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ABSTRACT

This study was set out to analyze how corporate governance affect the financial performance of banks traded on Kenya's NSE. The particular goals included looking at the impact of board size, board independence, board gender diversity and the moderating effect of bank size *on financial performance, both directly and indirectly, for publicly traded commercial banks. Theories of agency, stakeholder theory and resource dependency served as the basis for this research. Twelve banks traded on the NSE between 2015 and 2021 were selected using a census selection method and analyzed using a descriptive study approach. The study was analyzed with panel regression methods. Diagnostic tools were used along with ethical considerations. According to the results, sound corporate governance has a positive consequence on banks' bottom lines. The results also displayed that a larger and more independent board is associated with better financial results, but a lack of gender diversity on boards has a negative beta value of 0.04. Because of this factor, commercial bank performance appeared to be highly varied. Furthermore, the results showed that the bigger the bank, the better its financial results were. According to the findings, NSE-listed financial institutions would benefit from increasing the size of their board of directors in order to achieve optimal financial performance. Bank management and policymakers should consider the influence of bank size when crafting financial rules to ensure the highest possible level of financial performance for banks. Bankers associations should also create rules to standardize asset quality management practices to maintain the sector's strong performance.*

***Key words**: Board Size, Board Independence, Board Gender Diversity, Bank Size, Nairobi Securities Exchange*

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INTRODUCTION

Corporate governance is essential for achieving organizational performance. As a result, it is critical to emphasize it in company governance. Solid governance is critical to a company's effective functioning (Kwambai, 2013). It establishes the framework for ensuring the standards of the directors' choices. Sustained companies are built on sound, correct judgment, which allows them to produce long-term value (Bassem, 2009) more successfully. It emphasizes on the methods and processes for conducting a company's operations to achieve its objectives, as well as protecting stakeholders' faith in the firm (Liu *et al*, 2013). The untimely demise of firms such as Parmalat and Enron in the UK and in America because of weak corporate governance has heightened the necessity to give focus to corporate governance. Furthermore, following the Cadbury (1992) committee on governance report on financial aspects, which demonstrated that excellent governance corresponds to improved efficiency, the literature on corporate governance and financial performance has grown. The Cadbury (1992) committee proposed that the United Kingdom Corporations guarantee there should be at least 3 external directors, and that the CEO / Chairman posts should be held by other people (Chege, 2021).

The CEOs of Oceanic, Afribank, and Intercontinental Banks were charged and convicted of high-level embezzlement in Nigeria, whilst Cadbury PLC's CEO and Lever Brothers, an Anglo-Dutch business, were convicted of distorting their income reports in billions of dollars of money laundering cases across Africa (Osemene & Fakile, 2019). The failure of the South African Reserve Bank was also placed largely on the bank's governance mechanisms, raising doubts as to whether the bank's board members were sufficiently prepared to take on the mantle. According to Agyemang (2020), the poor performance and failure of numerous banks in Ghana, such as UT Bank and Capital Bank, has necessitated the implementation of significant corporate governance measures to oversee executives and give adequate accounting procedures. As a result, several academics, authorities, and multilateral agencies have suggested that poor corporate governance and increased bank risk-taking are two of the most significant causes of the financial crisis (Mavrakana & Psillaki, 2019).

Banks in developing nations like Kenya are key providers of financial resources for majority of individuals and institutional firms. They also present various payments platforms by enabling firms and individuals towards the settlement of transactions. Notably, a high portion of savings in an economy comprises of deposits in financial institutions which are commercial banks dominated (Mafumbo, 2020). In the context of Kenya, the financial sector is dominated by commercial banks and as such, bad performance and collapse in this sector holds potential multiplier effect on the entire economy (Kamande, 2017). This is as bankruptcies occurrences which take place within the financial sector have. Several banks have collapsed in Kenya like Dubai Bank in 2015, Imperial Bank in 2015, Prudential Bank, Trust Bank, Euro Bank, Charterhouse Bank and Chase Bank in 2016 due to bad performance resulting it from governance (Gathaiya, 2017). For example, Chase bank provided a ridiculous loan of about KES 1.35 billion to its directors, to show the seriousness of these governance concerns (USD 13.5 million). This is not a typical loan for workers and associates. Chase Bank did in fact, have a borrowing program for employees. KES 1.9 million was the average loan size (USD 19,000).

