions exist which involve eliminating variables or uniting them alongside employing alternative techniques like ridge regression or principal component analysis (Lukman et al., 2024). This assessment of multicollinearity will improve both the regression model reliability and the precision of analysis about CEO characteristics affecting Kenyan bank financial performance.

3.8.2 Hausman Test

Researchers must utilize the Hausman test to select between fixed effects (FE) and random effects (RE) for panel data analysis. Chief executive officer assessment studies require an appropriate model selection because the chosen model determines the reliability of both findings and outcome consistency. The Hausman test operates under the condition that all variables impacting the dependent measure exist in the model or produce no effect (Ketokivi et al., 2021). The test validates that RE and FE estimators provide consistent and efficient results thus demonstrating no detectable distinction between them (Zervopoulos et al., 2022).

The chi-squared distribution enables calculation of the test statistic which shows that an outcome with a p-value under 0.05 will require the use of FE estimation due to its consistency as an estimator. The RE model remains appropriate whenever the p-value holds a higher value. How the banks evaluate CEO characteristics through measurement of tenure and age depends on this choice of decision. The results from the Hausman test direct model selection procedures because they connect research targets to data characteristics.

3.8.3 Breusch and Pagan Lagrangian Multiplier Test for Random Effects

The Breusch and Pagan LM test enables researchers to decide when a random effects model should be used in panel data analysis concerning data sets with numerous time-based entity observations (Wicaksono, 2022). The LM test in this study serves to determine if individual bank-level unobserved variations have a substantial effect on financial performance changes. Random effects should be considered for model accuracy because their detection signals their presence within the data.

Research indicates that complete absence of random effect variability implies the suitability of replacing the model with pooled OLS (Ntani et al., 2020). The calculated chi-squared value in the LM test drives the rejection of the null hypothesis thus revealing the necessity of implementing random effects into the model. The decision regarding the model selection depends on random effect inclusion since it helps handle data heterogeneity which leads to more precise CEO performance analysis. The determination of random effects will create a stronger analytical connection between CEO characteristics and bank-level financial results.

3.8.4 Homoscedasticity

The regression analysis requires homoscedasticity as an essential assumption to maintain constant error variance throughout different observations. The analysis of CEO characteristics and their effects on commercial banks in Kenya requires verification of homoscedasticity according to Mwangi (2022). The existence of homoscedasticity leads to unbiased and efficient predictions in models which subsequently strengthens the reliability of resulting data.

The Breusch-Pagan test together with White test and Goldfeld-Quandt test serve as standard tools for evaluating homoscedasticity (Onifade and Olanrewaju, 2020). Tests for

evaluating error distributions determine whether the calculated test statistic surpasses its critical value. The rejection of homoscedasticity follows when the calculated statistic surpasses the critical value and indicates heteroscedasticity exists. The analysis recommends weighted least squares regression as a solution to address unequal observation variances before data analysis (Bryan et al., 2024). The reliability of the model for studying how Kenyan bank financial performance responds to CEO characteristics depends on achieving homoscedasticity conditions during analysis.

3.8.5 Autocorrelation

The analysis of panel data studies becomes distorted once error terms show correlations between different periods for the same entity through autocorrelation. Autocorrelation detection and correction stands as a vital procedure in this Kenyan banking research because its presence produces inefficient and biased results (Ayodi et al., 2022). Autocorrelation emerges as an important phenomenon in research that deals with time series data because it reveals delayed effects between time periods.

The identification of autocorrelation requires tests like Durbin-Watson and Breusch-Godfrey and Ljung-Box tests (Chan et al., 2022). A test statistic calculated through these tests permits analysis against critical values that belong to specified distributions. The calculated statistical value exceeding critical values leads to the rejection of the null hypothesis regarding absence of autocorrelation thus confirming the existence of autocorrelation. The issue of autocorrelation in sample data can be handled using robust standard errors as well as autoregressive models which specifically address this problem (Zhang et al., 2021). The study needs effective autocorrelation management methods since this problem threatens the research's robustness especially when examining how CEO characteristics impact financial outcomes.

3.9 Ethical Consideration

The study on CEO characteristics and the performance of commercial banks in Kenya was conducted under strict adherence to ethical guidelines. Necessary approvals were obtained from relevant research authorities and the university, ensuring full compliance with institutional and regulatory requirements. The study received formal clearance from the university's ethics review board, underscoring the researcher's commitment to maintaining high academic and ethical standards throughout the research process. Specific provisions were incorporated into the research design to safeguard the confidentiality of all data collected. Although the study relied on secondary data, every effort was made to ensure that sensitive information was handled responsibly and that no individual or institution was exposed inappropriately. The researcher upheld principles of integrity and objectivity, carrying out all tasks with transparency and reporting the findings accurately and without bias. These ethical considerations reinforced the credibility and reliability of the study's outcomes.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION

4.1 Introduction

This section presents the key findings of the study as per the study variables. The study analysis integrated both descriptive statistics and panel regression techniques to ensure a comprehensive evaluation of the data. To enhance the credibility of the results, the study conducted several diagnostic tests to assess the suitability and reliability of the panel data model.

4.2 Descriptive Statistics

Understanding the role of executive leadership in shaping financial outcomes is a critical area of interest in corporate governance and strategic management, particularly within the banking sector. In the context of Kenyan commercial banks, Chief Executive Officer (CEO) characteristics such as age, tenure, compensation, and gender are increasingly recognized as influential factors in determining organizational performance. This study explores these attributes using descriptive statistics to provide a detailed overview of how they vary across banks and over time. By examining Return on Assets (ROA) as the key indicator of financial performance alongside CEO-specific variables, the analysis offers valuable insights into the operational dynamics and leadership profiles within the sector. These insights are essential for informing policy decisions, succession planning, and leadership development strategies aimed at enhancing financial sustainability and competitive advantage in the Kenyan banking industry. The N was 726 not 780 because the data was unbalanced and not all firms had data from 2003- 2024. It is worth noting that the commercial banks included in the study were licensed at different times, reflecting their varying operational histories. Specifically, DIB Bank Kenya Limited was licensed on 13th April 2017, Ecobank on 16th June 2008, Equity Bank on

28th December 2004, Family Bank on 1st May 2007, First Community Bank on 29th April 2008, Gulf African Bank on 1st November 2007, Kingdom Bank on 2nd March 2010, Mayfair CIB Bank on 20th June 2017, NCBA Bank on 5th November 2019, and Stanbic Bank on 1st June 2008.

In examining the influence of CEO characteristics on the financial performance of commercial banks in Kenya, descriptive statistics offer valuable insights into the structure and variability of the data. Financial performance, captured through Return on Assets (ROA), shows an overall mean of 0.8564, suggesting relatively strong asset profitability across the sampled institutions. The between standard deviation of 0.0914 is considerably lower than the within standard deviation of 0.2416, indicating that while profitability levels are fairly consistent across different banks, they fluctuate significantly within the same institution over time. This trend reflects the role of internal strategies, operational decisions, or broader economic cycles influencing individual banks' performance from year to year.

Regarding CEO Remuneration, the mean value of 0.4745 suggests moderate executive compensation relative to the binary or scaled coding used. The within standard deviation (0.3925) is substantially higher than the between standard deviation (0.0813), revealing that changes in CEO pay occur more frequently within banks across different years rather than across different banks at any single point in time. This likely points to dynamic compensation structures influenced by performance metrics, changing board policies, or evolving regulatory standards that periodically adjust executive pay.

CEO Tenure records an average of 0.1549, with notable between (0.1188) and within (0.1438) standard deviations. This distribution reflects heterogeneity both across and within institutions, implying that some banks experience frequent turnover in leadership, while others maintain CEO continuity over time. The variability in tenure underscores its potential

implications for firm stability and strategic implementation, with longer tenures possibly contributing to strategic depth and continuity, and shorter tenures fostering innovation or reacting to performance pressures.

The average CEO Age is 0.4589, also likely coded or standardized, with a within variation (0.1347) exceeding the between (0.0747) variation. This suggests that while there is some cross-bank consistency in age profiles, leadership transitions over time perhaps due to retirement, succession planning, or competitive hiring introduce significant within-firm variability. Such changes may impact long-term vision, risk appetite, and management style within banks.

Lastly, CEO Gender has a high overall mean of 0.9256, indicating that the overwhelming majority of CEOs in the dataset are male. Nonetheless, a non-trivial within standard deviation of 0.1905 compared to a between variation of 0.1737 indicates that a few banks appointed female CEOs at certain points over the study period. This temporal variation reflects gradual progress toward gender diversity in executive leadership within the sector, which may have implications for inclusive decision-making and broader stakeholder engagement.

In summary, the descriptive statistics reveal meaningful variation in CEO characteristics both across banks and over time. These differences are critical for understanding how leadership attributes potentially shape bank performance. The greater within-firm variation across several variables suggests that changes over time rather than static differences between banks may play a more prominent role in influencing strategic and financial outcomes in Kenya's commercial banking sector.

TABLE 2
Descriptive Statistics

Variable		Mean	Std. Dev.	Min	Max	Observations
ROA	Overall	0.8564	0.2586	0.1032	1.6134	N = 726
	Between		0.0914	0.6785	1.0272	n = 39
	Within		0.2416	0.1865	1.5096	T-bar = 18.6154
CEO Remuneration	Overall	0.4745	0.3996	0.18	1	N = 726
	Between		0.0813	0.25	0.6667	n = 39
	Within		0.3925	-0.1921	1.1174	T-bar = 18.6154
CEO Tenure	Overall	0.1549	0.1525	0.3674	1	N = 726
	Between		0.1188	0.0303	0.4773	n = 39
	Within		0.1438	-0.2996	0.9558	T-bar = 18.6154
CEO Age	Overall	0.4589	0.1533	0.2001	1	N = 726
	Between		0.0747	0.2923	0.5941	n = 39
	Within		0.1347	0.021	0.9429	T-bar = 18.6154
CEO Gender	Overall	0.9256	0.2626	0	1	N = 726
	Between		0.1737	0	1	n = 39
	Within		0.1905	-0.0268	1.259	T-bar = 18.6154

4.3 Study Variables

This section provides a basic descriptive analysis of the independent variables, supported by line plot visualizations to improve interpretability. Comparable graphical representations will also be used to illustrate the dependent variable. These visual tools are intended to clearly convey the outcomes of the exploratory analysis performed on the study variables. The use of line plots will facilitate the identification of trends, patterns, and potential relationships within the dataset, offering a visual complement to the statistical findings. Through this approach, the study seeks to present a clear and user-friendly depiction of the main insights gained from the data.

The figure 3 displays a series of line plots illustrating the trends in Return on Assets (ROA) over time for 39 commercial banks in Kenya, identified by their respective Bank IDs. The data collected was unbalanced the oldest year spanning the period from 2003 to 2023, each graph captures the evolution of financial performance at the firm level, where ROA serves as a key profitability indicator. The plots offer a dynamic overview of how banks' financial outcomes have fluctuated over two decades, reflecting the effects of both internal management decisions and external economic conditions.

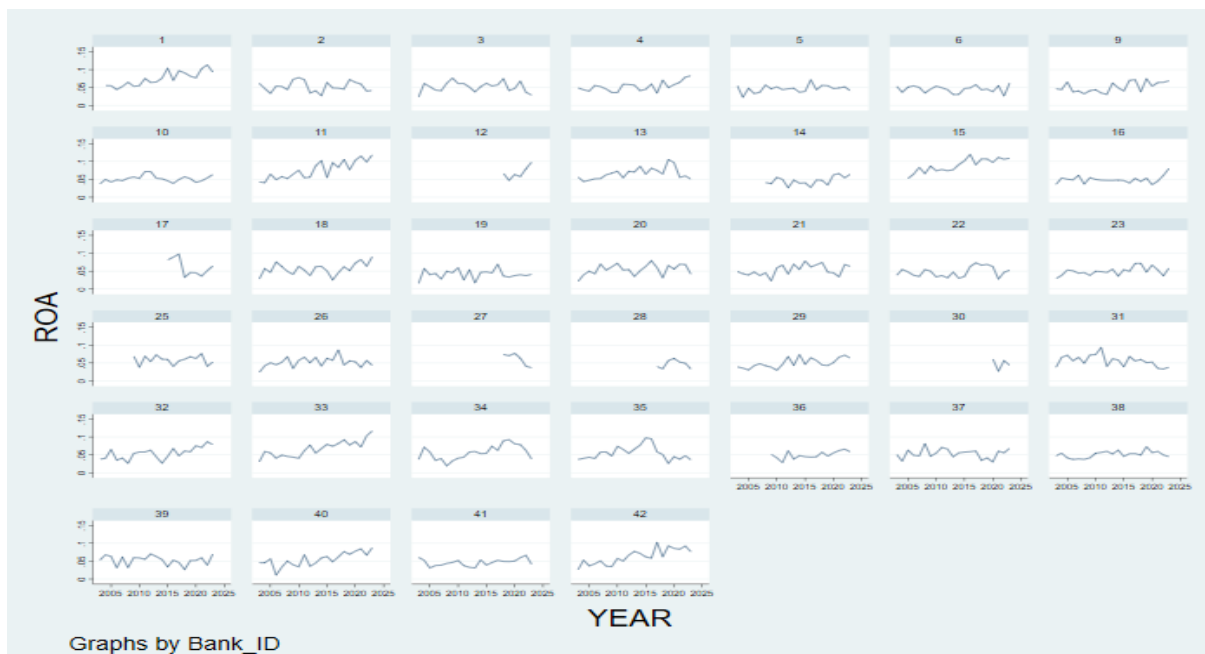
Across the individual plots, several banks including those with Bank IDs 3, 5, and 7 exhibit a generally upward trend in ROA, suggesting a trajectory of improved financial performance. These trends may point to the influence of strategic leadership or consistent operational efficiency, potentially driven by CEO characteristics such as long tenure, relevant financial expertise, or stability in executive compensation structures. Similarly, Bank IDs 1, 6, and 9 demonstrate stable ROA levels with minor fluctuations, indicating a sustained ability to generate profit relative to assets, which may imply a balance between risk and performance guided by seasoned leadership.

On the other hand, there are bank such as those with IDs 12, 14, and 26 that show periods of sharp fluctuations or dips in ROA. These could reflect volatility in strategic direction, external shocks, or the transition between CEOs with varying levels of competence or experience. The pronounced variability in ROA for banks like 20, 27, and 34 further supports the notion that changes in executive leadership or governance challenges may impact the consistency of financial performance. These swings may also correspond with shifts in regulatory frameworks or macroeconomic turbulence during certain years.

Altogether, the line plots underscore the heterogeneous nature of financial performance across Kenyan commercial banks. These varying ROA patterns suggest that while some banks

benefit from stable and possibly visionary leadership, others struggle with inconsistency or poor returns, possibly stemming from weaker executive traits. These trends highlight the importance of understanding how CEO characteristics interact with institutional dynamics to shape financial performance. Thus, further econometric analysis can explore the statistical significance of these leadership factors in driving ROA trends, adding depth to the narrative on governance and profitability in the banking sector.

FIGURE 2
Data Line Plots for ROA



The figure 4 presents a series of line plots showing the trends in CEO compensation levels (denoted as Salary2) over time across 39 commercial banks in Kenya, identified by unique Bank IDs. The time span from 2003 to 2023 captures the dynamic nature of executive remuneration across different institutions. The y-axis reflects salary categories ranging from 1 to 3.5, suggesting categorized or scaled CEO remuneration levels, possibly adjusted to account

for differences in currency or standardization. Each panel traces the salary fluctuations of CEOs within a single bank, providing insights into compensation practices and their potential implications on governance and performance.

From the visualized trends, it is apparent that many banks such as those with Bank IDs 2, 4, 6, and 10 exhibit frequent and pronounced fluctuations in CEO salary categories over time. These shifts could be indicative of changing remuneration policies, performance-linked bonuses, or transitions in leadership. Such volatility in compensation may impact strategic consistency, especially if not aligned with long-term performance objectives.

Meanwhile, some banks, such as 18, 19, 21, and 26, show more stable patterns of CEO remuneration. This consistency could suggest well-established salary frameworks, possibly linked to corporate governance structures or long-term executive contracts. Banks with steady compensation structures may benefit from strategic continuity, allowing CEOs to focus on long-range planning without frequent renegotiation of their pay.

Conversely, banks such as 27, 28, and 34 show discontinuous or truncated trends, possibly pointing to missing data, periods without clear leadership, or CEO turnover. In these cases, the absence of smooth time-series trends may be reflective of instability in leadership or organizational changes that disrupted the reporting of CEO pay.

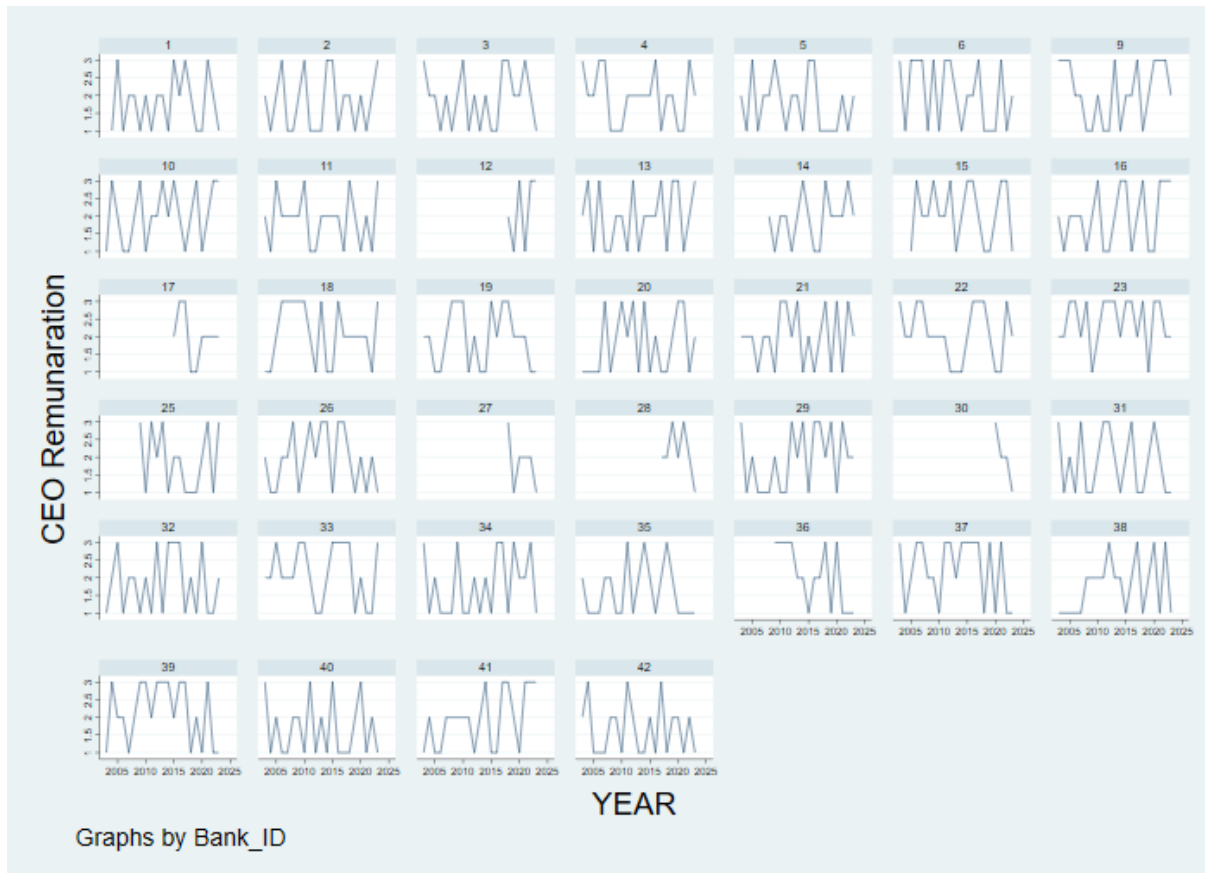
In addition, certain banks such as 35, 36, and 37 exhibit repetitive patterns with sharp jumps and drops in salary categories, implying a cyclical or reactive approach to CEO compensation, potentially driven by short-term financial outcomes, regulatory changes, or board decisions. These patterns may be less effective in fostering sustainable leadership and can create pressure for CEOs to prioritize immediate gains over long-term value creation.

