EFFECT OF CORPORATE GOVERNANCE ON BUSINESS PERFORMANCE OF KENYA COMMERCIAL BANK

BY

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UNITED STATES INTERNATIONAL UNIVERSITY - AFRICA

FALL 2019
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A Research Project Report Submitted to the School of Business in Partial Fulfilment of the Requirement for the Degree of Masters in Business Administration (MBA)

UNITED STATES INTERNATIONAL UNIVERSITY-AFRICA

FALL 2019
STUDENT’S DECLARATION

I, Rono Brian the undersigned, declare that this is my genuine work and has not been submitted to any other school, institution or university other than the United States International University in Nairobi for academic credit.

Signed: ________________________ Date: ________________________

Rono Brian (ID: 653908)

This project has been presented for examination with my approval as the appointed supervisor.

Signed: ________________________ Date: ________________________

Dr. George Achoki

Signed: ________________________ Date: ________________________

Dean, Chandaria School of Business
The purpose of the study was to examine the effect of corporate governance structure on the business performance of Kenya Commercial Bank. The study aimed to answer three research questions: firstly, to what extent does the size of the board affect Kenya Commercial Bank’s business performance in Kenya? Secondly, how does directors’ equity interest affect Kenya commercial bank’s business performance in Kenya? Finally, how does board gender diversity affect Kenya’s Commercial bank’s business performance?

Explanatory research design was used to conduct the study, explanatory research design was used to conduct the study to increase the understanding of the research subject being researched, a population of 146 employees to determine a sample of 106 respondents. Purposive sampling technique was deployed for this particular study and a closed-ended questionnaire was used to collect primary data. Research procedures depicting each step that was used in carrying out the study have been presented and data analysis was done using SPSS software and findings presented in tables and figures.

The first research question sought to determine the effect of board size on business performance. The findings revealed that there exists a significant relationship between board size and business performance, \( r (0.713); \) p-value < 0.01. The second research question sought to determine the effect between directors’ equity interest and business performance. The findings of this study revealed a statistically significant relationship between directors’ equity interests and business performance, \( r (0.509); \) p-value < 0.01. The third research question sought to determine the effect of board gender diversity on business performance. The findings show that there is a strong and significant relationship between board gender diversity and business performance, \( r (0.816); \) p-value < 0.01.

Therefore, this study concludes that board size is significant in the firm’s performance since it enhances delegation of tasks, implementation of corporate goals, transparency and collective decision making process in the company. This study also concludes that board size is essential in monitoring organizational operations. This study concludes that directors’ equity interest is crucial for company’s profitability as well as wealth maximization in line with the visions of shareholders. The study concludes that board gender diversity is crucial for leadership capacity building in the organization.

This study recommends that Kenya Commercial Bank should embrace the size of its board to effectively deliver the desired business performance. This study recommends that Kenya
Commercial Bank should align its board size in such a way that it supports the delegation of tasks effectively. This study recommends that Kenya Commercial Bank should take into consideration the directors’ equity interest in implementing corporate goals in the organization. This study also recommends that Kenya Commercial Bank should embrace gender diversity in the executive team to allow more diverse viewpoints while at the same time enhancing women’s leadership in the organization.
ACKNOWLEDGEMENT

I would like to acknowledge my supervisor Prof. George Achoki for his guidance in making this project a success. I would also like to acknowledge Professor Francis Wambalaba for his support on developing my proposal.
DEDICATION

I dedicate this project to God almighty my pillar, my strength and my source of inspiration. I also dedicate this work to my parents Mr. Charles Koech and Mrs. Christine Koech who encouraged and supported me. To my siblings Caroline Chebet, Marie Joan and Moses Chessimet who ensured that the journey I started was finished. To George Kemboi my brother who encouraged me to start this important journey I say thank you.

God Bless you all.
TABLE OF CONTENTS

STUDENT’S DECLARATION ........................................................................................................... ii
COPYRIGHT .................................................................................................................................. iii
ABSTRACT .................................................................................................................................... iv
ACKNOWLEDGEMENT .................................................................................................................. vi
DEDICATION ............................................................................................................................... vii
LIST OF TABLES ........................................................................................................................ xi
LIST OF FIGURES ........................................................................................................................ xii
LIST OF ABBREVIATIONS ......................................................................................................... xiii

CHAPTER ONE .......................................................................................................................... 1
1.0 INTRODUCTION .................................................................................................................. 1
1.1 Background of the Study ........................................................................................................ 1
1.2 Statement of the Problem ...................................................................................................... 4
1.3 Purpose of the Study ............................................................................................................. 5
1.4 Research Questions .............................................................................................................. 5
1.5 Significance of the Study ...................................................................................................... 5
1.6 Scope of the Study ................................................................................................................ 6
1.7 Definitions of Terms ............................................................................................................. 6
1.8 Chapter Summary ................................................................................................................ 7

CHAPTER TWO .......................................................................................................................... 8
2.0 LITERATURE REVIEW ......................................................................................................... 8
2.1 Introduction .......................................................................................................................... 8
2.2 The Effect of Board Size on Business Performance ............................................................ 8
2.3 The Effect of Director’s Equity Interest on Business Performance ....................................... 12
2.4 The Effect of Board Gender Diversity on Business Performance ....................................... 16
2.5 Chapter Summary .............................................................................................................. 20
REFERENCES ........................................................................................................................................59
APPENDICES ....................................................................................................................................65
APPENDIX I: LETTER OF INTRODUCTION ................................................................................65
APPENDIX III: NACOSTI RESEARCH PERMIT ............................................................................70
LIST OF TABLES
Table 4. 1: Company Board Size and Performance ........................................30
Table 4. 2: Delegation ..................................................................................31
Table 4. 3: Implementation of Corporate Strategy .........................................33
Table 4. 4: Organization Control ..................................................................34
Table 4. 5: Profitability ................................................................................36
Table 4. 6: Business Performance .................................................................38
Table 4. 7: Equality in the Organization .......................................................43
Table 4. 8: Diverse Viewpoints ..................................................................44
Table 4. 9: Collective Decision Making .......................................................46
Table 4. 10: Correlation Analysis .................................................................47
Table 4. 11: Multiple Regression Model Summary ........................................48
Table 4. 12: Analysis of Variance .................................................................48
Table 4. 13: Coefficients .............................................................................49
LIST OF FIGURES

Figure 4. 1: Response Rate.................................................................26
Figure 4. 2: Respondents Gender..........................................................27
Figure 4. 3: Respondents Age.................................................................27
Figure 4. 4: Years in Service.................................................................28
Figure 4. 5: Work Department...............................................................29
Figure 4. 6: Highest Level of Education..................................................29
Figure 4. 7: Collective Decision-Making..................................................30
Figure 4. 8: Solving Agency Problem.....................................................31
Figure 4. 9: Transparency......................................................................32
Figure 4. 10: Equality.............................................................................32
Figure 4. 11: Decision-Making Process...................................................33
Figure 4. 12: Company Reputation.........................................................34
Figure 4. 13: Leverage............................................................................35
Figure 4. 14: Director’s Equity Interest....................................................36
Figure 4. 15: Investment Decisions..........................................................37
Figure 4. 16: Wealth Maximization..........................................................37
Figure 4. 17: Dividends.........................................................................38
Figure 4. 18: Setting of Corporate Goals..................................................39
Figure 4. 19: Decision-making.................................................................39
Figure 4. 20: Implementation of Corporate Goals......................................40
Figure 4. 21: Accountability....................................................................41
Figure 4. 22: Monitoring Operations.......................................................41
Figure 4. 23: Board Gender Diversity......................................................42
Figure 4. 24: Leadership Capacity Building.............................................43
Figure 4. 25: Problem Solving Techniques..............................................44
Figure 4. 26: Human Talent Attraction....................................................45
Figure 4. 27: Women Leadership.............................................................45
Figure 4. 28: Company Image.................................................................46
Figure 4. 29: Diverse Workforce..............................................................47
# LIST OF ABBREVIATIONS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>ANOVA</td>
<td>Analysis of Variance</td>
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<tr>
<td>CBK</td>
<td>Central Bank of Kenya</td>
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<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
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<td>CG</td>
<td>Corporate Governance</td>
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<td>KCB</td>
<td>Kenya Commercial Bank</td>
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<tr>
<td>NIM</td>
<td>Net Interest Margin</td>
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<td>ROA</td>
<td>Return on Assets</td>
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<td>ROE</td>
<td>Return on Equity</td>
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<td>ROI</td>
<td>Return on Investment</td>
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<tr>
<td>SACCOs</td>
<td>Savings and Credit Co-Operative</td>
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<tr>
<td>SPSS</td>
<td>Statistical Package for Social Sciences</td>
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<td>UK</td>
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<td>US</td>
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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

In recent years, with corporate scandals and the global financial crisis, there is continuous attention in the area of corporate governance which is the new concept in the corporate world these days. It is seen as a moral duty and includes supporting conformity to law and showing an ethical guide (Bhat, 2017). Corporate Governance is seen as a significant tool as firms’ financial performance when investors take an investment decision is turning into a more serious topic so the relationship between corporate governance tools and financial performance measurements caught researchers’ interest in the last decade primarily on developed countries as well as developing countries. The business environment has changed a lot due to dynamism. Shareholders are putting the board of directors into account for the overall performance of the organization (Kyereboah-Coleman, 2017). The sudden disappearance of companies such as Enron and World.com which are prominent examples of world-leading companies showed that what is known about good company management needs to be thought through corporate scandals and mismanagements. This has caused the losses suffered by stakeholders of companies, primarily shareholders; as a result, the importance of corporate governance has increased further and become an essential part of financial markets, business, and management (Chong & Tan, 2018). The focus is now on the performance and behavior of the board of directors.

The Board is the topmost management function is responsible for the strategic direction in an organization (Afrifa & Tauringana, 2015). Corporate governance is the control of management in the best interests of the company, including accountability to shareholders who elect directors and auditors and vote on say on pay. How a company is governed influences rights and relationships among organizational stakeholders, and ultimately how an organization is managed, and whether it succeeds or fails. Companies do not fail: boards do (Saravanan & Srikanth, 2017).

Corporate governance can also refer to making such a set of laws and motivation through which administration of the company is bounded and administered for profit maximization which ultimately adds the value for shareholders as well as for management (Rosa & Bernini, 2018). Effective corporate governance is important to the economies that have
intricate business backgrounds and also influences entrepreneurship success. The last twenty years have seen the focus of research in the discipline of finance in corporate governance. According to Bhat (2017), corporate governance is a definition of policies, laws, customs, processes and institutions that drive the firm and corporation in the way they control, administer and act in their operations. Corporate governance aims to manage the connection among stakeholders such as those of the shareholder, and board of directors while also aiming to achieve the goal of the organization. Corporate governance also focuses on the accountability of the persons through a mechanism that aims to reduce the principal-agent problem in the firm (Ramachandran, 2013).