Corporate governance in banking refers to various mechanisms used by Central Bank of Kenya in its supervisory role. Corporate governance enables smooth running and decision-making process for all stakeholders involved in the organization (Meah & Chaudhary, 2019). Corporate governance ensures that objectives are met by ensuring social, regulatory and market environment processes are met to maximize shareholders' value. Corporate management attempts to build a suitable, robust,

and focused organization (Mwendia, 2018). Corporate Governance possesses fundamental practices used in organizations. The diversity of the board, its independence, the directors' supervisory role, and board size diversity are thus used to conceptualize corporate governance in this study. According to Pervan *et al*. (2015), bank size is thought to hold a positive substantial link with bank performance, implying that larger banks should have higher financial performance since they enjoy economies of scale. According to (Wasike, 2012), performance relates to the measurements certain task as well as the action of executing of the same.

The Nairobi Stock Exchange (NSE) is a corporate entity formed under Kenyan legislation under the Companies Act (CAP 486), and it is made up of all certified stockbrokers. The authorities offered a 20% stake in the NSE to private investors in 1988. The CMA of Kenya regulates the NSE and guarantees that featured firms follow the rules. The NSE is primarily concerned with facilitating trade clearance procedures for financial instruments like contracts and shares (Olang, 2017). To date, NSE has listed a total of 65 companies (NSE, 2020). Tier 1 banks are large important financial institutions in Kenya with billion dollars' worth of assets billions with certainty of non-bankruptcy. Tier 2 consists of medium-sized banks, whereas Tier 3 consists of tiny banks. In 2016, the number had climbed to 44. Nonetheless, several banks, such as Imperial, Chase and Dubai Banking institutions have had problems that have resulted in bank closures and involvement by the Central Bank. Other banks have merged recently, such as Commercial Bank of Africa and NIC Bank merging to form NCBA, and KCB acquiring National Bank of Kenya, bringing the total number of banks in Kenya to 42 (CBK, 2020).

The Central Bank of Kenya is empowered under Section 33(4) of the Banking Act to establish instructions and regulations for institutions to ensure sustainable financial and banking stability. The Guideline is designed to establish the minimum standards that direct stakeholders and the banking institution itself must meet in order to promote proper banking standards of conduct and sound banking practices, as well as ensure that they carry out their duties and responsibilities with clarity, effectiveness, and assurance. The Guideline's general concepts, standards, and obligations are based on international best practices in corporate governance.

Statement of the Problem

Commercial banks over the years have been experiencing declining financial performances. Central Bank Kenya reports (2015-2019) their ROE has been on a decline. In the year 2015, the ROE was reported at 23.8% while in 2016, it was reported at 24.4%, therefore indicating a decreasing trend. In the 2017, the ROE was reported at 20.6% which indicates a further decrease. In the year 2018, the level of ROE of commercial banks in Kenya was 22.5%. Also, additional decrease was further witnessed in the year 2019 as ROE was reported at 21.8%. From ROE, they have maintained a decreasing trend as was reported in 2017 at 20.6% which is significantly low (World Bank, 2020). Kenya's banking industry has been recently hit by financial crisis which led to closure of Imperial Bank and the subsequent problem at Chase Bank, with corporate governance being mentioned as one of the reasons for banking crises. The banks were impacted by the financial crisis, which highlighted concerns about the banking industry's corporate governance policies.

Empirical evidence indicates a negative indication of corporate governance on financial performance while others indicating a favorable one. According to Hulya, 2016 organizations with a strong company governance ratio have a higher total asset and return on equity than those with a reduced level. According to Kalu (2016), there is an association among corporate governance and financial performance. According to Adam (2014) and Adebayo (2013), corporate governance factors such board gender diversity; size and independence have a favorable association. Conversely, Fernández Ménde (2017) and Tai (2015) refuted the assertion, claiming that corporate governance parameters were inversely associated to performance of firms. Other studies

were carried out in different countries, Assenga (2018) looked at corporate governance and revenue performance in Tanzania, Olayiwola (2018); Oludele (2016), focused on Nigerian enterprise performance in relation to corporate governance and also Anis et al (2017) conducted the research among Egyptian listed companies. Some other studies which were carried out in Kenya looked at other sectors but not the commercial banks, like Jepkemboi (2017) which centered on insurance firms.

The lack of agreement amongst scholars in demonstrating how corporate governance affects financial performance of commercial banks, as well as differences in environmental regions and industries, are some of the reasons to undertake further research in this field. In addition, most of the scholars did not consider a moderating variable; this research bridged that gap by including bank size as a moderating variable. In this regard, the researcher set out to investigate how corporate governance affects the financial performance of listed commercial banks on Nairobi Securities Exchange (NSE).

Objectives of the study

The purpose of this research was to analyze the impact that corporate governance on the fiscal performance of banks traded on the Nairobi Stock Exchange in Kenya. The specific objectives were;

- To determine how board size influences financial performance of commercial banks listed at the Nairobi Securities Exchange, Kenya.
- Find out how board independence influences financial performance of commercial banks listed at the Nairobi Securities Exchange, Kenya.
- Check on the outcome of board gender diversity towards financial performance of commercial banks listed at the Nairobi Securities Exchange, Kenya.
- To examine the moderating effect of the bank size on the relationship between corporate governance and financial performance of commercial banks listed at the Nairobi Securities Exchange, Kenya.

The research was set to disprove the following hypothesis:

- **H_{01}**: Board size "has no significant influence on financial performance of commercial banks Listed at the Nairobi Securities Exchange, Kenya."
- **H_{02}**: Board independence "has no significant influence on financial performance of commercial banks Listed at the Nairobi Securities Exchange, Kenya."
- **H_{03}**: Board gender diversity "has no significant influence on financial performance of commercial banks Listed at the Nairobi Securities Exchange, Kenya."
- **H_{04}:** Bank's size "has no significant moderating effect on the relationship between corporate governance and financial performance of commercial banks Listed at the Nairobi Securities Exchange, Kenya."

LITERATURE REVIEW

Theoretical Review

Agency Theory

The theory as advanced by Meckling and Jensen (1976) acknowledges that the associations between principal and agent present a point for discussions in the field of corporate governance. Modern firms are largely affected by the separation of ownership as well as control which makes them to be managed by professional managers (that is, agents) that are not accountable to dispersed shareholders (Martin, Wiseman & Gomez-Mejia, 2019). The theory holds the suggestions that various mechanisms of reducing agency problems exists in the context of the firm. Mechanism of managerial incentives compensates the efforts of managers as serving the interests of owners. Such mechanism entails dividend mechanism which leads to decrease in the possible intention of managers to engage in over investment decisions which will be financed by internal free cash flows; bonding mechanism leads to the decrease in moral hazard by managers that

largely occur in cases where they are not restricted by bond contracts as well as bankruptcy risks.

Stakeholder's Theory

It is rooted on the assertion which holds that several groups influence and are influenced by the decisions and activities of firms. Stakeholders in this context are individuals and groups that are benefiting from or are being harmed by, and those that their rights are respected or violated by, actions of corporate entities. These stakeholders in addition to shareholders cut across various groups which include employees, creditors, suppliers, customers as well as the environment (communities) at large (Donaldson & Davis, 1991). The theory holds that firms have the responsibility of carrying out social duties for purposes of ensuring that the collective and varying interests of all groups affected due to their decisions and activities are considered (Mbalwa, 2015). This is as the goal of the firm rests on achieving maximum performance while satisfying all principal stakeholders. It is therefore importance to lay emphasis on the fact that shareholders remain just one of the several groups of stakeholders affecting and being affected by the activities of firms (Aganyo, 2014).

Resource Dependency Theory

The assertion of Pfeffer and Salancik (1978) brought forth the resource reliance hypothesis. According to the resource dependency hypothesis, supervisors contribute significantly to gaining exposure to systems and the external environment. In line with the theory, board members are viewed as an institution's resource professional in relation to information, skill, and efficiency, as well as proximity to major stakeholders and clients (Pfeffer & Salancik, 1978). Board directors are tools for establishing linkages with the external world designed to help the institution in aspects where there has been a gap in knowledge and guarantee the attainment of institutional targets (Muchemwa, Padia & Callaghan, 2016)

Financial specialists on resource dependency believe that a well-diversified board with enough external independent members can lead to improved firm profitability, especially during periods of global uncertainty whenever the degree of institution dependence grows (Lawal, 2012). According to the RDT, a good board would be made up of individuals with a range of external contacts, such as business specialists, maintenance specialists, and public figures, who can help the company have complete access to essential assets (Dharmadasa, Gamage & Herath, 2014).

Empirical Review

Assenga (2018) investigated the influence of board qualifications on Tanzanian enterprises' revenue performance. External CEOs, CEO duality, gender preference decent variety, board competency and size of the board were all factors considered by the board. It was given a limited frame of 2006-2013 to reach a target population of 80 businesses. Collection of information from dispersed publications was acquired, as well as crucial information from twelve key partners via a semi-structured survey. Managers should be aware of the board outcome relationship, according to the report. The investigation had a contextual flaw in that its study was carried out in Tanzania and this study will be carried out in Kenya with the study incorporating the presence of a moderating variable.

The examination of the connection amongst "corporate governance practices" and "firm performance" was done by Zabri, Ahmad, and Wah (2015). Board independence was identified as the independent variable while ROA and ROE are performance metrics which are dependent in nature. Inferential and descriptive analysis was however used for analysis. The conclusion was that board independence has no link with overall performance. This study was conducted in Malaysia using 100 listed companies, this study will be carried out in Kenya using listed commercial banks.

In Kenya, Jepkemboi (2017) studied how board diversity influences the financial success of insurance firms. A descriptive mode of design was adopted in this study and the sample contained 20 insurance firms. For the period 2012-2016,

secondary category data was collected from publicized reported financial outlook. The findings noted that there is a solid, substantial, and favorable impact of gender diversification, that is, a rise in female board, and earnings per share, that enhanced diversity leads to greater profitability, and that an increase in international executives leading to a rise in return on assets. The examination was done on insurance firms but for this study it will be NSE listed commercial banks.

Nasserinia (2014) conducted research on the primary performance drivers of Japanese banks. During the global financial crisis, internal, market, and eternal variables were evaluated. In this study, net- interest margin (NIM) was used as "a proxy for performance." The outcomes of the research examination showed that bank's size had a favorable and significant influence on bank performance. However, the findings are not generic but only applicable to Japanese firms. As a result, the ongoing review will concentrate on Kenyan commercial banks authorized by CBK and publicly listed at the NSE.

Conceptual Framework

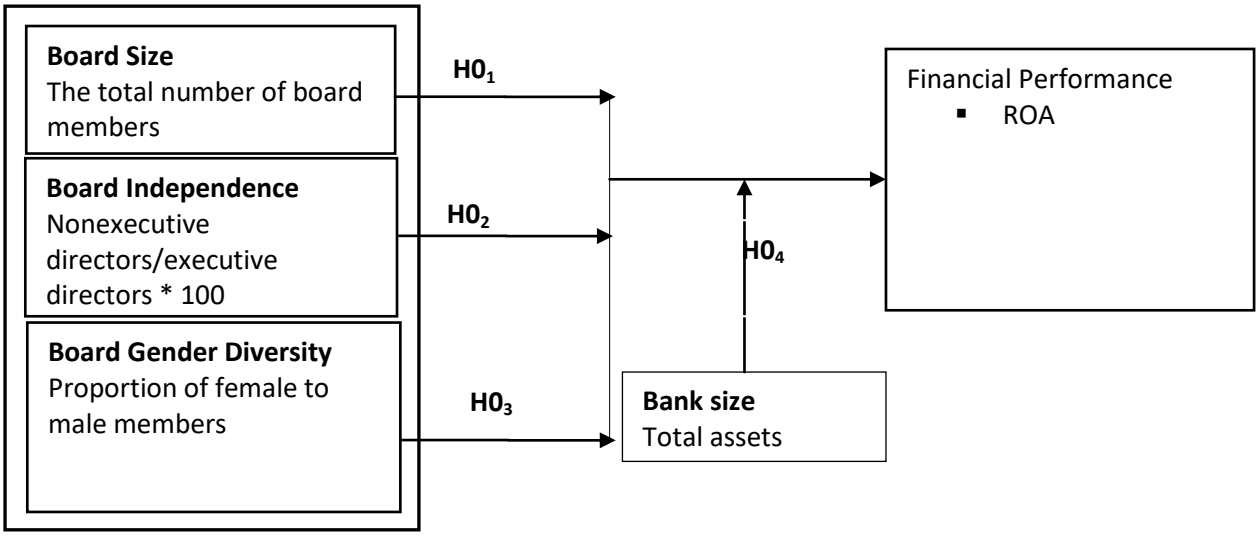

Figure 1: Conceptual Framework

METHODOLOGY

The study adopted descriptive research design. As Yin (2010) points out, descriptive design provides precise measurement and reporting of given phenomena and elements under investigation. The study used the 12 listed commercial banks on NSE, Kenya and a 7-year time series assessment of financial data from January 1, 2015 to December 31, 2021 was done. The study used a census approach. Data Collection Instrument were the secondary data gathered from accounting information of listed banks that were audited and evaluated by KNBS, NSE, and CBK between 2015 and 2021, as well as from other regulatory bodies. Authorization consent in form of a letter was obtained from the researcher's University after which a research permit was collected from NACOSTI. The secondary sources of data included commercial banks audited financial statements and CBK and NSE annual reports on the study variables.

FINDINGS AND DISCUSSIONS

Diagnostic tests

Normality Test

The level of normalcy was evaluated with use of "the Shapiro-Wilk Test." This test is more dependable than others for assessing whether or not data fall within the usual range. In the event that would be less than 0.05, the data meaningfully deviates from the dispersion that was expected, as seen in Table 1.

Table 1: Normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	Df	Sig.
RoA	.228	11	.000	.899	85	.000
Size of the board	.211	11	.000	.822	85	.000
Independence of the board	.095	11	.200*	.957	85	.046
Gender diversity in the board	.125	11	.031	.932	85	.004
Size of bank	.078	11	.200*	.972	85	.236

Multicollinearity Test

Table 2 summarized the findings of the multicollinearity analysis. Since the variance inflation factors (VIF) did not reach 10, which is a significant finding, the results suggest that there is no multicollinearity between the variables that are being dependent on and the variables that are being independent of one another.

Table 2: Multicollinearity

Model		**Collinearity Statistics**	
		Tolerance	VIF
1	Size of Board	.659	1.518
	Independence of the Board	.670	1.492
	Gender diversity in the board	.732	1.366
	Size of Bank	.861	1.162

Autocorrelation

According to the findings of the autocorrelation test, the value of 1.723 indicates that there is a positive autocorrelation, as can be shown in Table 3 below.

Table 3: Autocorrelation

Model Summary[b]	
Model	Durbin-Watson
1	1.723[a]

Statistical Analysis

Table 4: Statistical Analysis

	N	**Min**	**Max**	**Mean**	**Std. