

## **Analysis of Corporate Governance Practices on Financial Performance of Foreign Banks in Kenya: A Case of Standard Chartered Bank**

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### **ABSTRACT**

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*The study analysed the effects of corporate governance on the financial performance of foreign banks in Kenya. The specific objectives of this study were to: examine the effect of board size on financial performance of foreign banks in Kenya, to establish the effect of Chief Executive Officer duality on financial performance of foreign banks in Kenya and evaluate the effect of board composition on financial performance of foreign banks in Kenya. The main theories for this study were the agency theory and stewardship theory. Descriptive design was used by the study. Stratified sampling was employed as the sample method in the study. A total of 176 participants was analyzed in this investigation, and the sample size consisted of 122 participants. The research methodology primarily relied on gathering data through primary research. A well-designed questionnaire was used to collect information from the target audience. Data was cleaned, coded and analyzed. The study made use of both descriptive and inferential statistics. Findings indicated a positive and significant association between board size and financial performance of foreign banks in Kenya ( $\beta = 0.233$ ,  $p < 0.05$ ). There was a positive and significant relationship between Chief Executive Officer duality and financial performance of foreign banks in Kenya ( $\beta = 0.371$ ,  $p < 0.05$ ). The link between board composition on financial performance of foreign banks in Kenya was positive and significant ( $\beta = 0.451$ ,  $p < 0.05$ ). The study concludes that effective communication between the board of directors and the executive management team is vital for a company's financial performance. The size of a board of directors can directly affect how decisions are made within the organization. Skills, knowledge and experience of board members are foundational to their ability to effectively oversee the organization's operations and strategic direction. The study recommends that foreign banks in Kenya should ensure the right number of people who serve on the board of directors. The banks should have a policy on Chief Executive Officer duality as it helps enhance the financial performance. It is recommended that foreign banks board members should possess the right skills, knowledge and experience that would help to effectively oversee the organizations' operations and strategic direction.*

**Key Words:** *Corporate Governance, Financial Performance, Board Composition*

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## **1.0 Introduction**

### **1.1 Background**

Commercial banks are crucial to the international financial systems of countries, primarily due to their intermediary function. Over the last two decades, the global banking sector has experienced significant transformations in its operational landscape, particularly in its organizational structure and financial outcomes (Merko & Habili, 2023). Despite the growing inclination towards reducing bank intermediation, effectively channeling funds from depositors to investors or productive ventures remains a fundamental necessity for a nation's economic progress (Quoc, 2022). The strong Financial Performance of commercial banks, as noted by Meng and Ugut (2022), contributes to a stable and profitable banking industry, along with a more resilient financial system that can better withstand adverse shocks. Conversely, inadequate performance can trigger bank panics, banking crises, and potentially lead to a major financial crisis.

The efficiency and the capacity to satisfy immediate financial commitments are additional criteria for assessing financial performance (Ortiz, Marín & Santos, 2023). Assisting in long-term planning, goal-setting, actual performance review, and corrective action execution in the case of deviations are the primary aims of financial performance assessment. An organization's financial performance is indicative of its efficiency, productivity, and effectiveness in the areas of asset utilisation and financial security. The three primary profitability measures are Return on Asset, return on investments, and Return on Equity (Mohammad, 2019). Examining financial ratios, benchmarking, and evaluating performance against budget targets are among the commonly employed methods for evaluating the financial performance of financial institutions (Mähönen, 2020). When studying bank performance, the key profitability indicators analyzed are Return on Assets, Return on Equity and net interest margin. Research in this area delves into different variables or factors that elucidate variations in the Financial Performance of banks. The return on investment and Return on Equity will be used to evaluate the Financial Performance of commercial banks.

Over the past decade, the World Bank has primarily focused on promoting policies related to Corporate Governance (CG) in developed markets. However, there has been a shift in the recognition of CG in developing nation, majorly influenced by variables like the financial turmoil in Asia and the underachievement of African enterprises (Meng & Ugut, 2022). CG can be understood as the framework and practices that govern how companies are managed and controlled. It entails the provision of various responsibilities and rights to stakeholders that include auditors, the government, suppliers, shareholders, managers, employees, the board, lenders interested in the organization. The governance structure outlines the rules and procedures that leaders must adhere to when making decisions related to corporate strategies and plans (Merko & Habili, 2023).