In the United Kingdom, the goal of corporate governance is to make sure that firms are managed in the best interest of the shareholders and owners (Kyereboah, 2017). This is especially among companies where most of the shareholders do not participate in the everyday management of the organization. Corporate governance can also be understood to apply in other forms of organizations such as companies with limited principal owners and a smaller or large group of shareholders, public corporation, privately-owned companies, partner-owned organizations where ownership may be divided through inheritance in several or one generation (Afrifa & Tauringana, 2015). (Michelberger, 2017), argues that although several corporate governance codices are introduced in many countries, they are not legally binding but provide recommendations for good corporate governance. There are several different concepts of corporate governance. The liberal model that is common in the U.S. and the UK tend to prioritize shareholder interests. The ‘coordinated’ model in Europe and Japan recognizes additionally the interests of employees, customers, suppliers, managers, and the community each model has its distinct advantage. The liberal model of corporate governance in the United Kingdom and the United States encourages more radical innovation and cost competition, whereas the coordinated model of corporate governance encourages more incremental innovation and quality (Ofoeda, 2017).

(Kowalewski, 2016), suggest that the control mechanisms and governance structure of a corporate unit influence the firm’s ability to react positively to both external and internal factors and thus having an effect on performance. Several empirical studies have shown that the link between firm performance and corporate governance. Several corporate governance mechanisms are implemented in the corporate world. Corporate governance mechanisms relate to instruments, techniques, and tools through which accountability is
achieved; it is the means through which shareholders shape and monitor behavior to align with set objectives and goals (Tuan, 2014). Mechanism of corporate governance as the systems and processes through which nations’ corporate governance codes and firm laws have enforced. These mechanisms of corporate governance include board composition, board equity holding, the board size, and more recently has included board gender diversity (Peris, 2017).

Regarding board size, the public debate on board structure has been from the pressure to have smaller board sizes (Bhat, 2017). Although larger board sizes allow key board functions, there comes a time when such boards suffer from communication and coordination problems negatively affecting the effectiveness and overall affects organization performance negatively (Tuan, 2014). The idea of directors’ equity ownership has been suggested as a potentially beneficial way of regulating board behavior. He further argues that when members of the board have a share in the organization, they develop shareholder-like tendencies and are less likely to participate in behavior that may be detrimental to shareholders. This means that managerial ownership in the firm helps the board align the interests of managers and shareholders since the firm’s performance increases and the managers also benefit through their equity ownership in the firm (Powell & Baker, 2009). The issue of gender diversity is one that is lately mentioned in corporate governance circles (Ghazali, 2010). The issue that is facing shareholders, directors, and managers today is the conventional corporate environment. This issue has also been discussed in the public limelight via advocacy groups, public polices from institutional investors and media (Afrifa & Tauringana, 2015).

(Michelberger, 2017), analyses the subject of good corporate governance has gained increasing importance in Germany since the 1990s. The German government passed the Law of Control and Transparency in 1998 which was one of the first corporate governance laws worldwide. In 2000, the Federal Government has set up a government commission on the modernization of company law due to fraudulent bankruptcy cases. The commission is funded by the private sector and completely independent in their decisions from government interference. The Commission released the first "German Corporate Governance Code" in 2002. According to Section 161 of the German Stock Corporation Act, the German Corporate Governance Code applies for all listed companies. The supervisory and executive boards of corporations are obliged to explain annually if the Code is adopted or rejected as a whole or that they follow the Code only in parts. According
to (Dincer, 2016), corporate governance in Rwanda is developing but it is still not well developed and the coercive effect of the state is still the most powerful factor. Hence, more coercive interventions from the state and more laws in place are needed to have better established corporate governance in Rwanda.

The corporate governance system in Kenya has developed in tandem with the development of the country. The scholars’ points out two important key drivers that play an important role in the development of corporate governance of Kenya are vision and crises. Therefore, in 1999, the root of Companies’ legislation in Singapore – the Companies Act became effective. (Nguyen & Vu, 2017), the composition of listed companies’ Board of Directors with the role of independent directors gaining prominence and holding no more than 10% of shares.

1.2 Statement of the Problem

The financial sector in Kenya is growing fast. This is because there has been tremendous growth innovation in financial services, growth in emerging markets and financial inclusions in the global markets (Nyamongo & Temesgen, 2013). Despite these developments, there are cases of malpractice, misguided leadership and mismanagement of commercial banks in the region and this has been attributed to corporate governance. According to (Agyemang & Castellini, 2015), there have been several prevalent scandals in the financial sector. Most of the financial firms were declared insolvent around or before 2005 owing to poor corporate governance. (Gatsimbanyi, 2015), conducted a study on corporate governance on the financial performance of banks in Rwanda. The study investigated the influence of board size, board composition, board sub-committees and board meetings on financial performance.

(Mutuku, 2016), conducted a study on corporate governance and business performance of Saccos in Kenya. The study examined the effects of board composition on the financial performance of SACCOs, to establish the effects of board size on the financial performance of SACCOs, to determine the influence of leadership on the financial performance of SACCOs to establish the relationship between transparency and disclosure and the financial performance of SACCOs. (Gatsimbanyi, 2015), conducted a study on Corporate Governance and Financial Performance of Commercial Banks in Rwanda. The study examined the influence of only ownership structure on the performance of banks.
(Xavier, Shukla, Oduor, & Mbabazi, 2015), examined the effect of corporate governance on the financial performance of the commercial banking industry in Rwanda. The study measured the effect of board size, Chief Executive Officer (CEO) duality, and board composition and institution ownership on financial performance and found no effect of these variables on the performance of commercial banks. The financial sector of Kenya is blooming and still growing and there is a need to identify the right mix of corporate governance mechanisms to improve Kenya Commercial Banks’ business performance in the region.

These studies however did not measure the influence of board size, director equity interest and board gender diversity on the financial performance of Kenya Commercial Bank a gap that this study intends to fill. The study proposes to look at how board size, director equity interest and gender board diversity affects Kenya Commercial Bank business performance.

1.3 Purpose of the Study
The purpose of the study was to analyze the effect of corporate governance on the business performance of Kenya Commercial Bank.

1.4 Research Questions
The study aims at answering the following research questions:

1.4.1 To what extent does board size affect the Business Performance of Kenya Commercial Bank?

1.4.2 How does directors’ equity interest affect the Business Performance of Kenya Commercial Bank?

1.4.3 To find out how board gender diversity affects the Business Performance of Kenya Commercial Bank?

1.5 Significance of the Study
1.5.1 Policy Makers
The study will be of importance to policymakers to the Commercial banking sector in Kenya as it will make recommendations to policymakers on the regulatory framework for the Business sector relating to corporate governance. The findings of the study will also be of importance to the Central Bank of Kenya (CBK) as the regulator of financial services in Kenya on the influence of corporate governance on the business performance of
commercial banks. This information will be useful for CBK to play its role as the regulator of the sector.

1.5.2 Commercial Banks Top Management

The study will be of importance to the top leadership of Kenya Commercial bank. The information from the study will lead to discussions on the role of corporate governance and its business effect on their performance. This information can be used to guide leadership in the selection and considerations to make in selection of a board of directors.

1.5.3 Shareholders and Investors

The study hopes to be of importance to shareholders and investors of the Kenya commercial bank information will be insightful on some of the areas where the corporate governance can be altered to improve the business performance of the Kenya commercial bank thereby raising the value of their investments.

1.5.4 Academicians/ Researchers

The study is significant to academics as it will contribute to the body of knowledge on corporate governance and the business performance of Kenya commercial bank. The study will also provide a source of reference for future researchers while also suggesting areas of further study for future research.

1.6 Scope of the Study

The study is limited to the influence of corporate governance mechanisms of board size, board gender diversity and directors’ equity interest on the Business Performance of Kenya Commercial Bank. The study focuses on the Kenya Commercial Bank (KCB). The study will focus on 146 employees at Kenya Commercial Bank in Nairobi, Kencom House. The research will cover the primary data from 10th January 2019 to 20th March 2019.

1.7 Definitions of Terms

1.7.1 Corporate Governance

This refers to the link between top management, board of directors and shareholders to determine the performance and direction of the firm (Okeahalam, 2014).
1.7.2 Board Size

Board size is the number of directors in a board that is responsible for the strategic planning of the business (Waweru, 2014).

1.7.3 Directors’ Equity Interest

This refers to the board of directors’ members’ ownership of equity in a company (Afrifa & Tauringana, 2015).

1.7.4 Board Gender Diversity

This refers to the presence and inclusion of women directors in boards (Bhat, 2017).

1.7.5 Business Performance

Business performance can be defined in terms of maximizing the shareholder’s wealth and is defined by the following measures such as profitability, market value, and return to shareholders (Ghazali, 2010)

1.8 Chapter Summary

This chapter presented the background of the study elaborating on the concept and importance of corporate governance in the modern firm. The study also gives a problem statement that past studies did not measure the influence of board size, director’s equity interest and gender board diversity and research questions that the study aims to answer which were to what extent does board size affect the Business Performance of Kenya Commercial Bank? How does directors’ equity interest affect the Business Performance of Kenya Commercial Bank? To find out how board gender diversity affects the Business Performance of Kenya Commercial Bank? The chapter also provides the significance of the research, scope of the study and defines the significant terms as they are used in this research. The second chapter of the study presents the literature review of the study. Chapter three presents the research methodology. Chapter four presents the results and findings. Chapter five presents the discussion, conclusion, and recommendations.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction
This chapter presents literature review on the effect of corporate governance on business performance. The first part of the chapter covers a literature on the extent to which board size influences business performance, the extent to which directors’ equity interest influences business performance and the extent to which board gender diversity affects business performance.

2.2 The Effect of Board Size on Business Performance
The market power and efficiency structure are the remarkable organized studies that take root back in the 1980s as far as the bank's performance is concerned. Taking the consideration of the line of reasoning that Efficiency Structure theory attempt to portrays, it evaluates that scale efficiency and improved managerial leads to a high concentration and then leads to high profitability (Chong & Tan, 2018). On the other hand, the MP theory states that more external market forces lead to profit. Moreover, the assumption suggests that only organizations with a well-differentiated product portfolio and large market share can earn a monopolistic profit and win over their competitors (Afrifa & Taringana, 2015).

Studies of board-size effect in firms of interest because factors that drive the choice of board size in organizations could differ (Alves, 2011). For example, factors influencing board size in large organizations are likely to differ from small companies. Small and medium-sized enterprises are frequently closely held, implying that the influence of agency problems between managers and owners on decisions affecting the company is probably less prevalent in this class of organizations (Kowalewski, 2016). This assertion supports the fact that the firm size is influence by firm-level characteristics. However, prior empirical studies evaluating the relationship between board size and the performance of a firm, board size is measured based on the natural logarithm of the number of board members not recognizing the variation in the board size due to different firm sizes. Therefore, in such weaknesses in the measurement of board size is likely to affect any relationship between board size and firm performance and its theoretical and policy implications doubtful (Boateng, 2015).
It had been argued the impact of board size on performance may not just vary by firm-level characteristics but also by variations in nation-specific governance mechanisms, legal practices and institutional (Ofoeda, 2017). This notwithstanding, prior empirical studies have been conducted mainly in developed markets. According to (Bhat, 2017) country-level specific factors, such as culture, religious, governance mechanisms, and legal framework and ownership structures affect board composition which in turn affect board monitoring function and subsequently on firm performance. Therefore, examining the effect of board size and firm performance in developing African countries is expected to providing a more complete understanding of the impact of board size and firm performance. The case of these countries provides an interesting context to examine this relationship. In Nigeria, the Code of Corporate governance best practices in 2003 recommend that the size of the board should be at least five members and a maximum of fifteen members. However, the 2011 revised code did not give any ceiling and further indicates that the maximum number should reflect the complexity and scale of the operations of the firm. This indicates that the size and complexity the firm determine the ceiling of the board size. On the other hand Ghana’s companies’ code recommends at least two members as board members but did not give any ceiling. The introduction of the code of best practices in 2010, on the other hand, recommends at least between 8-16 members. The code indicates that such a number is ideal to sufficiently improve the monitoring function of the board (Chong & Tan, 2018).

Another significant matter in finance and economics literature is that of the board size in solving agency issues. However, neither the financial press nor academic research provides any conclusive evidence on board size and firm performance (Bhat, 2017). Using a meta-analysis of various banking industries, the study reported that a large board contributes to firm performance. Using a sample of banking firms in Malaysia, the report indicated that board size remains positively and significantly related to the performance of commercial banks (Ramachandran, 2013).

Deploying the critical method to evaluate the estimation mechanism, a two-step system estimator model reported an inverted U-shaped relationship between board size and firm performance. (Egbunike & Odum, 2016) A reasonable explanation for that line of thinking is that the inclusion of more directors on the board benefits the monitoring and advising function, and improves governance and returns. Taking into consideration the identified banks for the study in Nairobi, it reported a noteworthy positive relationship between board size and bank performance (Nyamongo & Temesgen, 2013).
Furthermore, the concept of the balanced portfolio theory has taken root in the empirical study of bank performance. The theory reveals that the portfolio composition of the banking industries and its return in terms of profitability remains directly influenced by the internal management and stakeholders decisions (Nawaz, 2017). According to this line of thinking, the performance of the banking industry remains influenced by both internal and external determinants. In that regard, the internal determinants tend to include the management efficiency, capital, bank size and risk management capacity. The empirical studies carried out in this discipline reported that external determinants are factors that include macroeconomic variables including economic growth, inflation, interest rate, and other determinants like ownership (Kowalewski, 2016).

In the field of economics and finance, the most used metric to measure the attribute of performance is Return on Assets. The Return on Assets is a metric attribute that is deployed to measure the accounting performance of an organization. It narrows down to show how an organization is effective and efficient in the utilization of its resources to maximize its returns that are the profits (Oyewobi, 2013). Another metric measure that most of the researchers deploy is Tobin’s Q, which speculates on the link that happens to exist between the current cost of replacing assets to the market value of the organizations’ assets including share and stocks. The overall aim of commercial banks is making profits and techniques, strategies and activities adopted are to achieve this main objective. In measuring commercial banks’ profitability, different ratios are used include Net Interest Margin (NIM), Return on Assets (ROA), and Return on Equity (ROE) are the most significant (Hakimi, 2018).

Another significant metric measure that remains deployed in this discipline is the concept of the Return on Equity. ROE is a ration formula that tends to offer insightful information on how much an organization is making profits using the calculation comparison of its shareholder's equity of investment (Egbunike & Odum, 2016). An organization that has high ROE is more likely to have the ability to generate cash from internal sources. Hence, the higher the ROE means that the firm performs better in terms of generating profit. ROE is a ratio of the net income after taxation, which stays divided by equity capital. ROE represents the rate of return of earnings of the funds invested in the bank by its shareholders. The ROE shows how the management of an institution is effectively using the shareholders’ funds. Hence, it can be seen that the better the ROE of a bank the more the management effectiveness in the utilization of capital from shareholders (Nguyen & Vu, 2017).
2.2.1 Effective Decision Making
The main sole significance of the board of directors is monitoring and advising in the firm. In reality, the ideology of an advisory role involves means providing expert advice with the manager of the firm and having access to important information (Ghazali, 2010). Also the number and size of the board of directors in the banking industries have influenced the better performance of an organization. For that matter, there are members of the board who may be either external or internal and both of them are important since they both bring expertise and good decision making in the firm (Reddy & Locke, 2014). The larger the board size, the better the performance of the firm; this is due to the amount of expertise and valuable information that the size of the board has in its hand. A sound line of thinking is that the more the number of the border of director the greater the experience is available to make the strong and sound decision as far as the performance of the bank segments are concerned (Nawaz, 2017).

The role of the board of directors is to decide on important issues, to manage the management’s behavior in favor for the owner’s welfare, hiring of administrative officers and oversee that firms stick to the rules while taking responsibility for supervising and managing (Ofoeda, 2017). The board uses its powers responsibilities and powers in the structure of main contracts, legislation, policies, and regulations and represents the firm in line with the authority given to it at shareholders’ annual meeting. The economic value of a firm can further be improved as the board performs its functions of supervising the operations of administrative officers and selecting the staff of an organization, monitoring and appointing the activities of an autonomous auditor to increase the value of the firm (Ndiweni, 2018).

According to (Ghazali, 2010), the size of the board has an impact on bank performance. The study argued that the smaller board sizes had a positive impact on the performance of the organization where ROE remains used as a performance measure. In Europe, (Rosa & Bernini, 2018) found out that larger board sizes could affect bank performance. This suggests that the smaller the board size the higher the bank performance. Despite these findings, there still exist some of the relationships between organizational performance and board size.
2.2.2 Organizational Monitoring
Monitoring is another important function that remains carried out by the board of directors. Moreover, this function is critical is barely important since it involves the monitoring of the managers in the firm to ensure that they follow and adhere to maximizing shareholders’ interests (Hakimi, 2018). In essence, the board members who are outsiders since they provide an objective and independent view that is divergent from those of the insider board of directors, who are nondependent from the manager in a firm (Powell & Baker, 2009). From the above, we can note that the increased number of board size is vital for the performance of the bank while at the same time, the increased number of non-executive directors of the board is vital to the performance of the bank performance than the executive directors of the firm (Okeahalam, 2014).

On the other hand, there are some of the studies that have offered negative results on the connection on the size of the board of directors and the performance of the banking industries. According to (Nyamongo & Temesgen, 2013), it shows that a larger number of the board of directors tends to drag back the performance of an organization and decision making quality. The range of the board directors has a negative link with organization value in India and Australia. Guest (2016) study on a large sample of firms listed in the LSE found that there was a strong negative link of board size on an organization profitability (using Tobin Qs and Stock Returns) while controlling for the differences in endogeneity.

2.3 The Effect of Director’s Equity Interest on Business Performance
The relationship between the Director’s equity and bank performance has remained an area of interest for the past numerous decades. In the context of corporate governance, some of the various studies that have been conducted in this field have presented insightful information as far as the bank performance is concerned. In that regard, there are groups of empirical studies that have remained conducted in this discipline and they have accumulated a positive linkage between firm performance and management ownership (Tuan, 2014).

(Hutchinson & Gul, 2012), on the effect of the director’s equity on bank profitability, it evaluated that ownership of individuals happens to have a positive impact on the performance of banking industries. In the study, the authors revealed that there is a positive correlation between directors’ share ownership and firm performance. They also argued that allowing the board of directors to have a stake in the organization leads to a motivation
for improving performance metrics and to also have the interests of the shareholders at heart. Additionally, according to the study that remained carried out on the performance of banks in Nigeria, it clearly showed that there is a positive significant correlation on the impact of the director’s equity interest on the bank performance. In that point of view, the empirical study suggested that persons who are part of the bank’s management and have equity ownership remains compelled to business interest to manage them efficiently and leads to improvement in performance (Egbunike & Odum, 2016).

Corporate Governance and Capital Structure plays a major role in the amplification of investors' riches and great CG is significant in expanding the market estimation of a firm while higher money related influence diminishes a firm an incentive by expanding insolvency hazard (Alves, 2011). According to (Waweru, 2014), sound corporate governance administration instruments help guarantee financial specialists that they will recover their capital and get a satisfactory profit for their venture. Firms with great Corporate Governance give straightforward exposures and are speculators neighborly accordingly can get to capital markets on better terms. A well-created monetary framework gives a market to corporate control while a solid lawful framework secures speculators' legally binding rights by limiting the danger of misfortune from an administrative advantage. Corporate governance is characterized as the framework by which business companies are coordinated and controlled (Martin & Roper, 2008), and it includes governs just as the system of connections and procedures intended to guarantee that chiefs demonstration in light of a legitimate concern for the organization. An ideal capital structure is the obligation/value proportion for the firm that limits the expense of financing (Chong & Tan, 2018).

There has been a lot of experimental work giving proof that corporate governance, corporate money related choices and firm execution are influenced by the nearness of organization clashes among directors and investors (Reddy & Locke, 2014). Corporate governance exercises upgrade the proficiency and viability of associations with the help of legitimate supervision and control; along these lines assuming a significant job in adjusting the enthusiasm of investors and the board to diminish organization clashes. With sound administration structure, it is a lot simpler for associations to acquire advances from financial specialists as a utilitarian corporate structure ensures the enthusiasm of investors, increments straightforwardness and lessens the office clashes. Firms with poor administration practices face more organization issues as supervisors of those companies.
can without much of a stretch acquire private advantages because of poor corporate governance structure (Okeahalam, 2014).

Agency issues do have a negative impact on the value of the firm while managerial ownership has proven to be a solution to this conflicting interest. However, a high percentage of shares that are held by managers results in a reduction in the effectiveness of external governance structure despite other studies indicating that there is non-linear relationship between managerial ownership and the performance of the company (Liao, 2018). Additionally, not forgetting the study that remains carried out to study the effect of the total number of the director’s equity on the performance of their organizations, this study showed that there is a significant and positive association between commercial bank performance and directors’ equity interest and concluded that the directors’ equity interest in improving the performance of banks. Conversely, the same study found out there is a negative impact on the connection that exists on the composition of the director’s board and the bank’s performance (Alves, 2011).

The organization’s performance in the literature is based on the value of the company. The structure governing the company affects the value as a result of reduced expropriation by the insiders and the improvement in the expected cash flow which can be distributed to the investors (Bhat, 2017). To assess the performance, it is crucial to determine the components of good performance by using performance indicators. Good performance indicators must be measurable, stay relevant to the company (Afrifa & Tauringana, 2015).

### 2.3.1 Shareholder’s’ Wealth Maximization

Corporate governance is concerned with the processes and structures that are set to through which members interested in the overall well-being of the company take measures in protecting the interests of stakeholders (Boateng, 2015). One of the most critical components of corporate administration that got consideration and genuinely experienced changes is the governing body. Top managerial staff is looked like a group of people that have duties of driving and coordinating the organization with its essential goal being to ensure the interests of investors (Huang & Tompkins, 2010).

A board of directors is liable for defining corporate objectives which target understanding the long haul an incentive for investors. The top managerial staff is liable for assessing the propriety of the systems and methodologies taken by the administration interpreting the corporate objectives (Fang & Whidbee, 2013). Guaranteeing a successful execution of the
organization procedures, the board should screen intently its encouraging through investigating cautiously the exhibition of the administration with the point of fulfilling or rebuffing the administration. The achievement of the board in releasing its guardian obligations to working intimately with the administration would anticipate it to build the abundance of investors (Bhat, 2017).

The creation of a governing body is to screen the exhibition of the organizations with the goal that the interests of the investors are ensured. It is in this manner anticipated that if the board plays out its obligations viably, the estimation of the organizations is anticipated to increment and the abundance of the investors will be improved as needs be (Lassoued, 2018). Researchers of corporate governance have concerned as to how to address the principal-agent problem, which arises from the separation of ownership and control. The recent financial turmoil in Asia in the late 1990s and high profile scandals in companies like Enron, WorldCom, and other related companies gained policymakers investors, academics, and other stakeholders both in public and private sectors, to take interest in the campaign for good corporate governance. The challenges from these recent events have pressured various measures across the globe (Afrifa & Tauringana, 2015).

2.3.2 Self-Interest Need Decision-Making
Although some of the positive relationships that exist between the director’s equity to bank industries performance, there is some of the negative correlation that still exists in this line of relationship (Chong & Tan, 2018). The high levels of director equity ownership may reduce the financial performance since the management with higher ownership equity has so much power and then may become less interested in the wellbeing of the shareholders. Having that ideology in hand, they tend to major their interest in individual benefits instead of making a decision that benefits the firms (Fang & Whidbee, 2013).

Such concern arises when a self-centered individual is given more significant right to vote and get them involved in decision making (Bhat, 2017). For that matter, this philosophy may lead to a situation where they can make decisions that meet their interests rather than those of the stakeholders. There was no positive association between the equity held by directors and organization performance. According to (Tuan, 2014), in this analysis, on the examination of the Board Structure and Corporate Performance in Australia, they asserted that there was not enough evidence to indicate that there was a direct link between directors’ equity ownership in the firm and the value added efficiency of the organization’s total
resources. The findings indicated that the board of directors stays not motivated by owning interests in the organization.

Although a positive relationship exists between the director’s equity and bank firms’ performance, this ideology is not influential to increase or decrease its performance. In Morocco, (Mnasri, 2015) performed a study on board structure, ownership structure and performance in the Morocco banking industry. The study revealed that the coefficient on management stock ownership had a direct link with performance using Return on Assets (ROA) only. (Kılıç & Kuzey Cemil, 2016) Performed an investigation of the effects of corporate governance on organization performance in the banking sector. The study showed that there was a positive relationship found between director equity interest and bank performance (Boateng, 2015).

2.4 The Effect of Board Gender Diversity on Business Performance

The main mandate of the board of director is to ensure that integrity in the corporate’ financial reporting and accounting systems as speculated by the Organization of Economic Development, this narrows down to includes the appropriate systems of control are in place and the independent audit (Bhat, 2017). Particularly, these are systems of operational and financial control, risk management and compliance with relevant standards and the law. In efforts to fulfill their role and mandate, it is important for the board of directors to have gender diversity (Pucheta-Martínez, 2018). Diversity is a crucial part of the board of diversity. In that point of view, the main function of the boards in this context is to ensure that they have their rights mixed to provide different perspectives. The board that tends to have more women tends to have more perspectives and skills as compared to the board that has more men. Logical enlightenment for this line of reasoning is that women are prone to diversity ability to deal with more critical situations despite the fact that they remain stereotyped with some of the imagery in the modern societal backgrounds (Martin & Roper, 2008).

Throughout the previous two decades, board decent variety is progressively considered as a critical instrument of good corporate administration (Afrifa & Tauringana, 2015). In this way, the inquiry emerges whether a heterogeneously or rather a homogenously created board adds to the effectiveness of an organization's administration and checking. Particularly national and global controllers and standard setters consider board decent
variety to be related to an expanding firm execution. In this way, the monetary effect of board assorted variety viewpoints should be explored exactly (Boateng, 2015).

Gender diversity on board has been an issue that is pulling tremendous consideration from different gatherings including governments, enterprises, academicians and people in general. The issue has kept up a high open profile on account of reports in the press, investor proposition by promotion gatherings and approach explanations from major institutional speculators (Boateng, 2015). Corporate embarrassments, for example, those inside Enron, WorldCom, Tyco and Parmalat, have additionally increased an enthusiasm for the effect of sex decent variety on firm esteem and budgetary execution. A result of these outrages, various experts have called for more board decent variety (Jizi, 2017).

A few theoretical contentions exist concerning the connection between female representation on boards of executives and the exhibition of their organizations. Be that as it may, in view of the blended and some of the time conflicting outcomes in earlier writing, there is still no accord with respect to the relationship between having females in the meeting room and firm execution (Oyewobi, 2013). Truth be told, these blended outcomes are not unforeseen, as the connection between board, assorted variety and firm money related execution are both hypothetically and observationally entangled (Hakimi, 2018).

Female representation in board rooms is gradually however consistently expanding (Arena & Cirillo, 2015). Numerous nations advance female portrayal on the sheets, some of them notwithstanding ordering companies to select in any event one female executive. For example, Norway necessitates that at least 40 percent of the board must be females (Powell & Baker, 2009). The issue of sexual orientation uniformity has additionally shown up on the political plan in Turkey. The primary destinations of these guidelines are to advance the enlistment of females on organization sheets and in this manner make a compelling top managerial staff that can secure the interests of the investors. These advancements have strengthened an enthusiasm for the relationship between board sex assorted variety and firm money related execution (Liao, 2018).

Gender diversity remains to be a primary form of internal control mechanism in the corporate industries (Gatsimbanyi, 2015). Therefore, it is the responsibility of the board of directors to ensure that they supervise, appoint, and enumerate to the highest management in terms of leadership in the firm to articulate strategic formulations. Moreover, there is numerous study that has been conducted in the examined the effect of the composition of
boards on the performance of organizations mostly focusing on the 20 proportion of non-independent directors, board meetings, shares held by directors, the tenure of boards and board size (Egbunike & Odum, 2016).

In reality, the area of concentration in the past study in the context of gender diversity has remained to be value, backgrounds, learning capability, and education (Ghazali, 2010). In this line of thinking, the concept of corporate governance, the ideology of gender diversity tends to take roots to the presence and inclusion of women in the board of directors in the organization, particularly in the banking sector. There is still a heated debate on the role that women play in ensuring that an organization attains its goals and objectives (Lafuente & Vaillant, 2018). For that reason, this ideology is still hitting the heads, managers, directors and shareholders in the modern corporate environment is gender. The issues of gender in the corporate organization have remained brought to the discussion to the public through advocacy groups, media, investors, public policies. Despite the pressure on modern firms, the studies that have focused on the effect of board gender diversity on organization performance have had varying results. The relationship between organizational performance and board gender diversity has been inconclusive in non-financial industry studies (Kılıç & Kuzey Cemil, 2016).

2.4.2 Diverse Viewpoints on Market Platforms

In contemporary society, the ideology of gender diversity remains to be inclusion or non-inclusion of women on the board of directors. Modern organizations are discussing and contemplating board gender diversity as a source of value in corporate governance and organization strategy. It has remained proved that gender diversity in boards promotes an improved comprehension of the marketplace where an organization operates. Since the marketplace is diverse, gender diversity comes in handy for organizations to penetrate these markets (Martin & Roper, 2008).

In other word, this concept is a vital sense for an organization to achieve its goals and objectives, an idea of multigenerational and gender diversity need to stay considered (Gatsimbanyi, 2015). This concept helps managers exploit different tasks in terms of knowledge and experience. Several researchers have proposed that diversity in the board in terms of gender contributes to more problem solving as it provides an opportunity for different alternatives to remain evaluated concerning pros and cons. Thus, a board that
incorporates board gender diversity is more likely to have a positive effect on its performance (Powell & Baker, 2009).

Organizations with minorities and women on their boards had a direct impact on their performance. The empirical study that remains conducted by these authors in the back 1990s, the performance of the organization stayed measured by Return on Assets and Return on Investments. The study included large firms in all sectors in the United States and although they found positive results it was hard to attribute these findings to women directors owing to the inclusion of minorities in the sample. The minority also included male directors who were from minority groups or tribes (Jizi, 2017).

Importantly, there are some of the numerous studies that have revealed this concept by supporting it, such as the (Nawaz, 2017) in Spain concluded that there was a negative impact of gender-diverse boards on firm performance where Tobin’s Q. measured firm performance. According to this analysis, the results showed that the inconclusiveness of the effect of gender diversity.

Board diversity in corporate boards does not have any impact on organization performance. The empirical analysis alluded that gender diversity did not have any impact on the performance of these organizations where firm performance remained measured by Return on Equity in a region that saw blueprints to push for 50% female representation in board seats (Hakimi, 2018). Takeover defenses measured the positive effect of a gender diverse board had on financial performance, weak governance while there was a negative effect on firms with strong governance. Additionally, there was an ideology of measured takeover defenses. The experimental study alluded that there was no reason to encourage gender quota legislation in the region (Lafuente & Vaillant, 2018).

2.4.3 Attracting Human Talent for Effective Performance

In a study that presented penlights to the world in the line of the connection between board assortment and organization financial performance among firms listed in the India Stock Exchange. The study analyzed both nationality and gender of boards and found evidence to show clearly that women tend to have an impact on the performance of an organization and organization dependence ratio and attract talented individuals into the company’s workforce (Ramachandran, 2013). A study among 9 industries listed in the Madrid Stock Exchange revealed that females improved the financial performance of the organization owing to skills, views and new ideas. The writer argued that females on boards led to the
attraction of human talent and social visibility (Bhat, 2017). Another study carried out in Denmark revealed that gender diversity in the board had a positive impact on the performance of the organization in Denmark. The sample of this study was from 1993-2001 among 2500 Danish firms. This study used performance indicators as net turnover, gross benefits and ordinary results to the net result and net asset after tax to net assets, which can remain referred to as weak indicators of performance (Nguyen & Vu, 2017).

Other studies have found a negative link between gender diversity and performance, (Arena & Cirillo, 2015) found a negative relationship between board gender diversity and performance of the company based on the study they carried out from the masculine industry. Based on these findings, the authors argued that politicians should encourage less diversity in gender. The study also revealed that directors who were employees contributed to a negative effect on the creation of firm value. (Bhat, 2017) Conducted a study among 612 European banks and found no clear relationship between performance and board gender diversity but found patterns such as women sat on boards in low-risk banks.

2.5 Chapter Summary

In this chapter, it critically presented the literature review on the study. This section offered in this chapter remained aligned to the study research questions. In essence, this involved the board size, board gender diversity, and director's equity of interest in the line of the bank financial performance. Technically, the study excavated on the various empirical study variables that will play a significant role in designing the research methodology that follows the right way after this section. Chapter three highlights the research methodology adopted in conducting the study.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction
Chapter three highlights the methodology used in carrying the study to effectively address the research problem. The chapter highlights the research design of the study, followed by population and sampling design indicating the population involved, sampling frame, sampling technique and sample size used to draw inferences. The chapter highlights data collection methods, research procedures, and data analysis methods.

3.2 Research Design
Research design as a framework that is used in collecting and analyzing data to answer the research questions or addressing the specific objectives of the study (Cooper & Schindler, 2014). Similarly, the research design can be used to justify for choices of data selection, analysis, and collection from the target population. This study used explanatory research design. Explanatory research design enables researchers to connect ideas to understand the cause and effect among variables; hence, the researcher was able to comprehend the effect of corporate governance on business performance of commercial banks making it the most suitable research design for this particular study. Therefore, the justification of its selection.

3.3 Population and Sampling Design

3.3.1 Population
A population refers to a study collection of items, or individuals in a study on which references can be drawn to address the research problem (Kabir & Rahman, 2012). A Population can also be defined as the total units that form the subject the researchers wish to investigate (Cooper & Schindler, 2014). For this study, the population was 146 employees that work in KCB Bank head office in Nairobi County as indicated in the table below.
Table 3.1: Population Distribution Table

<table>
<thead>
<tr>
<th>Population Area</th>
<th>Population</th>
<th>% Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors</td>
<td>7</td>
<td>5%</td>
</tr>
<tr>
<td>Senior Management</td>
<td>10</td>
<td>7%</td>
</tr>
<tr>
<td>Supervisors</td>
<td>36</td>
<td>24%</td>
</tr>
<tr>
<td>General Employees</td>
<td>93</td>
<td>64%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>146</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

3.3.2 Sampling Design

3.3.1 Sampling Frame

According to Cooper and Schindler (2014), a sampling frame is the list of all units from which a sample is drawn. For this particular study, the sampling frame was obtained from the Kenya Commercial Bank head office (Kencom House) located in Moi Avenue Street Nairobi.

3.3.2 Sampling Technique

Sampling technique this is the system that is utilized by the researcher in guaranteeing that different gatherings that are either homogenous or heterogeneous in the examination are all around spoken to in the finale chose a test to be explored (Cooper & Schindler, 2014). This study used a purposive sampling technique which is a type of probability sampling. The study selected purposive sampling because the researcher is interested in employees working at the head office.

3.3.3 Sample Size

Sample size refers to a smaller unit that represents a larger population that the researcher is interested in drawing inferences from and precisely reflects the attributes of the population they belong to (Boddy, 2013). This study used Yamane's formula in determining the suitable sample size with a confidence level of 95%.

\[
n = \frac{N}{(1 + Ne^2)}
\]

Where, \(n\) = sample size
N= Study Population =146

e = Alpha level of 0.05

Substituting the values, the sample will be:

\[
n = \frac{146}{1 + 146(0.05^2)}
\]

n = 106

The sample size of this study will be 106

Table 3.2: Sample Size Distribution Table

<table>
<thead>
<tr>
<th>Population Area</th>
<th>Population</th>
<th>Sample Size</th>
<th>% Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors</td>
<td>7</td>
<td>2</td>
<td>2.0%</td>
</tr>
<tr>
<td>Senior Management</td>
<td>10</td>
<td>5</td>
<td>4.0%</td>
</tr>
<tr>
<td>Supervisors</td>
<td>36</td>
<td>25</td>
<td>24.0%</td>
</tr>
<tr>
<td>General Employees</td>
<td>93</td>
<td>74</td>
<td>70.0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>146</strong></td>
<td><strong>106</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

3.4 Data Collection Methods

Data collection is the process of collecting data from the respondents of the study in an established and systematic manner that will effectively answer the research questions of the study (Cooper & Schindler, 2014). This study was based on primary data. Data was gathered using a closed-ended questionnaire. The questionnaire was based on a Likert scale to obtain responses from the target respondents, the Likert scale had a scale of 5 measurements (1 for strongly disagree, 2 for disagree, 3 for neutral, 4 for agree and 5 for strongly agree). The questionnaire had four sections, the first section contained the demographic details of the respondents, the second section had questions on the first research question that is to what extent does board size affect business performance of Kenya Commercial Bank, the third section had questions on the effect of director’s equity interests on performance and the fourth section have questions on how gender diversity
influences performance of Kenya Commercial Bank. The use of a questionnaire for this study has been justified since it only captured primary data from the respondents.

3.5 Research Procedures

Research procedures allude to the point by point portrayal comprising of bit by bit manage on how the investigation ought to be completed to meet the planned targets of the examination adequately (Hamlin, 2013). For this study, upon the approval of the project proposal by the supervisor, a letter was drafted to the director of the human resources manager of Kenya Commercial Bank asking for permission to conduct the study on their premises. Upon the director’s approval, a pilot test was done using 10 respondents that make up 10 percent of the sample size to determine the validity and reliability of the questionnaire and any weaknesses that were found, it was corrected before the questionnaire is administered to the respondents. The next step required the researcher with the help of research assistants to physically visit the office and locate the respondents for them to fill the questionnaires. A pick and drop method was used giving the respondents enough time to attend to all the questions that are in the questionnaire for a period of one week and they were collected the following week for data analysis. After collecting the questionnaires, the researcher counterchecked to ensure that all questions were answered, and any questionnaire that will have missing sections was returned to the respondents to seek the missing information. After which all the questionnaires were returned to the researcher for data analysis.

3.6 Data Analysis Methods

Data analysis method is the process through which the researcher reduces raw data into meaningful information that answers the study questions or objectives (Knudsen & Kjeldgaard, 2014). This study made use of both descriptive statistics and inferential statistics. Descriptive statistics was used to analyze percentages, frequencies, mean and standard deviation. Inferential statistics were used to examine the regression and correlation between the study variables and the findings presented using tables and figures.
3.7 Chapter Summary

The research methodology has been highlighted in this chapter. First, the research design that is explanatory research design was used, population and sampling design have also been presented a population of 146 employees on which a sample of 106 respondents has been drawn from. Purposive sampling technique was used in selecting the sample size. Data collection methods have been highlighted whereby the study made use of a closed-ended questionnaire to collect primary data. Research procedures depicting each step that the study involved has been presented and data analysis methods presented as well. Chapter four presents the results and findings.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

Chapter four presents the results and findings of the study based on the research objectives. The first section presents demographic information of the respondents followed by the findings on the extent to which board size affects business performance, findings on how the director’s equity interest affects business performance and lastly findings on how board gender diversity affects business performance.

4.2 Response Rate

This study had a response rate of 73% which was attributed by 77 questionnaires that were dully filled by the respondents. The questionnaires that were not attended to accounted for 27% as shown in Figure 4.1.

![Response Rate Pie Chart]

Figure 4.1: Response Rate

4.3 Demographic Information

General information of the respondents is highlighted in this section. The variables include; gender, respondents age, years in service, work department and the highest level of education.
4.3.1 Respondents Gender

This study represented both genders whereby 42% were female while 42% were female as shown in Figure 4.2. This implies that the organization has a diverse gender distribution.

![Figure 4.2: Respondents Gender](image)

4.3.2 Respondents Age

When the respondents were asked to indicate their age, 20.8% were above 48 years, 37.7% aged between 41-47 years, 16.9% aged between 34-40 years, 18.2% aged between 26-33 years and 6.5% aged between 18-25 years as shown in Figure 4.3. This implies that all the age brackets were well presented.

![Figure 4.3: Respondents Age](image)
4.3.3 Years in Service

When the respondents were asked to indicate the number of years they had been in service, 15.6% had worked for less than a year, 28.6% had worked between 2-4 years, 31.2% had worked for 5-7 years, 18.2% had worked for 8-10 years and 6.5% had worked for more than 10 years as shown in Figure 4.4. This implies that the majority of the respondents had sufficient experience.

Figure 4.4: Years in Service

4.3.4 Work Department

When the respondents were asked to indicate their work department, 14.3% worked in administration, 23.4% worked in Finance, 26% worked in the accounting department, 19.5% worked in operations, 13% worked in sales and marketing and 3.9% worked in human resources department as shown in Figure 4.5. This implies that the respondents had sufficient knowledge of the information sought in this study.
4.3.5 Highest Level of Education

In assessing the highest level of education of the respondents involved in the study, 31% indicated that they had a university degree, those with a diploma were 3%, 8% of the respondents had a doctorate degree and those with a master’s degree were 58% as highlighted in Figure 4.6. This implies that the respondents were able to interpret the information being sought in this study.
4.4 The Effect of Board Size on Business Performance

This study sought to determine the effect of board size on business performance. The findings are presented as follows:

4.4.1 Company Board Size and Performance

When the respondents were asked to indicate whether the company’s board size is crucial for business performance, 2.6% of the respondents strongly disagreed, 2.6% disagreed, 1.3 were neutral, 57.1% agreed and 36.4% strongly agreed as shown in Table 4.2.

Table 4. 1: Company Board Size and Performance

<table>
<thead>
<tr>
<th>Scale</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Disagree</td>
<td>2</td>
<td>2.6</td>
</tr>
<tr>
<td>Disagree</td>
<td>2</td>
<td>2.6</td>
</tr>
<tr>
<td>Neutral</td>
<td>1</td>
<td>1.3</td>
</tr>
<tr>
<td>Agree</td>
<td>44</td>
<td>57.1</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>28</td>
<td>36.4</td>
</tr>
<tr>
<td>Total</td>
<td>77</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.4.2 Collective Decision-Making

On the question board size of the organization ensures collective participation during decision-making, 42% strongly agreed, 1% disagreed, 4% were neutral and 53% agreed as shown in Figure 4.7. This implies that board size ensures collective participation during the decision-making process.

Figure 4. 7: Collective Decision-Making
4.4.3 Solving Agency Problem

When the respondents were asked whether board size is essential in solving agency problems in the organization, 4% disagreed, 1% were neutral, 36% agreed and 59% strongly agreed as shown in Figure 4.8. This implies that board size is essential for solving the agency problem in the company.

![Figure 4.8: Solving the Agency Problem](image)

4.4.4 Delegation

When the respondents were asked to indicate whether board size ensures effective delegation of tasks, 3.9% were neutral, 49.4% agreed and 46.8 strongly agreed as shown in Table 4.2. This implies that the board size ensures effective task delegation.

<table>
<thead>
<tr>
<th>Scale</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Neutral</td>
<td>3</td>
<td>3.9</td>
</tr>
<tr>
<td>Agree</td>
<td>38</td>
<td>49.4</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>36</td>
<td>46.8</td>
</tr>
<tr>
<td>Total</td>
<td>77</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.4.5 Transparency

When the respondents were asked to indicate whether board size enhances transparency in the organization, 1% strongly disagree, 4% disagreed, 45% agreed and 50% strongly agreed
as shown in Figure 4.9. This implies that boar size enhances transparency in the organization.

Figure 4.9: Transparency

4.4.6 Equality

When the respondents were asked to indicate whether corporate board size is a crucial factor to consider in fostering equality in the organization, 38% agreed, 57% strongly agreed, 4% disagreed while 1% was neutral as shown in Figure 4.10. This implies that corporate board size is a crucial factor to consider when fostering equality in the organization.

Figure 4.10: Equality
4.4.7 Decision-Making Process

On the question of whether corporate board size dictates the quality of decision-making in the organization, 60% agreed and 40% strongly agreed as shown in Figure 4.11. This implies that the corporate board size dictates the quality of decision-making in the organization.

![Figure 4.11: Decision-Making Process](image)

4.4.8 Implementation of Corporate Strategy

When the respondents were asked to indicate whether company board size is crucial for implementation of corporate strategy, 63.6% agreed and 36.4% strongly agreed as shown in Table 4.3. This implies that the company board size is crucial for implementing corporate strategy.

<table>
<thead>
<tr>
<th>Scale</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>49</td>
<td>63.6</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>28</td>
<td>36.4</td>
</tr>
<tr>
<td>Total</td>
<td>77</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 4.3: Implementation of Corporate Strategy
4.4.9 Organization Control

When the respondents were asked whether corporate board size enhances effective control of the company, 1.3% disagreed, 2.6% were neutral, 37.7% agreed and 58.4% strongly agreed as shown in Table 4.4. It implies that corporate board size is crucial for effective control of the organization.

Table 4. 4: Organization Control

<table>
<thead>
<tr>
<th>Scale</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disagree</td>
<td>1</td>
<td>1.3</td>
</tr>
<tr>
<td>Neutral</td>
<td>2</td>
<td>2.6</td>
</tr>
<tr>
<td>Agree</td>
<td>29</td>
<td>37.7</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>45</td>
<td>58.4</td>
</tr>
<tr>
<td>Total</td>
<td>77</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.4.10 Company Reputation

When the respondents were asked to indicate whether corporate board size enhances company reputation, 1% were neutral, 38% agreed, 58% strongly agreed while 3% disagreed as shown in Figure 4.12. This implies that the corporate board size enhances company reputation.