It is also notable that while most banks operate within similar salary brackets, some, like Bank ID 1 or 3, display relatively higher variability and upper-end salary categories, suggesting that some institutions offer comparatively more generous or performance-sensitive compensation packages. These disparities may reflect differences in bank size, profitability, or board preferences in attracting top-tier executive talent.

Overall, the observed trends in CEO salary categories reveal a complex interplay between leadership compensation and organizational behavior. While some banks maintain structured and consistent remuneration practices, others display volatility that may influence executive motivation and decision-making. These insights underscore the need for further analysis to determine whether variations in CEO compensation are significantly associated with financial performance metrics such as ROA, thereby informing best practices in executive pay design across Kenya's banking sector.

FIGURE 3

Data Line Plots for CEO Remuneration



The figure illustrates a series of line plots displaying the tenure of Chief Executive Officers (CEOs) across commercial banks in Kenya over the period from 2003 to 2023. Each subplot corresponds to a unique Bank ID, capturing the changes in CEO tenure over time. The tenure variable represents the number of years a CEO has served in office, providing insight into leadership stability and executive continuity within each institution. Through these plots, the data visually tracks executive leadership duration and highlights the variation in CEO retention across different banks in the Kenyan commercial banking sector.

Several banks, such as those with Bank IDs 1, 10, and 39, show a consistently increasing trend in CEO tenure, indicating long-serving chief executives with uninterrupted service over the years. This sustained leadership may contribute to strategic continuity,

potentially influencing financial performance through accumulated institutional knowledge and consistent vision. In contrast, banks like those with Bank IDs 13, 14, and 35 display sharp declines or resets in tenure, suggesting CEO turnover or leadership transitions at specific points in time. Such disruptions could reflect governance challenges, board decisions to restructure leadership, or performance-related exits.

Moving further across the panel, some banks such as IDs 6, 12, and 19 show relatively flat tenure trends, implying frequent changes in leadership or short CEO terms that reset regularly. This kind of pattern might be symptomatic of unstable executive structures, possibly limiting the effectiveness of long-term strategic planning. Similarly, banks like IDs 17 and 27 exhibit erratic patterns with abrupt increases and declines, suggesting turbulent executive tenures possibly influenced by external shocks, internal restructuring, or regulatory interventions.

Moreover, a subset of banks including IDs 18, 23, 25, and 36 exhibit fluctuating but modest tenure levels, neither trending steeply upwards nor declining sharply. These moderate variations suggest average CEO tenures with occasional leadership changes, perhaps balancing continuity with organizational refreshment. Banks with IDs 38 to 41 generally maintain low and stable tenures, potentially pointing to high turnover or governance practices that prioritize rotational leadership.

Collectively, the observed variation in CEO tenure across banks implies differing leadership philosophies and institutional dynamics. These tenure trajectories may hold significant implications for financial performance, particularly as leadership duration can affect decision-making consistency, strategic risk tolerance, and long-term investments. The analysis of these trends when connected with financial outcomes can reveal whether CEO tenure plays a stabilizing or disruptive role in the Kenyan banking sector. Future exploration could integrate

this data with financial metrics such as Return on Assets (ROA) to assess whether longer tenures contribute to superior bank performance or whether shorter, refreshed leadership cycles yield better adaptability and responsiveness in a volatile economic environment.

FIGURE 4

Data Line Plots for Tenure



The figure presents a series of line graphs showing the progression of Chief Executive Officers' (CEOs) ages across 39 commercial banks in Kenya, covering the period from 2003 to 2023. Each graph corresponds to a unique bank, identified by its Bank_ID, and plots CEO age on the vertical axis against year on the horizontal axis. This visualization is instrumental in understanding patterns of executive succession, leadership continuity, and demographic dynamics within the Kenyan banking sector.

Across many banks, such as Bank_IDs 1, 10, 16, 19, and 39, there is a consistent upward trajectory in CEO age over time. This suggests that the same individual has held the CEO position over an extended period without being replaced. Such trends indicate leadership stability, which can promote long-term strategic implementation and organizational consistency. In contrast, several banks show abrupt declines in age, as seen in Bank_IDs 13, 18, 21, 29, and 34. These sudden drops are indicative of leadership transitions, where older CEOs are replaced by significantly younger successors. For instance, bank_ID 21 demonstrates a sharp drop in age around 2010 followed by a steady upward trend, clearly pointing to a change in leadership and the start of a new CEO tenure. These shifts may be attributed to retirements, dismissals, or deliberate governance interventions by boards seeking strategic renewal.

Some banks, such as Bank_IDs 5, 6, 27, 37, and 38, exhibit highly erratic patterns, indicating frequent changes in leadership within short periods. This volatility could suggest governance instability, challenges in executive retention, or performance-related reshuffles. Such irregular succession patterns may compromise strategic continuity and undermine stakeholder confidence. Additionally, there are cases like Bank_IDs 4, 12, 26, and 31, where the graphs display flat lines followed by abrupt jumps or resets in age. These patterns suggest periods of stable leadership followed by sudden transitions, possibly resulting from contract expirations, succession planning, or organizational restructuring.

In some instances, as seen in Bank_IDs 25, 29, and 39, the CEO ages remain relatively low across time, and frequent shifts are observed. This could reflect a preference for appointing younger executives or a deliberate strategy to infuse dynamic and innovative leadership through regular transitions. The interpretation of these patterns reveals critical governance implications. Banks with steadily increasing CEO ages point to leadership stability, which may foster strategic consistency and institutional memory. On the other hand, banks that display age

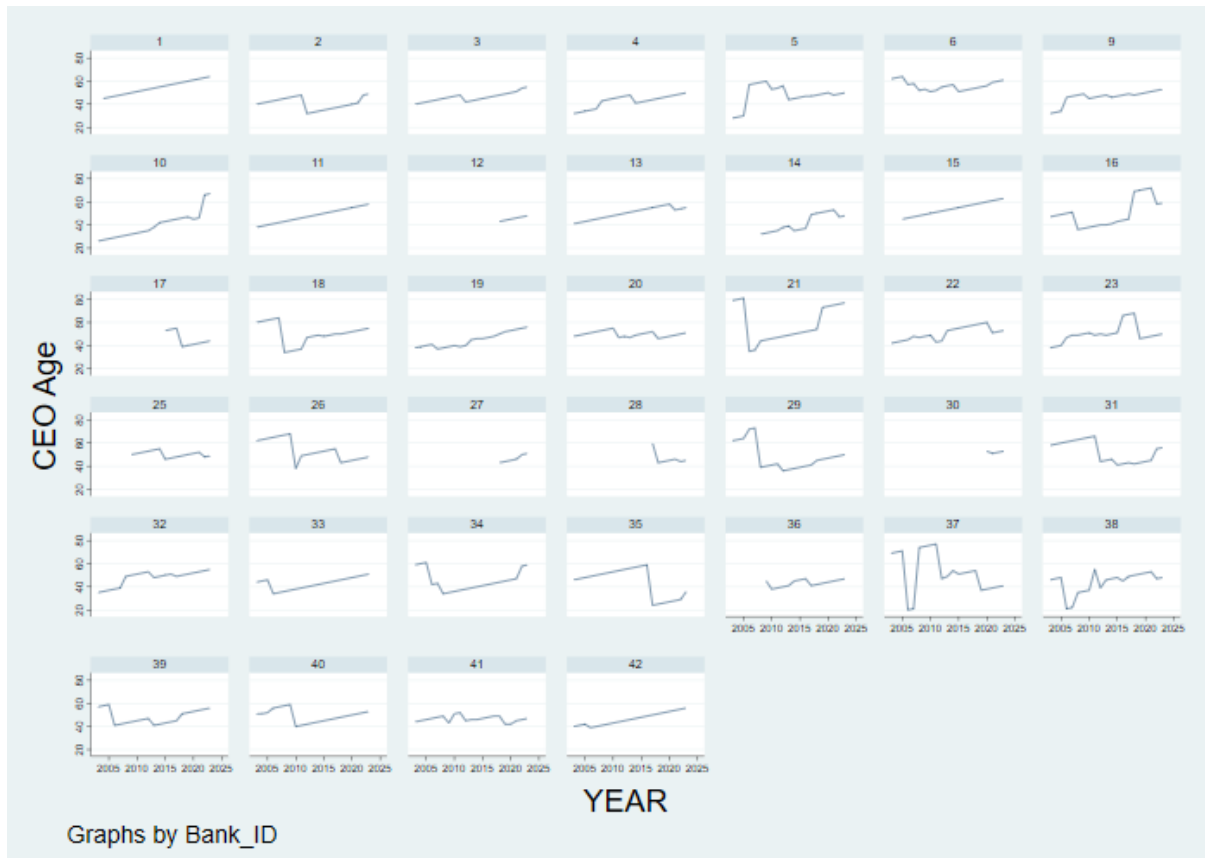
resets or erratic patterns reflect a more fluid approach to executive management, possibly driven by performance outcomes or evolving board policies.

The observed patterns may also speak to different succession philosophies within the sector. Some banks appear to favor long-term tenures, where aging CEOs remain in office, while others opt for more frequent leadership renewal. Understanding these approaches offers insight into how banks manage executive leadership in relation to performance, compliance, and strategic vision.

In conclusion, this visualization of CEO age dynamics provides valuable insights into the leadership transitions of commercial banks in Kenya. It highlights the contrast between continuity and turnover, and the governance implications therein. For a more comprehensive analysis, these age trends could be compared with financial performance indicators such as Return on Assets (ROA) to determine whether longer CEO tenures or frequent successions are associated with better outcomes. Moreover, further research could examine how internal governance structures and succession planning influence these trends. This would enrich the understanding of how executive leadership shapes organizational performance and resilience in the banking sector.

FIGURE 5

Data Line Plots for CEO Age



The figure presents a series of line graphs that illustrate the gender dynamics of Chief Executive Officers (CEOs) across 39 commercial banks in Kenya from 2003 to 2023. Each subplot represents an individual bank (identified by its Bank_ID), and the vertical axis represents gender, coded as a binary variable where 0 likely denotes male and 1 denotes female. The horizontal axis tracks the years. The visualization offers insight into the temporal patterns of gender representation at the executive level within the Kenyan banking sector.

Across the majority of banks, including Bank_IDs 1, 2, 3, 4, 6, 10, 11, 13, 15, 21, 22, 23, 29, 30, 31, 32, 33, 34, 35, 36, 38, and 39, the gender value remains flat at 0 throughout the entire period. This indicates that the CEO position was held by male individuals continuously

over the years, reflecting the persistent male dominance in executive leadership within these institutions.

However, a few banks display temporary shifts in gender values, such as Bank_IDs 5, 9, 20, 26, 37, and 39. These banks exhibit spikes to 1 for a limited period before returning to 0, which signifies brief tenures of female CEOs. This pattern suggests that while women did ascend to leadership in these institutions, their appointments were short-lived. The brevity of these tenures could be due to various reasons, such as contract-based interim leadership, performance considerations, or institutional resistance to female leadership continuity.

A small number of banks including Bank_IDs 12, 14, 16, 17, 18, 19, 27, and 28 exhibit a rise from 0 to 1 with sustained levels thereafter. These trends suggest that these institutions appointed female CEOs who remained in leadership for extended periods, implying either permanent or long-term appointments. For instance, bank_IDs 14 and 18 show a transition to a female CEO around 2010–2015 and maintain this leadership until the end of the observed period. These patterns may reflect deliberate gender inclusivity efforts or recognition of leadership competence irrespective of gender.

There are also instances, such as Bank_IDs 26 and 39, where the gender value starts at 1 and then drops to 0 early in the period. This suggests an initial female CEO who was later replaced by a male counterpart. These transitions may point to the historical presence of women in leadership that was later reversed, possibly due to institutional realignment or changes in governance philosophy.

Overall, the visualization reveals a clear underrepresentation of female CEOs across the Kenyan commercial banking sector. Out of 39 banks, only a handful demonstrate consistent or even temporary female leadership. The majority remain under uninterrupted male leadership throughout the two-decade period. This gender imbalance highlights broader structural and

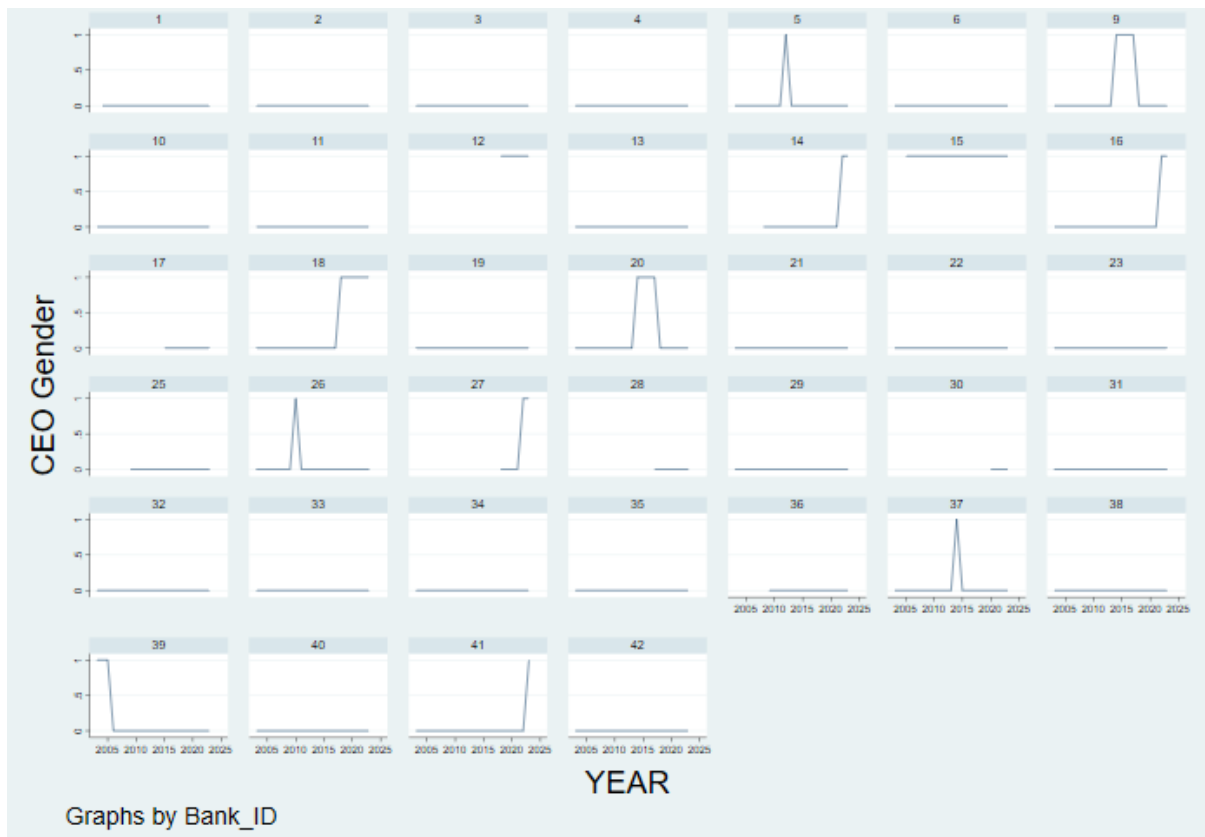
cultural barriers that may hinder the advancement of women to top executive roles in the industry.

The patterns seen in this figure carry important implications for gender equity and corporate governance. While some banks are making strides towards inclusivity, the fleeting nature of many female CEO appointments raises concerns about sustainability and institutional support for women in leadership. For meaningful change, banks may need to not only open up opportunities for women to ascend to executive roles but also ensure they are supported and retained over the long term.

In conclusion, the visualization underscores the slow and uneven progress toward gender diversity in executive leadership within Kenya's commercial banks. While a few banks demonstrate commitment to gender inclusion, the overall picture remains male-dominated. Future research could explore the correlation between gender diversity in leadership and organizational performance, while also investigating the policies and cultures that enable or hinder the retention of female executives. This would contribute to the discourse on equitable leadership and the promotion of inclusive governance practices in the financial sector.

FIGURE 6

Data Line Plots for Gender



4.4 Diagnostic Tests

4.4.1 Multicollinearity Test

A regression model displays multicollinearity when multiple predictor variables have a strong correlation because this leads to unclear independent effects of individual variables on the dependent variable (Shrestha, 2020). The assessment of age tenure and gender characteristics among CEOs plays a crucial role when measuring financial outcomes for commercial banks in Kenya. The Variance Inflation Factor (VIF) stands as the first-choice diagnostic tool researchers used to detect multicollinearity. Multicollinearity assessment depends on VIF

values that exceed thresholds of 5 or 10 according to Kalnins and Hill (2023) and generally require additional examination and model alterations.

According to Assaf and Tsionas (2021), the null hypothesis for multicollinearity tests verifies that predictor variables show no significant correlations. The assumption remains valid when all VIF values remain under 5 which indicates that multicollinearity does not affect the study. A VIF value exceeding this threshold signals multicollinearity existence since it produces unstable models along with unreliable coefficient values. When faced with multicollinearity problems two solutions exist which involve eliminating variables or uniting them alongside employing alternative techniques like ridge regression or principal component analysis (Lukman et al., 2024). This assessment of multicollinearity will improve both the regression model reliability and the precision of analysis about CEO characteristics affecting Kenyan bank financial performance.

The Variance Inflation Factor (VIF) results indicate that multicollinearity is not a concern among the independent variables in the model, as all VIF values are well below the commonly accepted threshold of 10. Specifically, CEO Age and CEO Tenure both have VIFs of 1.07, CEO Gender has a VIF of 1.02, and CEO Remuneration has the lowest VIF of 1.00. The mean VIF is 1.04, further confirming that there is minimal correlation among the explanatory variables, thus ensuring the reliability and stability of the regression estimates in the analysis.

FIGURE 7

Test for Multicollinearity

Variable	VIF	1/VIF
age	1.07	0.934695
tenure	1.07	0.936862
gender	1.02	0.982879
salary2	1.00	0.996633
Mean VIF	1.04	

4.4.2 Hausman Test

Researchers must utilize the Hausman test to select between fixed effects (FE) and random effects (RE) for panel data analysis. Chief executive officer assessment studies require an appropriate model selection because the chosen model determines the reliability of both findings and outcome consistency. The Hausman test operates under the condition that all variables impacting the dependent measure exist in the model or produce no effect (Ketokivi et al., 2021). The test validates that RE and FE estimators provide consistent and efficient results thus demonstrating no detectable distinction between them (Zervopoulos et al., 2022).

The chi-squared distribution enables calculation of the test statistic which shows that an outcome with a p-value under 0.05 will require the use of FE estimation due to its consistency as an estimator. The RE model remains appropriate whenever the p-value holds a higher value. How the banks evaluate CEO characteristics through measurement of tenure and age depends on this choice of decision. The results from the Hausman test direct model selection procedures because they connect research targets to data characteristics.

The results presented are from the Hausman test, which compares the fixed effects and random effects models to determine the most appropriate specification for panel data analysis.

The test yields a chi-square statistic of 1.20 with a p-value of 0.8779. Since the p-value is significantly greater than the conventional threshold of 0.05, we fail to reject the null hypothesis that the difference in coefficients is not systematic. This indicates that the random effects model is preferred, as it provides efficient estimates under the null hypothesis. Therefore, based on the Hausman test, the random effects model is the most suitable for analysing the impact of CEO characteristics on the financial performance of commercial banks in Kenya.

FIGURE 8

Husman Test

	Coefficients		(b-B) Difference	sqrt(diag(V_b-V_B)) S.E.
	(b) fixed	(B) random		
salary2	.0050724	.0050632	9.17e-06	.0000968
tenure	.0031027	.0030636	.0000391	.0000788
age	.0001087	.0001275	-.0000188	.0000265
gender	.011139	.0119224	-.0007835	.00134

b = consistent under Ho and Ha; obtained from xtreg
 B = inconsistent under Ha, efficient under Ho; obtained from xtreg

Test: Ho: difference in coefficients not systematic

$$\begin{aligned} \text{chi2(4)} &= (b-B)' [(V_b-V_B)^{-1}] (b-B) \\ &= 1.20 \\ \text{Prob>chi2} &= 0.8779 \end{aligned}$$

4.4.3 Breusch and Pagan Lagrangian Multiplier Test for Random Effects

The Breusch and Pagan LM test enables researchers to decide when a random effects model should be used in panel data analysis concerning data sets with numerous time-based entity observations (Wicaksono, 2022). The LM test in this study serves to determine if individual bank-level unobserved variations have a substantial effect on financial performance changes.

Random effects should be considered for model accuracy because their detection signals their presence within the data.

Research indicates that complete absence of random effect variability implies the suitability of replacing the model with pooled OLS (Ntani et al., 2020). The calculated chi-squared value in the LM test drives the rejection of the null hypothesis thus revealing the necessity of implementing random effects into the model. The decision regarding the model selection depends on random effect inclusion since it helps handle data heterogeneity which leads to more precise CEO performance analysis. The determination of random effects will create a stronger analytical connection between CEO characteristics and bank-level financial results.

The output from the Breusch and Pagan Lagrangian Multiplier (LM) test for random effects shows a test statistic of 0.00 with a p-value of 1.0000. This p-value is well above the 0.05 significance level, meaning we fail to reject the null hypothesis that the variance of the random effects ($\text{Var}(u)$) is zero. In practical terms, this indicates that there is no significant difference between the pooled OLS model and the random effects model. Therefore, the pooled OLS model is preferred, as the panel structure does not contribute meaningful variation in this case.

FIGURE 9

Breusch and Pagan Lagrangian Multiplier (LM)

```
roa[bank_id,t] = Xb + u[bank_id] + e[bank_id,t]

Estimated results:

```

	Var	sd = sqrt(Var)
roa	.0003067	.0175119
e	.0001037	.0101812
u	0	0

```
Test: Var(u) = 0
      chibar2(01) = 0.00
      Prob > chibar2 = 1.0000
```

Figure 10: Breusch and Pagan Lagrangian Multiplier (LM)

4.4.4 Homoscedasticity

The regression analysis requires homoscedasticity as an essential assumption to maintain constant error variance throughout different observations. The analysis of CEO characteristics and their effects on commercial banks in Kenya requires verification of homoscedasticity (Mwangi, 2022). The existence of homoscedasticity leads to unbiased and efficient predictions in models which subsequently strengthens the reliability of resulting data.

The Breusch-Pagan test together with White test and Goldfeld-Quandt test serve as standard tools for evaluating homoscedasticity (Onifade and Olanrewaju, 2020). Tests for evaluating error distributions determine whether the calculated test statistic surpasses its critical value. The rejection of homoscedasticity follows when the calculated statistic surpasses the critical value and indicates heteroscedasticity exists. The analysis recommends weighted least squares regression as a solution to addressed unequal observation variances before data analysis (Bryan et al., 2024). The reliability of the model for studying how Kenyan bank

financial performance responds to CEO characteristics depends on achieving homoscedasticity conditions during analysis.

The Breusch-Pagan/Cook-Weisberg test for heteroskedasticity tests the null hypothesis that the error terms have constant variance (homoskedasticity). In this output, the chi-square statistic is 0.54, with a p-value of 0.4625. Since the p-value is greater than 0.05, we fail to reject the null hypothesis, indicating no evidence of heteroskedasticity.

Figure 11

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity

```
Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
Ho: Constant variance
Variables: fitted values of roa

chi2(1)      =      0.54
Prob > chi2  =      0.4625
```

4.4.5 Autocorrelation

The analysis of panel data studies becomes distorted once error terms show correlations between different periods for the same entity through autocorrelation. Autocorrelation detection and correction stands as a vital procedure in this Kenyan banking research because its presence produces inefficient and biased results (Ayodi et al., 2022). Autocorrelation emerges as an important phenomenon in research that deals with time series data because it reveals delayed effects between time periods.

The identification of autocorrelation requires tests like Durbin-Watson and Breusch-Godfrey and Ljung-Box tests (Chan et al., 2022). A test statistic calculated through these tests permits analysis against critical values that belong to specified distributions. The calculated statistical value exceeding critical values leads to the rejection of the null hypothesis regarding

absence of autocorrelation thus confirming the existence of autocorrelation. The issue of autocorrelation in sample data can be handled using robust standard errors as well as autoregressive models which specifically address this problem (Zhang et al., 2021). The study needs effective autocorrelation management methods since this problem threatens the research's robustness especially when examining how CEO characteristics impact financial outcomes.

The Wooldridge Test for Autocorrelation tests for the presence of first-order autocorrelation in the residuals of a regression model. The null hypothesis (H0) states that there is no first-order autocorrelation. The test result shows an F-statistic of 25.345 with a p-value of 0.0711. Since the p-value is greater than the typical significance level of 0.05, we fail to reject the null hypothesis. This suggests there is no significant evidence of first-order autocorrelation in the residuals of the model, meaning the assumption of no autocorrelation holds.

TABLE 3
Test for Autocorrelation

Wooldridge Test for Autocorrelation	Value
Null Hypothesis (H0)	No first-order autocorrelation
F-statistic (F(1, 38))	25.345
Probability > F	0.0711

4.5 Correlation Analysis

The correlation analysis in Table 14 was conducted to determine the strength and direction of the linear relationships between CEO characteristics namely CEO remuneration, tenure, age, and gender and financial performance, as proxied by Return on Assets (ROA). This preliminary

step is essential in understanding the dynamics between executive traits and firm outcomes and in identifying potential multicollinearity concerns prior to regression modeling.

The results indicate that CEO remuneration is strongly and positively correlated with ROA ($r = 0.7764$, $p = 0.0000$). This is the highest observed correlation in the matrix, suggesting that well-compensated CEOs are more likely to be associated with highly profitable banks. This may reflect performance-based incentive structures where higher financial outcomes attract or justify higher compensation packages.

CEO tenure also shows a positive and statistically significant relationship with ROA ($r = 0.3144$, $p = 0.0000$). Although the magnitude is moderate, the direction of the association implies that longer-serving CEOs may contribute to better financial performance. This could be attributed to their deeper institutional knowledge, accumulated leadership experience, and consistent strategic direction, which foster stability and long-term planning.

CEO age presents a positive and significant correlation with ROA ($r = 0.3113$, $p = 0.0000$). The relatively modest strength of this relationship suggests that older CEOs may bring seasoned judgment and conservative decision-making, which in turn supports financial soundness.

CEO gender also correlates positively and significantly with ROA ($r = 0.3031$, $p = 0.0000$) **. This finding suggests that banks with female CEOs, although fewer in number, may experience marginally better performance. The significance of this association supports ongoing discussions around the potential value of gender diversity in leadership and its role in enhancing governance quality and strategic inclusiveness.

Among the independent variables, CEO age and tenure are positively correlated ($r = 0.2374$, $p = 0.0000$), which is expected given that age may influence the duration one has served

in a leadership role. Other inter-variable correlations such as those between CEO remuneration and age ($r = 0.0035$, $p = 0.9258$), or between tenure and remuneration ($r = 0.0219$, $p = 0.5556$), are not statistically significant, minimizing concerns of multicollinearity.

In conclusion, all CEO attributes remuneration, tenure, age, and gender are positively and significantly associated with ROA, underscoring their potential relevance in shaping financial performance. Notably, CEO remuneration has the strongest correlation, highlighting its central role in executive influence, while tenure and age reinforce the value of experience and leadership continuity in driving banking sector performance in Kenya.

TABLE 4
Correlation Analysis

Variable	ROA	CEO Remuneration	CEO Tenure	CEO Age	CEO Gender
ROA	1.0000				
CEO Remuneration	0.7764*	1.0000			
CEO Tenure	0.3144*	0.0219	1.0000		
CEO Age	0.3113*	0.0035	0.2374*	1.0000	
CEO Gender	0.3031*	-0.0510	-0.1024	-0.1002	1.0000
	0.0000	0.1703	0.0057	0.0069	

4.6 Model Fitting

The regression output provides strong evidence on how CEO characteristics namely remuneration, tenure, age, and gender affect the financial performance of commercial banks in Kenya, as measured by Return on Assets (ROA). With an R-squared value of 0.9079, the model explains approximately 90.79% of the variation in ROA. This indicates an excellent fit of the model to the data. The adjusted R-squared of 0.9074 confirms the model's robustness after accounting for the number of predictors. Additionally, the F-statistic of 1777.24 with a p-value of 0.000 indicates that the regression model is statistically significant overall at the 1% level. The Root Mean Squared Error (Root MSE) of 0.0787 suggests that the model predictions are very close to the observed values of ROA.

Ceteris paribus, a one-unit increase in CEO remuneration leads to a 0.5112 unit increase in ROA, holding other variables constant. The coefficient is 0.5111959, and it is highly statistically significant with a t-value of 69.79 and a p-value of 0.000. The 95% confidence

interval ranges from 0.4968 to 0.5256, which does not cross zero, further confirming significance. This finding suggests that higher CEO compensation is associated with better financial performance, possibly due to enhanced motivation and alignment of interests between the CEO and shareholders.

The coefficient for CEO tenure is 0.3752265, indicating that, all else held constant, a one-unit increase in CEO tenure results in a 0.3752 unit increase in ROA. This relationship is also highly statistically significant ($p = 0.000$, $t = 23.17$). The confidence interval (0.3434 to 0.4070) supports the robustness of the estimate. This implies that longer-serving CEOs contribute positively to financial performance, likely due to accumulated institutional knowledge, strategic consistency, and deeper organizational familiarity.

CEO age is also positively associated with ROA, with a coefficient of 0.4798686. This means that, *ceteris paribus*, a one-unit increase in CEO age is expected to cause a 0.4799-unit increase in ROA. This relationship is again statistically significant at the 1% level ($p = 0.000$, $t = 24.37$), with a confidence interval ranging from 0.4412 to 0.5185. The results suggest that older CEOs tend to make decisions that positively affect firm performance, possibly due to greater experience, maturity, and risk aversion.

The regression results also show that CEO gender has a significant positive impact on financial performance, with a coefficient of 0.3935949. This means that, holding other variables constant, being in the reference gender category increases ROA by approximately 0.3936 units. This effect is statistically significant ($p = 0.000$, $t = 35.02$), and the confidence interval (0.3715 to 0.4157) further validates the strength of the relationship. The finding may point to gender-based leadership dynamics that influence strategic decision-making and outcomes, though it also underscores the need for further qualitative analysis to unpack the underlying causes.

The constant term ($_cons$) is -0.0287898, with a p-value of 0.058, which is marginally insignificant at the 5% level. While the constant has no interpretive meaning in isolation, it represents the expected ROA when all predictor variables are set to zero a scenario that may not be practically meaningful but is statistically necessary for model calibration.

In summary, all four CEO characteristics remuneration, tenure, age, and gender exert a statistically significant and positive influence on the financial performance of commercial banks in Kenya. CEO remuneration has the largest individual effect on ROA, followed by age, tenure, and gender. These results underscore the critical role executive leadership attributes play in shaping organizational outcomes and provide empirical support for governance and policy decisions that consider CEO characteristics as strategic assets.

Panel Regression

$$FP_{co} = -0.0288 + 0.3936CEOG_{it} + 0.5112CEORE_{it} + 0.4799CEO_{A_{it}} + 0.3752CEOT_{it} + \epsilon_{it}$$

Where;

PF = Financial Performance

CEOG = Chief Executive Officer Gender

CEORE = Chief Executive Officer Remuneration

CEO_A = Chief Executive Officer Age

CEOT = Chief Executive Officer Tenure

FIGURE 12

Regression Model

Source	SS	df	MS	Number of obs	=	726
Model	44.0317718	4	11.007943	F(4, 721)	=	1777.24
Residual	4.46577145	721	.006193858	Prob > F	=	0.0000
				R-squared	=	0.9079
				Adj R-squared	=	0.9074
Total	48.4975433	725	.066893163	Root MSE	=	.0787

ROA	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
CEORemuneration	.5111959	.0073249	69.79	0.000	.4968153	.5255765
CEOTenure	.3752265	.0161921	23.17	0.000	.3434372	.4070157
CEOAge	.4798686	.0196938	24.37	0.000	.4412045	.5185326
CEOGender	.3935949	.011239	35.02	0.000	.3715297	.4156601
_cons	-.0287898	.0151331	-1.90	0.058	-.0585001	.0009205

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the main findings derived from the analysis and discussions presented in the earlier sections of the study. It builds on these insights by offering targeted recommendations aimed at addressing the identified challenges, enhancing existing strategies, and capitalizing on emerging opportunities. Essentially, it bridges the gap between the detailed research and the practical measures needed for improvement. By outlining actionable strategies and forward-looking guidance, the chapter paves the way for applying the study's insights to real-world contexts, ultimately promoting stronger performance and more effective outcomes.

5.2 Summary of the study

The study used a descriptive research design and census approach to examine the relationship between CEO characteristics (age, gender, tenure, and remuneration) and financial performance (ROA) of 39 commercial banks in Kenya from 2008 to 2023. Secondary data were sourced from audited reports and Central Bank of Kenya publications. Using STATA 15, the analysis involved descriptive and inferential statistics, with diagnostic tests guiding the choice of pooled OLS regression. Results showed CEO traits significantly influenced ROA, offering insights for policymakers and bank leadership on the role of executive attributes in financial performance.

5.2.1 Chief Executive Officer Remuneration and Financial Performance

The study revealed a significant positive relationship between CEO remuneration and the financial performance of commercial banks in Kenya. When other factors were held constant, increased compensation for CEOs was associated with improved financial outcomes,

suggesting that better-paid executives may be more motivated and capable of steering their institutions toward higher profitability. This aligns with the notion that performance-based incentives can enhance executive decision-making and overall institutional effectiveness.

Several studies support the current study's finding that CEO remuneration has a significant and positive effect on the financial performance of commercial banks. For example, Rousseau et al. (2023) found a strong positive correlation between performance-based CEO compensation and improved financial metrics such as ROA and EPS in U.S. public companies, while Assenso-Okofu et al. (2020) reported that European multinationals with long-term incentive-based CEO pay experienced enhanced profitability and market stability. In Kenya, Blandina et al. (2021) confirmed a positive link between CEO compensation tied to performance and financial outcomes like ROA and net interest income, and Morrison et al. (2024) showed that CEO pay linked to non-financial performance indicators also improved institutional results in the microfinance sector. However, some studies challenge this relationship. Barde and Zik-Rullahi (2020) found that performance-based CEO pay in Nigerian banks was associated with reduced profitability, and Siwendu et al. (2024) reported a negative link between high CEO compensation and shareholder returns in South Africa's mining industry. Similarly, Mensah and Bein (2023) found no significant relationship between CEO pay and profitability in Ghana's manufacturing sector, while Kamau et al. (2021) observed negative effects in Kenya's insurance industry, where disproportionate CEO pay relative to employee wages harmed motivation and performance. These mixed findings highlight the importance of context, pay structure, and sector-specific dynamics in evaluating the impact of CEO remuneration on financial performance.

5.2.2 Chief Executive Officer Tenor and Financial Performance

The analysis indicated that CEO tenure had the most pronounced positive influence on financial performance among all the variables examined. Longer-serving CEOs appeared to contribute

more positively to the financial health of banks, likely due to their deeper understanding of the institution, accumulated experience, and consistent leadership. These findings support the view that stability in leadership can result in more strategic, long-term decision-making that benefits overall performance.

Several studies support the finding that longer CEO tenure can enhance financial performance, with Boachie (2021) and Kirimi et al. (2022) showing positive effects in Ghanaian and Kenyan banks due to improved strategic insight and operational stability. Gachanja et al. (2020) and Bai et al. (2022) similarly noted performance benefits in Kenyan manufacturing and Chinese tech firms, respectively. However, other studies caution against excessively long tenures; Khan et al. (2020) and Naseem et al. (2020) found that performance may peak at intermediate tenure but decline afterward due to stagnation and reduced adaptability. Okofo-Darteh et al. (2020) and Cao et al. (2021) also observed negative impacts of extended tenures on governance and strategic flexibility. Collectively, the literature suggests CEO tenure benefits performance up to a point, beyond which it may become counterproductive.

5.2.3 Chief Executive Officer Age and Financial Performance

CEO age was also found to have a positive and significant association with financial performance. Although the effect was more modest compared to other variables, the findings suggest that older CEOs may bring valuable attributes such as wisdom, experience, and cautious judgment, which can contribute to better financial management and outcomes. This supports the idea that maturity in leadership can have a beneficial impact on institutional success.

Several studies support the finding that CEO age positively influences financial performance, highlighting the benefits of maturity and experience in leadership. For example,

Kirimi et al. (2022) found that middle-aged CEOs in Kenyan banks achieved better outcomes through a balance of energy and strategic insight, while Morrison et al. (2024) and Sani and Ghoneim (2024) noted that older CEOs adopted risk-averse, stability-focused strategies that enhanced consistent performance. Similar trends were observed by Kang et al. (2020) in the insurance sector. However, contrasting studies suggest that CEO age may hinder performance in dynamic sectors. Davis et al. (2023) and Naseem et al. (2020) reported that younger CEOs often drive innovation and short-term gains, while older CEOs resisted change, limiting growth. Likewise, research in Ghana and Kenya's manufacturing and telecom sectors, Njoroge et al., (2020) found that older CEOs' reluctance to embrace performance-linked incentives reduced adaptability. These mixed findings indicate that while CEO age can enhance stability, it may also restrict agility in fast-changing industries.

5.2.4 Chief Executive Officer Remuneration and Financial Performance

The study further established that CEO gender had a significant and positive relationship with financial performance. The findings suggest that gender diversity in executive leadership, particularly the inclusion of female CEOs, can enhance organizational performance. This reinforces the importance of promoting inclusivity in top management, highlighting the value of diverse perspectives and leadership styles in driving strategic growth and financial sustainability in the banking sector.

Several empirical studies support the current study's finding of a positive relationship between CEO remuneration and financial performance. For example, Fischer et al. (2020) and Bloomfield (2020) found that performance-based and equity-linked CEO compensation improved profitability in U.S. and European firms, respectively, while similar outcomes were reported by Chukwujekwu et al. (2022) in Nigeria as well as Carlson and Bussin (2020) in South Africa. Regional studies by Christine (2023) and Njoroge et al. (2020) also confirmed that performance-linked CEO pay enhances profitability in Kenyan firms. Although no studies

directly contradicted these findings, some, like Bloomfield (2020) and Anyigbah et al. (2017), noted that fixed salaries had minimal impact, reinforcing the view that incentive-based remuneration is more effective in driving organizational performance.

5.3 Conclusion of the Study

5.3.1 CEO Remuneration

The study concluded that CEO remuneration had a positive and statistically significant effect on the financial performance of commercial banks in Kenya. This indicates that higher or well-structured compensation packages particularly those tied to performance effectively motivate CEOs to pursue strategic decisions that improve profitability. The results affirm that aligning executive pay with organizational goals enhances financial outcomes within the banking sector.

5.3.2 CEO Tenure

CEO tenure was found to have the most significant and positive impact on financial performance among all the CEO characteristics analyzed. The findings suggest that longer-serving CEOs contribute to stronger financial results due to accumulated institutional knowledge, strategic consistency, and effective leadership continuity. The positive significance of this variable underscores the value of leadership stability in achieving sustained profitability.

5.3.3 CEO Age

The analysis revealed that CEO age had a positive and statistically significant relationship with financial performance, although the effect was relatively modest compared to other variables. Older CEOs were associated with better financial outcomes, likely due to their experience, maturity, and prudent decision-making. The findings suggest that age, while not the most dominant factor, contributes meaningfully to leadership effectiveness and financial stability.

5.3.4 CEO Gender

The study established a positive and statistically significant relationship between CEO gender and financial performance. Specifically, the inclusion of female CEOs was linked to improved profitability, reflecting the benefits of gender diversity in executive leadership. This finding highlights that diverse leadership contributes to broader perspectives and improved institutional decision-making, ultimately enhancing organizational success in the banking sector.

5.3.5 Recommendations

Based on the study's findings regarding the impact of Chief Executive Officer characteristics on the financial performance of commercial banks in Kenya, several key recommendations are proposed to guide policy formulation, institutional governance, and executive leadership development. The researcher recommends that commercial banks adopt performance-based remuneration structures that align the interests of CEOs with those of the organization and its shareholders. Compensation frameworks should be designed to incentivize strategic thinking, risk-conscious leadership, and long-term value creation. These structures might include bonuses tied to specific financial metrics, equity-based awards, and profit-sharing mechanisms. Not only do such schemes motivate executives to prioritize sustainable growth, but they also help attract and retain highly skilled professionals capable of navigating complex financial environments.

Moreover, in addition to remuneration, the study recommends that banks prioritize leadership continuity by supporting longer CEO tenures. This may involve developing robust succession planning processes, offering leadership development programs, and creating organizational cultures that value consistency and institutional knowledge. Longer-serving

CEOs were found to contribute positively to bank performance due to their familiarity with internal systems, stakeholder relationships, and industry trends. Therefore, fostering stable leadership not only improves strategic decision-making but also reduces disruptions caused by frequent transitions at the executive level. While tenure should not be the sole criterion for retention, a balanced approach that values both experience and performance can enhance institutional resilience and financial outcomes.

Furthermore, alongside tenure and remuneration, the study recommends that commercial banks consider the age and maturity of potential CEO candidates when making executive appointments. Although age should not be used in isolation, the findings suggest that older CEOs often bring a depth of wisdom, experience, and prudent leadership that benefit financial performance. As a result, boards should avoid overly emphasizing youth or novelty at the expense of experience. Instead, a diverse mix of leaders including seasoned professionals who can mentor younger executives should be encouraged, thereby ensuring a blend of innovation and stability in bank management. This can be further supported by continuous professional development and training for executives at all stages of their careers.

Additionally, and importantly, the study emphasizes the value of gender diversity in executive leadership. It is therefore recommended that commercial banks proactively promote inclusivity by creating environments that enable more women to ascend to CEO positions. This may involve implementing gender-sensitive recruitment and promotion policies, addressing structural barriers to advancement, and fostering inclusive leadership cultures. Since gender diversity was found to have a significant and positive influence on financial performance, these efforts are not just about fairness they are also a strategic imperative. By harnessing the strengths of diverse leadership, banks can benefit from broader perspectives, increased

innovation, and stronger stakeholder engagement, all of which are critical for maintaining competitive advantage and achieving long-term growth.

In conclusion, the study underscores the importance of adopting a holistic approach to executive leadership in the banking sector. While each CEO characteristic independently influences financial outcomes, their collective impact is even more substantial. As such, banks should implement integrated leadership policies that consider experience, diversity, motivation, and continuity to drive sustainable financial success. These recommendations, if effectively adopted, can contribute to building more robust, inclusive, and high-performing financial institutions in Kenya.

5.4 Recommendations for Further Studies

In light of the current study's findings on the influence of Chief Executive Officer characteristics on the financial performance of commercial banks in Kenya, several areas are identified for further research to deepen understanding and expand the scope of knowledge in this field. Firstly, while this study focused primarily on listed commercial banks in Kenya, future researchers are encouraged to extend the scope to include non-listed banks and other financial institutions such as microfinance banks and SACCOs. Such comparative studies would provide insights into whether the relationships observed in commercial banks hold true across different types of financial institutions. Additionally, examining CEO characteristics in regional or continental contexts could offer a broader perspective on leadership dynamics in diverse financial environments across Africa.

Moreover, although the present study concentrated on a specific set of CEO characteristics namely age, gender, tenure, and remuneration it is recommended that future studies incorporate other potentially influential factors such as educational background,

international exposure, personality traits, and leadership styles. By integrating these variables, future research can offer a more comprehensive model of CEO effectiveness and its implications for organizational performance. Furthermore, the moderating or mediating role of organizational culture, board characteristics, and regulatory environments can be explored to determine how contextual factors influence the relationship between executive attributes and financial outcomes.

In addition to expanding the variables, future studies could adopt longitudinal designs to better capture the long-term effects of CEO characteristics on bank performance. While cross-sectional data offers valuable snapshots, longitudinal studies allow for the observation of changes and trends over time, thereby revealing patterns that may not be immediately evident. This approach would also facilitate causal inferences, enhancing the reliability of conclusions drawn about the impact of executive leadership on financial performance.

Furthermore, qualitative approaches such as in-depth interviews or case studies can complement quantitative findings by uncovering the lived experiences, decision-making processes, and strategic thinking of CEOs. These narratives can provide rich contextual understanding that may not be captured through numerical data alone. Consequently, mixed-methods research designs are recommended to offer both breadth and depth in examining the subject.

While this study was rooted in the Kenyan context, comparative international studies are encouraged to explore how different socio-economic, cultural, and institutional settings influence the role of CEO characteristics in financial performance. Such research could contribute to the development of context-sensitive leadership models that better align with local realities while still drawing from global best practices.

In summary, future research should broaden the scope of institutions studied, consider additional CEO attributes, incorporate contextual variables, and adopt longitudinal and mixed-method approaches. These directions will not only enhance academic understanding but also provide more nuanced and actionable insights for policymakers, boards, and stakeholders in the financial sector.

5.5 Limitations Of the study

While this study offers important insights into how CEO characteristics influence the financial performance of commercial banks in Kenya, it is essential to recognize several inherent limitations.

The study relied on secondary data, mainly obtained from publicly accessible financial statements and annual reports. Such dependence on existing records can introduce potential biases, as the quality and completeness of the data are influenced by each bank's reporting practices. Despite this, the data used were comprehensive and sourced from credible institutions, including the Central Bank of Kenya, thereby ensuring reliability and minimizing the impact of this limitation on the study's overall validity.

The study's geographical focus on Kenya also presents a constraint in terms of the broader applicability of its findings. While this context-specific focus may limit generalizability to other countries or regions, it enabled a more detailed and contextually rich analysis of the Kenyan banking sector. This localized approach allowed for a nuanced understanding of the sector's unique leadership and performance dynamics.

Limitation stems from the use of a census method, which involved analyzing all 39 licensed commercial banks in Kenya. Although this approach ensured comprehensive coverage, it may have masked variations among individual institutions, particularly in terms of

organizational culture, governance frameworks, or market strategies. Nonetheless, the study successfully identified industry-wide patterns and relationships, providing meaningful conclusions about the sector as a whole.

Furthermore, the analysis of CEO characteristics such as gender and tenure was constrained by the availability of relevant data. Additional attributes like educational attainment, professional experience, or leadership style were not examined, potentially narrowing the scope of the study. Even so, the variables included offered significant insights into how certain CEO traits correlate with financial outcomes.

In conclusion, while the study acknowledges its methodological and contextual limitations, these factors did not compromise the credibility or usefulness of the findings. The research offers a strong foundation for future inquiry and makes a valuable contribution to the body of knowledge on executive leadership and bank performance.

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APPENDICES

Appendix A : Collection Matrix The document analysis sheet will guide the researcher in collecting information from the company's financial statements.

YEAR	ID	ROA	Document Check Index (Gender)	Document Check Index (Remuneration)	CEO Age	No. of Years served as CEO
2003	1					
2004	1					
2005	1					
2006	1					
2007	1					
2008	1					
2009	1					
2010	1					
2011	1					
2012	1					
2013	1					
2014	1					
2015	1					
2016	1					
2017	1					
2018	1					
2019	1					
2020	1					
2021	1					
2022	1					
2023	1					

Appendix A.1 List of Banks

S/N	Names of Bank
1	African Banking Corporation Limited
2	ABSA Bank Kenya Plc
3	Access Bank (Kenya) Limited
4	Bank of Africa Kenya Limited
5	Bank of Baroda (Kenya) Ltd
6	Bank of India
7	Charterhouse Bank Ltd
8	Chase Bank (K) Limited
9	Citibank N.A Kenya
10	Consolidated Bank of Kenya Ltd
11	Co-operative Bank of Kenya Limited
12	Credit Bank Limited
13	Development Bank of Kenya Ltd.
14	DIB Bank Kenya Limited
15	Diamond Trust Bank (K) Ltd.
16	Ecobank Kenya Limited
17	Equity Bank Kenya Limited
18	Family Bank Limited
19	First Community Bank Ltd
20	Guaranty Trust Bank (Kenya) Limited
21	Guardian Bank Limited
22	Gulf African Bank Limited
23	Habib Bank AG Zurich
24	Imperial Bank Ltd
25	IandM Bank Ltd
26	Kingdom Bank Limited (Formerly Jamii Bora)
27	KCB Bank Kenya Limited
28	Mayfair CIB Bank Limited
29	Middle East Bank Kenya Limited
30	M Oriental Bank Limited
31	National Bank of Kenya Ltd

32	NCBA Bank Plc
33	Paramount Bank Limited
34	Prime Bank Ltd
35	SBM Bank (Kenya) Ltd
36	Sidian Bank Limited
37	Spire Bank Ltd
38	Stanbic Bank Kenya Limited
39	Standard Chartered Bank Kenya Limited
40	Transnational Bank Limited
41	UBA Kenya Bank Limited
42	Victoria Commercial Bank Limited



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REF: KCAU/SERC/030
TO: BEVALINE NYAKERARIO NYANTIKA (KCA/05/08999)

Date: 20th March 2025

Dear Sir/madam

RE: CHIEF EXECUTIVE OFFICER CHARACTERISTICS AND FINANCIAL PERFORMANCE OF COMMERCIAL BANKS IN KENYA

This is to inform you that KCA University Scientific Ethics Review Committee (KCAUSERC) has reviewed and approved your above research proposal. Your application approval number is *KCAUSERC SOB030*. The approval period is *20th March 2025 – 20th March, 2026*.

This approval is subject to compliance with the following requirements;

- i. Only approved documents including (informed consents, study instruments, MTA) will be used
- ii. All changes including (amendments, deviations, and violations) are submitted for review and approval by *KCAUSERC*.
- iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to *KCAUSERC* within 72 hours of notification
- iv. Any changes, anticipated or otherwise that may increase the risks or affected safety or welfare of study participants and others or affect the integrity of the research must be reported to *KCAUSERC* within 72 hours
- v. Clearance for export of biological specimens must be obtained from relevant institutions.
- vi. Submission of a request for renewal of approval at least 60 days prior to expiry of the approval period. Attach a comprehensive progress report to support the renewal.
- vii. Submission of an executive summary report within 90 days upon completion of the study to *KCAUSERC*.

Prior to commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology and Innovation (NACOSTI) <https://research-portal.nacosti.go.ke> and also obtain other clearances needed.

Yours sincerely,

Dr. Caroline Ntara
Chairperson, KCA University Scientific and Ethics Review Committee



REPUBLIC OF KENYA

Ref No: 862002

RESEARCH LICENSE



This is to Certify that Ms. BEVALINE NYAKERARIO NYANTIKA of KCA University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Nairobi on the topic: CHIEF EXECUTIVE OFFICER CHARACTERISTICS AND FINANCIAL PERFORMANCE OF COMMERCIAL BANKS IN KENYA for the period ending : 14/April/2026.

License No: NACOSTI/P/25/418156

Applicant Identification Number

862002



NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

Date of Issue: 14/April/2025

Walthero

Director General NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

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See overleaf for conditions

The National Commission for Science, Technology and Innovation, hereafter referred to as the Commission, was established under the Science, Technology and Innovation Act 2013 (Revised 2014) herein after referred to as the Act. The objective of the Commission shall be to regulate and assure quality in the science, technology and innovation sector and advise the Government in matters related thereto.

CONDITIONS OF THE RESEARCH LICENSE

1. The License is granted subject to provisions of the Constitution of Kenya, the Science, Technology and Innovation Act, and other relevant laws, policies and regulations. Accordingly, the licensee shall adhere to such procedures, standards, code of ethics and guidelines as may be prescribed by regulations made under the Act, or prescribed by provisions of International treaties of which Kenya is a signatory to.
2. The research and its related activities as well as outcomes shall be beneficial to the country and shall not in any way:
 - i. Endanger national security
 - ii. Adversely affect the lives of Kenyans
 - iii. Be in contravention of Kenya's international obligations including Biological Weapons Convention (BWC), Comprehensive Nuclear-Test-Ban Treaty Organization (CTBTO), Chemical, Biological, Radiological and Nuclear (CBRN).
 - iv. Result in exploitation of intellectual property rights of communities in Kenya
 - v. Adversely affect the environment
 - vi. Adversely affect the rights of communities
 - vii. Endanger public safety and national cohesion
 - viii. Plagiarize someone else's work
3. The License is valid for the proposed research, location and specified period.
4. Neither the license nor any rights thereunder are transferable.
5. The Commission reserves the right to cancel the research at any time during the research period if in the opinion of the Commission the research is not implemented in conformity with the provisions of the Act or any other written law.
6. The Licensee shall inform the relevant County Director of Education, County Commissioner and County Governor before commencement of the research.
7. Excavation, filming, movement, and collection of specimens are subject to further necessary clearance from relevant Government Agencies.
8. The License does not give authority to transfer research materials.
9. The Commission may monitor and evaluate the licensed research project for the purpose of assessing and evaluating compliance with the conditions of the License.
10. The Licensee shall submit one hard copy, and upload a soft copy of their final report (thesis) onto a platform designated by the Commission within one year of completion of the research.
11. The Commission reserves the right to modify the conditions of the License including cancellation without prior notice.
12. Research, findings and information regarding research systems shall be stored or disseminated, utilized or applied in such a manner as may be prescribed by the Commission from time to time.
13. The Licensee shall disclose to the Commission, the relevant Institutional Scientific and Ethical Review Committee, and the relevant national agencies any inventions and discoveries that are of National strategic importance.
14. The Commission shall have powers to acquire from any person the right in, or to, any scientific innovation, invention or patent of strategic importance to the country.
15. Relevant Institutional Scientific and Ethical Review Committee shall monitor and evaluate the research periodically, and make a report of its findings to the Commission for necessary action.

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