The King Report that explains CG was officially unveiled in 2009 at the Sandton Convention Center in Johannesburg. This publication emphasizes the critical comprehension of corporate board functioning and the essential attributes of leadership, such as transparency, accountability, and efficiency, to assess a company's financial position accurately. It highlights the significance of training aspiring women and long-term chairs, committees, and individual leaders to have a positive impact on their vision (Chen, 2020). Justification for good CG became even more apparent due to emergence of financial turmoil in the USA, as evidenced in the twin scams of Worldcom and Enron in 2002 (Kalimashi, Ahmeti & Aliu, 2022). The collapse of companies like Parmalat,

Marcos & Fortune, and Haiti's Baby Doc, as well as various Kenyan scandals, underscore the crucial role of Corporate Governance. In recent times, CG has garnered widespread attention and become a topic of great public interest. This growing interest is influenced by the perceived importance of CG in influencing the economic health of companies and its broader impact on society. The concept of CG revolves around how organizations are managed, controlled, and directed. It entails regulations, practices and principles that promote fairness, accountability and transparency in an organisational decision making process. CG is critical as it safeguards various stakeholders' interests among them suppliers, the government, tax authorities, employees, the community and shareholders. Its fundamental ideas and concepts have gradually evolved over time (Adhiambo, 2022).

The banking landscape in Kenya has witnessed huge transformation. This has been driven by several factors that have collectively reshaped the industry. Notably, heightened competition and the ever-shifting dynamics of the business environment have exerted relentless pressure on commercial banks, necessitating a fundamental reevaluation of their operational strategies. The surge in competition within the banking sector has been a driving force of change. With the emergence of new players, both traditional financial institutions and innovative fintech companies, established banks have found themselves engaged in fierce battles to maintain their market share. This has compelled banks to break free from their traditional business models, prompting them to adopt a more agile and customer-centric approach. Furthermore, the business environment in Kenya has exhibited dynamism over the past decade. This dynamism encompasses a wide array of factors, including shifts in government policies, alterations in economic conditions, and evolving consumer preferences (Ndungu & Muturi, 2019).

In 1911, Mombasa Treasury Square was host to the opening of the first branch of Standard Chartered Bank Kenya Limited. About 30,000 shareholders make up the public's which is almost 25% stake (the rest is owned by Standard Chartered PLC). Standard Chartered Bank Kenya has 36 branches, 108 ATMs, and employs over 1,600 people throughout the nation. In order to accommodate our customers' varying transactional, borrowing, and investment requirements, Standard Chartered Bank Kenya provides a range of banking options in both local and international currencies. Different industries are represented in Standard Chartered Bank Kenya's wide portfolio. The corporate, government, government agency, commercial, and retail markets are primary focus areas for this bank. Standard Chartered Bank Kenya is the first Kenyan bank to bring about an unsecured Personal Loan, the first Kenyan bank to bring Priority Banking services in Kenya for more affluent customers, and the first Kenyan bank to receive ISO 9002 certification in technology systems, among many other firsts in the Market.

## **1.2 Problem Statement**

Good CG goes beyond conventional ethical standards and encourages top managers and senior executives to regulate their behavior with a focus on greater responsibility and leadership roles within businesses. CG ensures that company directors and administrators prioritize efficient and equitable protection for all shareholders (Mwangi, 2022). In recent years, the Kenyan banking sector and the broader region have experienced several bank collapses and increased merger and acquisition activities due to weak CG frameworks. Receivership was appointed over financial institutions such as Dubai Bank Ltd, Imperial Bank Ltd, and Chase Bank, and Charterhouse Bank was placed under statutory control. Such corporate failures were often followed by financial difficulties and declining performance. The CBK annual supervisory report on banking highlights

the significance of liquidity for financial stability. Liquidity shortages in banks can lead to systemic crises within the banking sector. Although there has been an improvement in banks' liquidity ratios over time, nonperforming loans have increased due to delayed payments and loan downgrading.

### **1.3 Purpose of the study**

To analyze the effect of Corporate Governance on the Financial Performance of foreign banks in Kenya from the perspective of commercial banks.

The specific objectives of the study are:

- i. To examine the effect of board size on financial performance of foreign banks.
- ii. To establish the effect of Chief Executive Officer “CEO” duality on financial performance of foreign banks.
- iii. To explore the effect of board composition on financial performance of foreign banks.

## **2.0 Literature Review**

The theories of stewardship and agency serve as the basis for this research. Agency concept sheds light regarding the potential challenges arising from the separation of management and leadership in contemporary firms (Panda & Leepsa, 2017). The theory recognizes differences of interests by shareholders and company directors, resulting to what is known as agency costs. By understanding the complexities of agency theory, companies can work towards minimizing agency costs and encouraging harmonious relationships between shareholders and employees. Implementing effective incentive schemes and aligning organizational goals can contribute to improved decision-making and enhanced performance, ultimately benefiting all stakeholders involved. The stewardship theory highlights the importance of top management acting as stewards, actively embracing their responsibilities as integral members of the company (Keay, 2017). This theory acknowledges the importance of aligning priorities, as this empowers managers, granting them greater control and confidence, ultimately leading to reduced monitoring costs. The theory highlights the crucial role of top management in acting as responsible stewards of the organization.

Elmageed, Megeid and ElSayed (2020) investigated the effect of Board of Director's attributes and board size on an organization's financial performance. The study involved a sample of 58 companies, and it employed a series of five multiple regression models. Results revealed that both board size and board independence exerted a favorable and substantial effect on the organization's capital framework. Variables like return on assets, the current ratio and asset turnover had an adverse and substantial influence on the organization's capital framework. Additionally, the research's results unveiled the link between CEO characteristics and organization size, demonstrating a positive and substantial influence on the firm's tax aggressiveness. On the other hand, Rwakihembo, Kamukama and Nsambu (2020) did a comparative analysis of corporate board sizes and financial performance of privately-owned firms in Uganda. The research employed a cross-sectional study style and a positivist epistemological tenet. Data gathering process involved collecting of quantitative data from a sample of 394 companies located in both Western and Central Uganda. Findings indicated a significant and positive link between a firm's performance and board size. Likewise, Manyaga, Muturi and Oluoch (2019) conducted an evaluation of the relation between board size and the financial performance of banks. They looked at data from 43 different Kenyan commercial banks. Return on equity was negatively impacted by the size of their boards of directors. There was a significant and significant influence of board size on ROE.

Voinea, Rauf, Naveed and Fratostiteanu (2022) explored the link between financial performance and CEO duality at different Chinese companies. Findings revealed a negative correlation between CEO duality and financial performance. Thus, presence of dual leadership structures, where the CEO holds multiple roles, can lead to reduced assessments of CSR activities and render CEOs less accountable to their stakeholders. Similarly, Wicaksono (2022) assessed the impact of gender diversity, financial expertise, and CEO duality on firm performance in Indonesian. The study utilized a panel data approach, analyzing data over a three-year period. Findings showed that gender diversity had no discernible impact on firm performance, whereas financial expertise and CEO duality were found to influence firm performance. On the other hand, Akisimire, Abaho, and Tweyongyere (2020) investigated the moderating influence of firm age on the connection between CEO duality and the financial performance of manufacturing companies in Uganda. They employed a cross-sectional survey methodology, involving 78 firms. The data was analyzed utilizing correlation, hierarchical regression, and descriptive statistics. Findings showed that having the CEO also serve as the chairman of the board did not significantly influence firm's financial performance.

Bawaneh (2020) conducted a study to assess how CG elements, specifically board composition, affect the Financial Performance of financial institutions on Jordan's Amman Stock Exchange. Forty financial organisations in Jordan were included in the research, including commercial banks and financial enterprises. The association between Corporate Governance and Financial Performance was evaluated using a Spearman test at these institutions. The results revealed an insignificant correlation between board composition and Financial Performance of these institutions. Gameda and Chand (2021) looked at how commercial banks in Ethiopia's financial performance was affected by changes in internal and external board membership. Study's sample encompassed twelve commercial banks. Data collection for the research was performed utilizing primary and secondary research techniques. Primary data was utilized to assess corporate governance, specifically board composition, which served as the independent variable, while secondary data was sourced to evaluate the financial performance of banks. The study adopted an explanatory research design, employing a quantitative method to evaluate the gathered data. Results indicated a direct correlation between board makeup and financial performance of the banks studied. This study presents a contextual gap since it was carried out in Ethiopia. While CEOs handle day-to-day business responsibilities like finance and operations and contribute specialized skills, they cannot effectively monitor or guide themselves (Meng & Ugut, 2022). Hence, effective monitoring of the CEO and senior management becomes crucial. Monitoring is a key responsibility of non-executive directors. However, their independence may decline with longer board tenure as they develop stronger ties with senior executives.