Figure 4. 12: Company Reputation
4.4.11 Leverage

When the respondents were asked to indicate whether corporate board size is essential for the firm’s leverage for credit facilities, 48% strongly agreed, 47% agreed, 2% disagreed and 3% strongly disagreed as shown in Figure 4.13. This implies that the corporate board size is essential for the company’s leverage for credit facilities.

Figure 4.13: Leverage

4.5 The Effect of Director’s Equity Interest on Business Performance

This study sought to determine the effect of the director’s equity interest on business performance. The findings are presented as follows:

4.5.1 Director’s Equity Interest

On the question of whether director’s equity interest is significant for the company’s business performance, 54% agreed, 42% strongly agreed, 3% were neutral and 1% disagreed as shown in Figure 4.14. This implies that the director’s equity interest is significant to business performance.
4.5.2 Profitability

When the respondents were asked to indicate whether directors’ equity interest influence company profitability, 5.2% disagreed, 70.1% agreed and 24.7% strongly agreed as shown in Table 4.5. This implies that the director’s equity interest influences profitability in the company.

Table 4.5: Profitability

<table>
<thead>
<tr>
<th>Scale</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disagree</td>
<td>4</td>
<td>5.2</td>
</tr>
<tr>
<td>Agree</td>
<td>54</td>
<td>70.1</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>19</td>
<td>24.7</td>
</tr>
<tr>
<td>Total</td>
<td>77</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.5.3 Investment Decisions

When the respondents were asked to indicate whether directors’ equity interest influences investment decisions in the company, 57% agreed and 43% strongly agreed as shown in Figure 4.15. This implies that directors’ interests influence investment decisions in the organization.
Figure 4.15: Investment Decisions

4.5.4 Wealth Maximization

On the questions of whether directors’ equity interests influence wealth maximization, 53% of the respondents agreed, and 48% strongly agreed as shown in Figure 4.16. This implies that the directors’ equity interests influences wealth maximization.

Figure 4.16: Wealth Maximization

4.5.5 Dividends

When the respondents were asked to indicate whether dividends were influenced by the directors’ equity interests, 26% strongly agreed and 74% agreed as shown in Figure 4.17. This implies that dividends to shareholders are influenced by directors’ equity interest.
4.5.6 Business Performance

On the question of whether directors’ equity interest is significant for the business performance of the company, 1% disagreed, 3% were neutral, 61% agreed and 35% strongly agreed as shown in Table 4.6. It implies that the directors’ interest is significant for the business performance of the organization.

**Table 4.6: Business Performance**

<table>
<thead>
<tr>
<th>Scale</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disagree</td>
<td>1</td>
<td>1.0</td>
</tr>
<tr>
<td>Neutral</td>
<td>2</td>
<td>3.0</td>
</tr>
<tr>
<td>Agree</td>
<td>47</td>
<td>61.0</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>27</td>
<td>35.0</td>
</tr>
<tr>
<td>Total</td>
<td>77</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.5.7 Setting of Corporate Goals

On the question of whether directors’ equity interest influences the setting of corporate goals, 53% strongly agreed and 47% agreed as shown in Figure 4.19. This implies that directors’ interest influences the setting of corporate goals in the organization.
4.5.8 Decision-making

When the respondents were asked to indicate whether the directors’ equity interest influences key decision making in the organization, 64% of the respondents agreed, 35% strongly agreed and 1% were neutral as shown in Figure 4.18. This implies that directors’ interests play a bigger role in key decision making in the organization.

Figure 4. 18: Setting of Corporate Goals

Figure 4. 19: Decision-making
4.5.9 Implementation of Corporate Goals

When the respondents were asked to indicate whether directors’ equity interests determine how corporate goals will be implemented in the organization, 60% of the respondents agreed, and 40% of the respondents strongly agreed as indicated in Figure 4.20. It implies that directors’ interests determine how corporate goals should be implemented at KCB.

![Pie chart showing 60% agree and 40% strongly agree](image)

**Figure 4.20: Implementation of Corporate Goals**

4.5.10 Accountability

On the question of whether directors’ equity interests enhance transparency and accountability in the organization, 66% agreed, 3% were neutral and 31% strongly agreed as shown in Figure 4.21. This implies that directors’ interests enhance transparency and accountability in the organization.
4.5.11 Monitoring Operations

When the respondents were asked to indicate whether directors’ equity interests enhances monitoring of organizational operations, 31% strongly agreed, 3% disagreed and 66% agreed as shown in Figure 4.22. This implies that directors’ interests enhance the monitoring of operations in the company.

Figure 4.21: Accountability

Figure 4.22: Monitoring Operations
4.6 The Effect of Board Gender Diversity on Business Performance

This study sought to determine the effect of board gender diversity on business performance at Kenya Commercial Bank. The findings are presented as follows:

4.6.1 Board Gender Diversity

When the respondents were asked to indicate whether board gender diversity has an impact on the company’s performance, 1% were neutral, 39% agreed and 60% strongly agreed as shown in Figure 4.23. This implies that board gender diversity has an impact on the company’s performance.

![Figure 4.23: Board Gender Diversity](image)

4.6.2 Leadership Capacity Building

On the question of whether board gender diversity enhances leadership capacity building in the organization, 43% agreed and 57% strongly agreed as shown in Figure 4.24. This implies that board gender diversity enhances leadership capacity building.
4.6.3 Equality in the Organization

When the respondents were asked to indicate whether board gender diversity enhances equality among workers in the organization, 3.9% disagreed, 57.1% agreed and 39% strongly agreed as shown in Table 4.7. This implies that board gender diversity enhances equality in the company.

Table 4.7: Equality in the Organization

<table>
<thead>
<tr>
<th>Scale</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disagree</td>
<td>3</td>
<td>3.9</td>
</tr>
<tr>
<td>Agree</td>
<td>44</td>
<td>57.1</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>30</td>
<td>39.0</td>
</tr>
<tr>
<td>Total</td>
<td>77</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.6.4 Diverse Viewpoints

When the respondents were asked to indicate whether board gender diversity influences diverse viewpoints on matters that are critical for the organization development, 1.3% disagreed, 3.9% were neutral, 36.4% agreed, and 58.4% strongly agreed as shown in Table 4.8. This implies that board gender diversity influences diverse viewpoints on matters that are critical for the organization development.
## Table 4.8: Diverse Viewpoints

<table>
<thead>
<tr>
<th>Scale</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disagree</td>
<td>1</td>
<td>1.3</td>
</tr>
<tr>
<td>Neutral</td>
<td>3</td>
<td>3.9</td>
</tr>
<tr>
<td>Agree</td>
<td>28</td>
<td>36.4</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>45</td>
<td>58.4</td>
</tr>
<tr>
<td>Total</td>
<td>77</td>
<td>100.0</td>
</tr>
</tbody>
</table>

### 4.6.5 Problem Solving

On the question of whether board gender diversity enhances problem-solving techniques, 44% of the respondents agreed and 56% strongly agreed as indicated in Figure 4.25. This implies that gender diversity enhances problem-solving techniques in the organization.

![Figure 4.25: Problem Solving Techniques](image)

### 4.6.6 Human Talent Attraction

On the question whether board gender diversity attracts human talent into the organization, 36% of the respondents agreed and 64% agreed as shown in Figure 4.26. This implies that board gender diversity attracts human talent into the organization.
4.6.7 Women Leadership

When the respondents were asked to indicate whether board gender diversity encourages women leadership, 48% agreed and 52% strongly agreed as shown in Figure 4.27. This implies that board gender diversity encourages women’s leadership.

4.6.8 Collective Decision Making

The respondents of this study were asked to indicate whether board gender diversity enhances collective decision making among workers in the organization, 42.9% agreed and 57.1% strongly agreed as shown in Table 4.9. This implies that board gender diversity enhances collective decision making.
Table 4.9: Collective Decision Making

<table>
<thead>
<tr>
<th>Scale</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>33</td>
<td>42.9</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>44</td>
<td>57.1</td>
</tr>
<tr>
<td>Total</td>
<td>77</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.6.9 Company Image

On the question of whether board gender diversity is crucial for the company’s image in the business environment, 69% agreed and 31% strongly agreed as shown in Figure 4.28. This implies that board gender diversity is crucial for the firm’s image in the business environment.

![Company Image Chart]

Figure 4.28: Company Image

4.6.10 Diverse Workforce

When respondents were asked to indicate whether board gender diversity enhances the diverse workforce in the organization, 39% agreed and 61% strongly agreed as shown in Figure 4.29. This implies that board gender diversity enhances diverse workforce.
Correlational Analysis

A correlational analysis was performed to determine the relationships that exist among the study variables both the independent variables and the dependent variable. The findings revealed that there exists a significant relationship between board size and business performance, $r (0.713); \ p \text{-value} < 0.01$. The findings of this study also revealed a statistically significant relationship between directors’ equity interests, $r (0.509); \ p \text{-value} < 0.01$. The findings show that there is a strong and significant relationship between board gender diversity and business performance, $r (0.816); \ p \text{-value} < 0.01$. The relationships among the study variables were all statistically significant as summarized in Table 4.10.

Table 4.10: Correlation Analysis

<table>
<thead>
<tr>
<th>Variable</th>
<th>Correlations</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Performance</td>
<td>Pearson Correlation</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>77</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Board Size</td>
<td>Pearson Correlation</td>
<td>.713**</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>77</td>
<td>77</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Directors’ Equity Interest</td>
<td>Pearson Correlation</td>
<td>.509**</td>
<td>.412**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>77</td>
<td>77</td>
<td>77</td>
<td></td>
</tr>
<tr>
<td>Board Gender Diversity</td>
<td>Pearson Correlation</td>
<td>.816**</td>
<td>.599**</td>
<td>.235*</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td>.040</td>
<td></td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>77</td>
<td>77</td>
<td>77</td>
<td>77</td>
</tr>
</tbody>
</table>

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

*. Correlation is significant at the 0.05 level (2-tailed).
4.8 Regression Analysis

A multiple regression analysis was conducted on the study variables to determine the level of relationship when the variables are combined. The findings in Table 4.11 revealed an adjusted R squared value of (0.796), meaning that about (79.6%) of variability in business performance at Kenya Commercial Bank can be attributed to board size, directors’ equity interests and board gender diversity.

**Table 4.11: Multiple Regression Model Summary**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.896a</td>
<td>.804</td>
<td>.796</td>
<td>.10729</td>
</tr>
<tr>
<td><strong>a. Predictors:</strong> (Constant), Board Gender Diversity, Directors’ Equity Interest, Board Size</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Analysis of Variance (ANOVA) revealed F- statistics value F (3, 73) = 99.595; p-value = 0.000; which implies that the variance mean of the study variables was statistically significant as summarized in Table 4.12.

**Table 4.12: Analysis of Variance**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>3</td>
<td>1.147</td>
<td>99.595</td>
<td>.000b</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>73</td>
<td>.012</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>4.280</td>
<td>76</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| **a. Dependent Variable: Business Performance**
| **b. Predictors:** (Constant), Board Gender Diversity, Directors’ equity interests, Board size |

The findings of this study revealed that board gender diversity has the highest Beta Coefficient β (0.611); p value = 0.000; followed by directors’ equity interest with a Beta Coefficient, β (0.268); p value = 0.000; and board gender diversity with a Beta Coefficient, β (0.237); p value = 0.001. All the coefficients p values < 0.05, meaning they were statistically significant as summarized in Table 4.13.
Table 4.13: Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>1.366</td>
<td>-3.233</td>
<td>.002</td>
</tr>
<tr>
<td></td>
<td>Board size</td>
<td>.208</td>
<td>.237</td>
<td>3.426</td>
</tr>
<tr>
<td></td>
<td>Directors’ Equity Interest</td>
<td>.468</td>
<td>.268</td>
<td>4.716</td>
</tr>
<tr>
<td></td>
<td>Board Gender Diversity</td>
<td>.617</td>
<td>.611</td>
<td>9.427</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Business Performance

The regression model for the variables relationship was established as follows:

Business Performance = 1.366 + 0.611BGD + 0.268 DEI + 0.237 BD

Where; BGD = Board Gender Diversity; DEI = Directors’ Equity Interest; and BD = Board Size

4.9 Chapter Summary

Chapter four has provided the results and findings of this study. The major findings of the study indicate that there exists a significant relationship between board size and business performance, r (0.713); p-value < 0.01. The findings of this study also revealed a statistically significant relationship between directors’ equity interests, r (0.509); p-value < 0.01. The findings show that there is a strong and significant relationship between board gender diversity and business performance, r (0.816); p-value < 0.01. Chapter five presents the study summary, discussion, conclusion, and recommendations.
CHAPTER FIVE

5.0 DISCUSSION, CONCLUSION AND RECOMMENDATION

5.1 Introduction
Chapter five presents the discussion, conclusion, and recommendations of the study based on the findings revealed in chapter four. The first section presents a summary of the study, followed by a discussion covering the second section. The third section presents the conclusion and fourth section presents recommendations of the study.

5.2 Summary
The purpose of the study was to examine the effect of corporate governance structure on the business performance of Kenya Commercial Bank. The study aimed to answer three research questions: firstly, to what extent does the size of the board affects Kenya Commercial bank’s business performance in Kenya? Secondly, how does directors’ equity interest affect Kenya’s commercial bank business performance in Kenya? Finally, how does board gender diversity affect Kenya Commercial bank’s business performance?

Explanatory research design was used to conduct the study, a population of 146 employees to determine a sample of 106 respondents. Purposive sampling technique was used in selecting the sample size. Data collection methods were highlighted whereby the study used a closed-ended questionnaire to collect primary data. Research procedures depicting each step used in carrying out the study have been presented and data analysis was done using SPSS software and findings presented in tables and figures.

The first research question sought to determine the effect of board size on business performance. The findings revealed that there exists a significant relationship between board size and business performance, r (0.713); p-value < 0.01. The second research question sought to determine the effect between directors’ equity interest and business performance. The findings of this study revealed a statistically significant relationship between directors’ equity interests and business performance, r (0.509); p-value < 0.01.

The third research question sought to determine the effect of board gender diversity on business performance. The findings show that there is a strong and significant relationship between board gender diversity and business performance, r (0.816); p-value < 0.01.
5.3 Discussion

5.3.1 The Effect of Board Size on Business Performance

One of the objectives of this study was to determine the effect of board size on business performance. The findings of the study revealed a significant relationship between board size and business performance. These findings are in line with (Chong & Tan, 2018), who argue that taking the consideration of the line of reasoning that Efficiency Structure theory attempt to portray, it evaluates that scale efficiency and improved managerial leads to a high concentration and then leads to high profitability. According to (Ramachandran, 2013) the use of meta-analysis of various banking industries, the study reported that a large board contributes to firm performance. Using a sample of banking firms in Malaysia, the report indicated that board size remains positively and significantly related to the performance of commercial banks. However, (Afrifa & Tauringana, 2015) suggest that only organizations with the well-differentiated product portfolio and large market share can earn a monopolistic profit and win over their competitors.

The findings of this study also revealed that board size is essential in solving agency problems. These findings confirm with those of (Bhat, 2017), who argues that one of the significant matters in finance and economics literature is that of the board size in solving agency issues. However, neither the financial press nor academic research provides any conclusive evidence on board size and business performance (Afrifa & Tauringana, 2015).

The findings of this study also revealed that board size enhances collective decision-making process in the organization. According to (Ghazali, 2010), the main sole significance of the board of directors is monitoring and advising in the firm. In reality, the ideology of advisory role involves means providing expert advice with the manager of the firm and having access to important information. Additionally, the number and size of the board of directors in the banking industries have influenced the better performance of an organization. For that matter, there are members of the board who may be either external or internal and both of them are important since they both bring expertise and good decision making in the firm (Reddy & Locke, 2014). According to (Nawaz, 2017), the larger the board size, the better the performance of the firm; this is due to the amount of expertise and valuable information that the size of the board has in its hand. A sound line of thinking is that the more the number of the border of director the greater the experience is available to make the strong and sound decision as far as the performance of the bank segments is concerned.
The findings also revealed that board size is crucial for making important decisions pertaining to investments in the company. The findings are in line with (Ofoeda, 2017) who suggests that the role of the board of directors is to decide on important issues, to manage the management’s behavior in favor for the owner’s welfare, hiring of administrative officers and oversee that firms stick to the rules while taking responsibility for supervising and managing. According to (Rosa & Bernini, 2018), the board uses its powers responsibilities and powers in the structure of main contracts, legislation, policies, and regulations and represents the firm in line with the authority given to it at shareholders’ annual meeting. The economic value of a firm can further be improved as the board performs its functions of supervising the operations of administrative officers and selecting the staff of an organization, monitoring and appointing the activities of an autonomous auditor to increase the value of the firm.

The findings show that board size enhanced the monitoring of operations in the organization. These findings are in line with (Hakimi, 2018), who indicates that monitoring is another important function that remains carried out by the board of directors. Moreover, this function is critical is barely important since it involves the monitoring of the managers in the firm to ensure that they follow and adhere to maximizing shareholders’ interests. In addition to that (Powell & Baker, 2009), in essence, the board members who are outsiders since they provide an objective and independent view that is divergent from those of the insider board of directors, who are nondependent from the manager in a firm. However, (Nyamongo & Temesgen, 2013) argue that a larger number of the board of directors tends to drag back the performance of an organization and decision making quality.

5.3.2 The Effect of Directors’ Equity Interest on Business Performance

This study sought to determine the effect of directors’ equity on business performance. The findings revealed a significant relationship between directors’ equity interest and business performance. According to (Hutchinson & Gul, 2012) they investigated the effect of the director’s equity on bank profitability, it evaluated that ownership of individuals happens to have a positive impact on the performance of banking industries. In the study, the author revealed that there is a positive correlation between directors’ share ownership and firm performance. They also argued that allowing the board of directors to have a stake in the organization leads to a motivation of improving performance metrics and to also have the interests of the shareholders at heart. In addition to that (Egbunike & Odum, 2016) a study
that carried out on the performance of banks in Nigeria clearly showed that there is a positive significant correlation on the impact of the director’s equity interest on the bank performance. In that point of view, the empirical study suggested that persons who are part of the bank’s management and have equity ownership remains compelled to business interest to manage them efficiently and leads to improvement in performance.

The findings revealed that it directors’ equity interest enhances profitability in the organization. According to (Liao, 2018), agency issues do have a negative impact on the value of the firm while managerial ownership has proven to be a solution to this conflicting interest. However, a high percentage of shares that are held by managers results in a reduction in the effectiveness of external governance structure despite other studies indicating that there is non-linear relationship between managerial ownership and the performance of the company. Additionally, not forgetting the study that remains carried out to study the effect of the total number of the director’s equity on the performance of their organizations, this study showed that there is a significant and positive association between commercial bank performance and directors’ equity interest and concluded that the directors’ equity interest in improving the performance of banks. Conversely, the same study found out there is a negative impact on the connection that exists on the composition of the director’s board and the bank's performance (Alves, 2011).

Furthermore, the findings of this study show that directors’ equity interest enhances wealth maximization. These findings are in line with (Boateng, 2015), who argues that corporate governance is concerned with the processes and structures that are set to through which members interested in the overall well-being of the company take measures in protecting the interests of stakeholders. According to (Huang & Tompkins, 2010), one of the most noteworthy components of corporate administration that got consideration and truly experienced changes is the top managerial staff. The governing body is looked like a group of people that have obligations of driving and coordinating the organization with its essential target being to secure the interests of investors.

The findings of the study revealed that the director’ interests are crucial in formulating corporate goals. According to (Fang & Whidbee, 2013), a governing body is answerable for defining corporate objectives which target understanding the long haul an incentive for investors. The top managerial staff is answerable for assessing the fittingness of the procedures and methodologies taken by the administration interpreting the corporate
objectives. Guaranteeing a viable execution of the organization procedures, the board should screen intently its encouraging through exploring cautiously the exhibition of the administration with the point of fulfilling or rebuffing the administration. The accomplishment of the board in releasing its guardian obligations to working intimately with the administration would anticipate it to expand the abundance of investors (Bhat, 2017).

Also the formation of a governing body is to screen the presence of the organizations with the goal that the interests of the investors are ensured. It is in this manner anticipated that if the board plays out its obligations adequately, the estimation of the organizations is anticipated to increment and the abundance of the investors will be improved as needs be (Lassoued, 2018). Researchers of corporate governance have concerned as to how to address the principal-agent problem, which arises from the separation of ownership and control. The recent financial turmoil in Asia in the late 1990s and high profile scandals in companies like Enron, WorldCom, and other related companies gained policymakers investors, academics, and other stakeholders both in public and private sectors, to take interest in the campaign for good corporate governance. The challenges from these recent events have pressured various measures across the globe (Afrifa & Tauringana, 2015).

5.3.3 The Effect of Board Gender Diversity on Business Performance

This study sought to determine the effect of board gender diversity on business performance. These findings confirm with (Pucheta-Martínez, 2018), arguing that the main mandate of the board of director is to ensure that integrity in the corporate’ financial reporting and accounting systems as speculated by the Organization of Economic Development, this narrows down to includes the appropriate systems of control are in place and the independent audit. Particularly, these are systems of operational and financial control, risk management and compliance with relevant standards and the law. In efforts to fulfill their role and mandate, the board of directors needs to have gender diversity. According to (Martin & Roper, 2008), diversity is a crucial part of the board of diversity. In that point of view, the main function of the boards in this context is to ensure that they have their rights mixed to provide different perspectives. The board that tends to have more women tends to have more perspectives and skills as compared to the board that has more men. Logical enlightenment for this line of reasoning is that women are prone to diversity
ability to deal with more critical situations even though they remain stereotyped with some of the imagery in the modern societal backgrounds (Jizi, 2017).

The findings show that board gender diversity is crucial for leadership capacity building in the organization. According to (Gatsimbanyi, 2015), gender diversity remains to be a primary form of internal control mechanism in the corporate industries. Therefore, it is the responsibility of the board of directors to ensure that they supervise, appoint, and enumerate to the highest management in terms of leadership in the firm to articulate strategic formulations. (Egbunike & Odum, 2016), suggest that there is numerous studies that have been conducted in the examined the effect of the composition of boards on the performance of organizations mostly focusing on the 20 proportion of non-independent directors, board meetings, shares held by directors, the tenure of boards and board size.

This study found out that board gender diversity enhances women’s leadership in the organization. (Ghazali, 2010), argued that in reality, the area of concentration in the past study in the context of gender diversity has remained to be value, backgrounds, learning capability, and education. In this line of thinking, the concept of corporate governance, the ideology of gender diversity tends to take roots to the presence and inclusion of women in the board of directors in the organization, particularly in the banking sector. There is still a heated debate on the role that women play in ensuring that an organization attains its goals and objectives (Lafuente & Vaillant, 2018). For that reason, this ideology is still hitting the heads, managers, directors, and shareholders in the modern corporate environment is gender. The issues of gender in the corporate organization have remained brought to the discussion to the public through advocacy groups, media, investors, public policies. (Kılıç & Kuzey Cemil, 2016), despite the pressure on modern firms, the studies that have focused on the effect of board gender diversity on organization performance have had varying results. The relationship between organizational performance and board gender diversity has been inconclusive in non-financial industry studies.

The findings of this study show that board gender diversity encourages diverse viewpoints in the organization. (Martin & Roper, 2008), indicate that in contemporary society, the ideology of gender diversity remains to be inclusion or non-inclusion of women in the board of directors. Modern organizations are discussing and contemplating board gender diversity as a source of value in corporate governance and organization strategy. It has remained proved that gender diversity in boards promotes an improved comprehension of
the marketplace where an organization operates. Since the marketplace is diverse, gender diversity comes in handy for organizations to penetrate these markets.

In other word, this concept is a vital sense for an organization to achieve its goals and objectives, an idea of multigenerational and gender diversity need to stay considered (Gatsimbanyi, 2015). This concept helps managers exploit different tasks in terms of knowledge and experience. Several researchers have proposed that diversity in the board in terms of gender contributes to more problem solving as it provides an opportunity for different alternatives to remain evaluated concerning pros and cons. Thus, a board that incorporates board gender diversity is more likely to have a positive effect on its performance (Powell & Baker, 2009).

According to (Jizi, 2017), organizations with minorities and women on their boards had a direct impact on their performance. The empirical study that remains conducted by these authors in the back 1990s, the performance of the organization stayed measured by Return on Assets and Return on Investment. The study included large firms in all sectors in the United States and although they found positive results it was hard to attribute these findings to women directors owing to the inclusion of minorities in the sample. The minority also included male directors who were from minority groups or tribes.

The findings of this study revealed that board gender diversity is crucial for attracting human talent into the organization. According to (Ramachandran, 2013), in a study that presented penlights to the world in the line of the connection between board assortment and organization financial performance among firms listed in the India Stock Exchange. The study analyzed both nationality and gender of boards and found evidence to show clearly that women tend to have an impact on the performance of an organization and organization dependence ratio and attract talented individuals into the company’s workforce. A study among 9 industries listed in the Madrid Stock Exchange revealed that females improved the financial performance of the organization owing to skills, views and new ideas. The writer argued that females on boards led to the attraction of human talent and social visibility (Bhat, 2017).
5.4 Conclusion

5.4.1 The Effect of Board Size on Business Performance

This study sought to determine the effect of board size on business performance. This study has established that there exists a significant relationship between board size and business performance. Therefore, this study concludes that board size is significant in the firm’s performance since it enhances the delegation of tasks, implementation of corporate goals, transparency and collective decision-making process in the company. This study also concludes that board size is essential in monitoring organizational operations.

5.4.2 The Effect of Directors’ Equity Interest on Business Performance

This study sought to determine the effect of directors’ equity interest on business performance. The study has established a significant relationship between directors’ equity interest and business performance. Therefore, this study concludes that directors’ equity interest is crucial for the company’s profitability as well as wealth maximization in line with the visions of shareholders. This study concludes that directors’ equity interest is essential in the investment decisions that the company should pursue in the long run.

5.4.3 The Effect of Board Gender Diversity on Business Performance

This study has established a significant relationship between board gender diversity and business performance. Board gender diversity enhances diverse viewpoints in the organization since people from different backgrounds as well as gender are brought together to solve organizational issues. This study also concludes that board gender diversity enhances women’s leadership in the organization as the framework allows ladies to cultivate leadership abilities.

5.5 Recommendation

5.5.1 Recommendations for Practice

5.5.1.1 The Effect of Board Size on Business Performance

Since the findings of this study established a significant relationship between board size and business performance; this study recommends that Kenya Commercial Bank should embrace the size of its board to effectively deliver the desired business performance. This study recommends that Kenya Commercial Bank should align its board size in such a way that it supports the delegation of tasks effectively.
5.5.1.2 The Effect of Directors’ Equity Interest on Business Performance

This study has established a significant relationship between directors’ equity interests in business performance. Therefore, this study recommends that Kenya Commercial Bank should take into consideration the directors’ equity interest in implementing corporate goals in the organization. The study also recommends that the director’s equity interests should determine the investment decisions being pursued by the organization for their future sustainability.

5.5.1.3 The Effect of Board Gender Diversity on Business Performance

Since this study has established a significant relationship between board gender diversity on business performance. This study recommends that Kenya Commercial Bank should embrace gender diversity in the executive team to allow more diverse viewpoints while at the same time enhancing women’s leadership in the organization. This study recommends that the company should also embrace diversity throughout the organization to allow people from different backgrounds to work for the company.

5.5.2 Recommendations for Further Studies

This study focused on the effect of corporate governance on business performance at Kenya Commercial Bank. The same study should be carried out in other industries like manufacturing, education, construction, petroleum and gas, hospitality, retail, and real estate.
REFERENCES


Kithinji, A. M. (2010). Credit risk management and profitability of commercial banks in Kenya. UON: Nairobi


APPENDICES

APPENDIX I: LETTER OF INTRODUCTION

Rono Brian
P.o Box 1516
Nairobi

Dear Respondent,

RE: PARTICIPATION IN ACADEMIC RESEARCH
I am a graduate student at the United States International University – Africa in partial fulfillment of a Masters of Business Administration in Finance i am conducting a research “on effect of corporate governance on business performance of Kenya Commercial Bank.” Your bank has been selected to participate in the study as Kenya Commercial Bank. i would appreciate if i was granted access to data of the Kenya Commercial Bank the data shall be used for academic purpose only and it will be treated with confidentiality. in case you need any information on the study please feel free to contact the researcher through the contact information below.

Thanks for your cooperation.

Yours Faithfully
Rono Brian
0726-555-859/0780-555-859
APPENDIX II: QUESTIONNAIRE

SECTION I: GENERAL INFORMATION

This section contains general questions. Kindly answer to the best of your knowledge

1. Kindly indicate your gender
   Male ☐   Female ☐

2. Kindly indicate your age range
   18-25 Years ☐
   26-33 Years ☐
   34-40 Years ☐
   41-47 Years ☐
   48 and Above ☐

3. Kindly indicate the number of years you have worked at KCB.
   0-1 Years ☐
   2-4 Years ☐
   5-7 Years ☐
   8-10 Years ☐
   Above 10 years ☐

4. Kindly indicate your work department.
   Administration ☐
   Finance ☐
   Accounting ☐
   Operations ☐
   Sales and Marketing ☐
   Human Resource ☐

5. Kindly indicate the level of your education.
   Certificate ☐
   Diploma ☐
   Bachelor’s Degree ☐
   Master’s Degree ☐
   Doctorate Degree ☐
SECTION II: The Effect of Board Size on Business Performance

Kindly answer the following questions to the best of your knowledge using the following Likert scale. Strongly disagree = 1, disagree = 2, neutral = 3, Agree = 4, strongly agree = 5.

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<th>No</th>
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<td>6.</td>
<td>The size of the company’s board is a crucial factor for the performance of the business.</td>
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<td>7.</td>
<td>The board size of the organization ensures collective participation during decision-making.</td>
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<td>8.</td>
<td>Board size of the organization is essential in solving agency problems.</td>
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<td>9.</td>
<td>Board size of the company ensures effective delegation of tasks.</td>
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<td>10.</td>
<td>Corporate board size enhances transparency in the organization.</td>
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<td>11.</td>
<td>Corporate board size is a crucial factor to consider in fostering equality throughout the organization.</td>
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<td>12.</td>
<td>Corporate board size dictates the quality of decision-making process in the organization.</td>
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<td>13.</td>
<td>Corporate board size is crucial in implementing the company’s strategy.</td>
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<td>14.</td>
<td>Corporate board size enhances effective control of the company.</td>
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<td>15.</td>
<td>The company’s business reputation highly depends on the corporate board size of the organization.</td>
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<td>16.</td>
<td>Corporate board size is essential for the company’s leverage for credit facilities.</td>
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<td>17.</td>
<td>Corporate board size enhances the company’s business reputation.</td>
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SECTION III: The Effect of Director’s Equity Interest on Business Performance

Kindly answer the following questions to the best of your knowledge using the following Likert scale. Strongly disagree = 1, disagree = 2, neutral = 3, Agree = 4, strongly agree = 5.

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<td>18</td>
<td>Director’s equity interest are significant for the company’s business performance.</td>
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<td>19</td>
<td>Equity interests of the directors influences the company’s profitability.</td>
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<td>20</td>
<td>Director’s equity interests suggest the kind of investments the company should pursue.</td>
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<td>Wealth of maximization of the organization is influenced by the director’s equity interests.</td>
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<td>Dividends to the shareholders is influenced by the director’s equity interest.</td>
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<td>Director’s self-interest have a significant impact on performance of the business.</td>
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<td>The power confined to the directors influences the setting of corporate goals that the organizations should pursue.</td>
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<td>25</td>
<td>Director’s equity interest influences key decision-making in the company.</td>
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<td>26</td>
<td>Director’s equity interests determines how the company corporate goals will be implemented in the organization.</td>
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<td>27</td>
<td>Director’s equity interests influences monitoring of operations in the organization.</td>
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<td>28</td>
<td>Director’s equity interests enhances accountability and transparency in the organization.</td>
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SECTION IV: The Effect of Board Gender Diversity on Business Performance

Kindly answer the following questions to the best of your knowledge using the following Likert scale. Strongly disagree = 1, disagree = 2, neutral = 3, Agree = 4, strongly agree = 5.
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<td>29.</td>
<td>Board gender diversity has an impact on the company’s performance.</td>
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<td>30.</td>
<td>Board gender diversity enhances leadership capacity building which is essential for organizational development.</td>
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<td>31.</td>
<td>Board gender diversity enhances equality among workers in the organization.</td>
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<td>32.</td>
<td>Board gender diversity influences diverse viewpoints on matters that are critical for the organization’s development.</td>
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<td>33.</td>
<td>Board gender diversity enhances problem solving techniques in the company.</td>
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<td>34.</td>
<td>Board gender diversity attracts human talents from other organizations.</td>
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<td>35.</td>
<td>Board gender diversity encourages women leadership.</td>
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<td>36.</td>
<td>Board gender diversity influences collective decision-making in the entire organization.</td>
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<td>37.</td>
<td>Board gender diversity is crucial for company’s image in the business environment.</td>
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<td>38.</td>
<td>Board gender diversity allows the company to work with various people from different backgrounds.</td>
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<td>39.</td>
<td>Board gender diversity is crucial for the company’s talent acquisition.</td>
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Thanks very much for your participation
This is to certify that Mr. RONO CHERUIYO of United States International University Africa, has been licensed to conduct research in Nakuru on the topic: THE EFFECT OF CORPORATE GOVERNANCE ON BUSINESS PERFORMANCE OF KENYA COMMERCIAL BANK, for the period ending: 10-August-2018.

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