### **3.0 Research Methodology**

Descriptive research method was employed because it allows the researcher to have a comprehensive grasp of his subject matter. Descriptive research helps in ensuring and making it possible to provide information on changes in the characteristics of interest in any situation. The design was appropriate as it helped to explore CG and financial performance. This study was conducted from Standard Chartered Bank within the 22 branches registered in Nairobi county. The target population comprised employees of standard chartered bank whereby standard chartered bank was a representative of all foreign banks. Consequently, of the research's unit of observation were 176 employees of Standard Chartered bank in Nairobi county. This included that bank's branch managers, auditors, accountants and loan officers of all the 22 branches in Nairobi. These

employees play a vital role in keeping the bank functioning smoothly. They are tasked with enhancing financial performance of the bank and are required to exercise Corporate Governance practices to realise the bank's goals. Stratified random sampling was utilized by researcher to pick the sample of respondents who are really representative of the population at large. 122 persons were selected using Yamane Formula from the target population. The researcher employed stratified proportionate random sampling technique. The population was divided into strata - top and low categories of employees in the bank.

The study collected primary data using questionnaire. Target audience were surveyed to get information. In comparison to other tools like interviews and online surveys, questionnaires are less expensive, simpler to use, and guarantee respondents' anonymity when sensitive data is needed. A pilot study was conducted to ascertain the validity and reliability of the study. SPSS was used in data analysis. Questionnaires recorded information about respondents' backgrounds as well as information about both independent and dependent variables. Primary data was analysed quantitatively. Descriptive statistics is aimed at helping researchers organize their data in a meaningful and productive manner. Data from the larger population of studies was analyzed using inferential statistics to identify a correlation. Pearson correlation analyses was conducted to determine the relationship between variables. Corporate Governance practices and Commercial performance was examined using a multiple regression model. The researcher employed the formula;  $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$ ; where ;  $Y =$  Commercial Banks Performance ,  $X_1 =$  Board Size,  $X_2 =$  CEO Duality ,  $X_3 =$  Board Compositions,  $\beta_0 =$  The Constant ,  $\varepsilon =$  Error term and  $\beta_1, \beta_2, \beta_3 =$  Régression coefficients values.

#### 4.0 Results and Discussion

The study issued 122 questionnaires to employees at standard chartered bank, out of which 114 were completed and returned; this was a response rate of 93%. The high response rate for the study was achieved due to self-administration of questionnaires to respondents. The Cronbach Alpha Coefficient was calculated for each variable. Coefficient for financial performance was 0.871, board size was 0.904, CEO duality was 0.897 and board composition was 0.912. All the variables had reliability values higher than 0.7, which was considered adequate in the study. The study's instrument validity was achieved by seeking the university supervisor's professional advice. Upon adequate advice from the supervisors, the questionnaire was examined, revised and accepted. The questionnaire provided data that accurately answered the study's research questions.

Analysis revealed that reveals that 65 (57%) of the respondents were male and 49 (43%) were female. Hence, majority of the respondents were male. There was fair distribution of gender, hence no bias. It was indicated that 64 (56%) respondents were married, 3 (3%) were divorced and 47 (41%) were single. Hence, most of the respondents were married. Six (5%) had less than 2 years' experience, 36(32%) had 2-4 years' experience, 48 (42%) had 4-6 years' experience and 24 (21%) had above 6 years' experience. Most if the respondents had 4-6 years' experience, hence their responses could be relied for credible findings and conclusions. Five (4%) had diploma, 80 (70%) had bachelor's degrees and 30 (26%) had postgraduate degrees. Majority of the respondents were degree holders. Their responses could therefore be relied on to make credible findings.

Descriptives on board size and financial performance of foreign banks in Kenya showed that 96% agreed that the organization's financial performance was affected by the number of people who served on the board of directors (Mean=4.31; SD=0.534).It was indicated by 93% of the respondents that members of the board took part in running the organization on a regular basis

(Mean=4.24; SD=0.569). Results showed that 98% of the respondents agreed that the communication between the board and the executive management team was effective (Mean=4.38; SD=0.522). Respondents (94%) indicated that having a larger board made decision-making more difficult or slower (Mean=4.21; SD=0.540). Over 96% of the respondents agreed that the board was responsible for assessing how well the company was doing financially (Mean=4.35; SD=0.548). Respondents indicated that internal complaints were handled adequately by management (Mean=4.22; SD=0.545). It was noted that having a smaller size of the Board of Directors (BOD) led to more effective management (Mean=4.36; SD=0.551). This is illustrated in table 1 :

**Table 1 : Descriptives on board size and financial performance**

Statement	N	Mean	Std.Dev.
The organization's financial performance is affected by the number of people who serve on the board of directors.	114	4.31	0.534
Members of the board take part in running the organization on a regular basis.	114	4.24	0.569
The communication between the board and the executive management team is effective	114	4.38	0.522
Having a larger board makes decision-making more difficult or slower	114	4.21	0.54
The board is responsible for assessing how well the company is doing financially.	114	4.35	0.548
Internal complaints are handled adequately by management	114	4.22	0.545
Having a smaller size of the BOD leads to more effective management	114	4.36	0.551

Descriptives on CEO duality on financial performance of foreign banks in Kenya indicated that Findings indicate that 96% agreed that CEO Duality had an effect on the financial performance of the bank (Mean=4.31; SD=0.534). It was indicated by 93% of the respondents that the bank had a policy on CEO duality (Mean=4.24; SD=0.569). Results showed that 98% of the respondents agreed that CEO was included in the daily operations of the bank (Mean=4.38; SD=0.522). Respondents (94%) indicated that communication between the CEO and the BOD was effective (Mean=4.21; SD=0.540). Over 96% of the respondents agreed that having a separate Chairman of the Board and CEO would improve decision-making in the bank (Mean=4.35; SD=0.548). Respondents indicated that the bank managed potential conflicts of interest that may arise with CEO duality (Mean=4.21; SD=0.540). It was noted that the bank had plans to change its policy on CEO duality in the future (Mean=4.36; SD=0.551). This is illustrated in table 2;

**Table 2 : Descriptives on CEO duality and financial performance**

<b>Statement</b>	<b>N</b>	<b>Std.Dev.</b>	<b>Mean</b>
CEO Duality has an effect on the FP of the bank	114	4.31	0.534
The bank has a policy on CEO duality	114	4.24	0.569
The CEO is included in the daily operations of the bank	114	4.38	0.522
Communication between the CEO and the BOD is effective	114	4.21	0.54
Having a separate Chairman of the Board and CEO would improve decision decision-making in the bank	114	4.35	0.548
The bank manages potential conflicts of interest that may arise with CEO duality	114	4.21	0.54
The bank has plans to change its policy on CEO duality in the future	114	4.36	0.551

Descriptives on board composition on financial performance of foreign banks in Kenya indicated that 98% agreed that the composition of the BOD has an impact on the financial performance of the bank (Mean=4.55; SD=0.534). It was indicated by 93% of the respondents agreed that the bank ensures that the BOD had the necessary skills, knowledge, and experience to effectively oversee the bank's operations and strategic direction (Mean=4.21; SD=0.556). Respondents agreed that communication between the BOD and the executive management team was effective (Mean=4.53; SD=0.502). Respondents (92%) indicated that having more independent directors on the board improved decision-making in the bank (Mean=4.18; SD=0.552). Over 96% of the respondents agreed that the BOD was diverse in terms of gender, age, ethnicity, and professional background (Mean=4.24; SD=0.584). Respondents indicated that the board ensured that it maintained a diverse range of perspectives and experiences when making strategic decisions for the bank (Mean=4.21; SD=0.540). It was noted that the bank had policies in place to promote diversity and inclusion within the BOD and the wider organization (Mean=4.35; SD=0.548). This is illustrated in table 3;

**Table 3 : Descriptives on board composition on financial performance**

<b>Statement</b>	<b>N</b>	<b>Std.Dev.</b>	<b>Mean</b>
The composition of the BOD has an impact on the FP of the bank	114	4.55	0.534
The bank ensures that the BOD has the necessary skills, knowledge, and experience to effectively oversee the bank's operations and strategic direction	114	4.21	0.556
Communication between the BOD and the executive management team is effective	114	4.53	0.502

Statement	N	Std.Dev.	Mean
Having more independent directors on the board improves decision-making in the bank	114	4.18	0.552
The current BOD is diverse in terms of gender, age, ethnicity, and professional background	114	4.24	0.584
The board ensures that it is maintaining a diverse range of perspectives and experiences when making strategic decisions for the bank	114	4.21	0.54
The bank has policies or initiatives in place to promote diversity and inclusion within the BOD and the wider organization	114	4.35	0.548

Pearson correlation analysis was carried out and findings highlighted significant correlations between variables. The significance of correlations is determined by the p-values. In this context, ( $p < 0.05$ ) is regarded substantially significant, while values above 0.05 are regarded as insignificant. There existed a strong correlation ( $r=0.820$ ,  $p=0.000$ ), between board size and financial performance of foreign banks in Kenya. Similarly, the study revealed a significant and positive association between CEO duality on financial performance of foreign banks in Kenya ( $r=0.872$ ,  $p=0.000$ ). The study revealed a positive and significant correlation between board composition on financial performance of foreign banks in Kenya ( $r=0.842$ ,  $p=0.000$ ). Results are illustrated in Table 4:-

**Table 4: Correlation Analysis**

		financial performance	board size	CEO duality	board composition
<b>financial performance</b>	Pearson	1	.820**	.872**	.842**
	Correlation				
	Sig. (2-tailed)		0.000	0.000	0.000
	N	114	114	114	114
<b>board size</b>	Pearson	.820**	1	.846**	.605**
	Correlation				
	Sig. (2-tailed)	0.000		0.000	0.000
	N	114	114	114	114
<b>CEO duality</b>	Pearson	.872**	.846**	1	.674**
	Correlation				
	Sig. (2-tailed)	0.000	0.000		0.000
	N	114	114	114	114
<b>board composition</b>	Pearson	.842**	.605**	.674**	1
	Correlation				
	Sig. (2-tailed)	0.000	0.000	0.000	

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

A regression analysis was done to explore how the independent variables impact the dependent variable. The findings indicate that the coefficient of determination, represented by R squared, is 0.895, equivalent to 89.5%. This implies that 89.5% of the variability in the financial performance of foreign banks in Kenya could be attributed to corporate governance, with a confidence level of 95%. Only 10.5 % of the variability in these organizational performances can be explained by other factors. The correlation coefficient, denoted as R, serves as a metric to quantify the relationship between these variables. The outcomes showed a significant and positive correlation between the variables, evident by a correlation coefficient of 0.946. With a Durbin Watson statistic of 2.126, it can be inferred that no autocorrelation exists among the variables. This allows for reliable deduction of inferential statistics and accurate interpretation. Table 5 illustrates the model summary:-

**Table 5 : model summary**

Model	R	R Square	Adjusted Square	R Std. Error of the Estimate	Durbin-Watson
1	.946 <sup>a</sup>	0.895	0.892	0.08791	2.126

a. Predictors: (Constant), board composition, board size, CEO duality

b. Dependent Variable: financial performance

ANOVA results exhibited a level of significance at 0.000, underscoring the substantial nature of the link between the dependent and independent variables of the research. This finding signifies that there exists a relationship between the variables. Moreover, the calculated F-value was observed to be greater than the critical F-value ( $312.562 > 2.696$ ). The model employed in the study emerged as reliable. Consequently, the results were considered adequate to formulate conclusive findings and provide credible recommendations. Table 6 illustrates the model summary:-

**Table 6 : model summary**

Model		Sum of Squares	Df	Mean Square	F	Sig.
	Regression	7.247	3	2.416	312.562	.000 <sup>b</sup>
	Residual	0.850	110	0.008		
	Total	8.098	113			

a. Predictors: (Constant), board composition, board size, CEO duality

b. Dependent Variable: financial performance

The study adopted a multiple linear regression model. Table 7 illustrates the results:

**Table 7 : coefficients**

	Unstandardized Coefficients	Std. Error	Standardized Coefficients	t	Sig.	VIF
(Constant)	-0.620	0.169		-3.679	0.000	

board size	0.288	0.072	0.233	3.997	0.000	3.553
CEO duality	0.434	0.073	0.371	5.919	0.000	4.122
board composition	0.418	0.039	0.451	10.758	0.000	1.845

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a. Dependent Variable: financial performance

Findings indicated a positive and significant association between board size and financial performance of foreign banks in Kenya ( $\beta = 0.233$ ,  $p < 0.05$ ). These findings relate with those of Rwakihembo et al. (2020), who undertook a comparative analysis of corporate board sizes and FP of privately-owned firms in Uganda and found a significant and positive link between a firm's performance and the board size of the firms. There was a positive and significant relationship between CEO duality and financial performance of foreign banks in Kenya ( $\beta = 0.371$ ,  $p < 0.05$ ). This is in line with findings by Voinea et al. (2022), who explored the connection between financial performance and CEO duality and noted that CEO duality is positively related to financial performance. The relationship between board composition on financial performance of foreign banks in Kenya was positive and significant ( $\beta = 0.451$ ,  $p < 0.05$ ). This agrees with findings of Bawaneh (2020), who conducted a study to assess how CG elements, specifically board composition, affect the financial performance of financial institutions and found a significant correlation between board composition and financial performance.

## 5.0 Conclusions and Recommendations

Effective communication between the board of directors and the executive management team is vital for a company's financial performance. The board sets the strategic direction for the company, and the management team executes those strategies. The size of a board of directors can directly affect how decisions are made within the organization. Smaller boards can adapt swiftly to market dynamics and make strategic decisions that positively impact financial performance. A well-functioning board is more likely to spot potential financial issues early and take corrective actions to improve performance. Effective CG practices are essential for maintaining the trust of shareholders, investors, and other stakeholders, which can, in turn, influence the company's access to capital and its overall financial performance. Effective communication between the CEO and the BOD is vital for organisational performance. Conflicts of interest are more likely to arise in the case of CEO duality, as the CEO may prioritize short-term gains or personal interests over the long-term health of the bank. Properly managing these conflicts is essential. An effective board should actively monitor and mitigate such conflicts to ensure that the bank's financial performance remains the top priority. Having an independent chairman can help maintain a high level of objectivity in decision-making. This can be especially important when critical decisions regarding risk management, financial strategies, and Corporate Governance are concerned.

Skills, knowledge, and experience of board members are foundational to their ability to effectively oversee the organization's operations and strategic direction. Diverse skills, such as financial acumen, industry-specific knowledge, legal expertise, and technological proficiency, collectively contribute to a holistic understanding of the business landscape. The composition of the board, particularly in terms of independence and diversity, has a profound effect on decision-making. Board diversity ensures that strategic decisions consider a broad range of perspectives, which can be especially valuable in today's global and interconnected business landscape.

This study recommends that foreign banks in Kenya should ensure the right number of people who serve on the board of directors. Effective communication between the board of directors and the executive management team is paramount for the success of any organization, including banks. It is recommended that banks should have a policy on CEO duality as it helps enhance the financial performance. This study recommends that foreign banks board members should possess the right skills, knowledge and experience that would help to effectively oversee the organizations' operations and strategic direction. This study recommends for further studies ,with the inclusion of all foreign banks in the country. This study employed a quantitative approach for data collection and analysis. Further research could employ mixed methods. Combining qualitative and quantitative techniques would allow researchers to gather both numerical data and in-depth narratives. Qualitative data can provide contextual insights and offer a deeper understanding of the effects of financing risks on performance of projects. This could lead to richer findings and conclusions and facilitate financial performance. The study focused on board size, CEO duality and board composition, as the independent variables. Further studies could look into other variables for example board transparency, corporate accountability and employee participation. This would not only add to theory bus also demonstrate the relationship between CG and financial performance

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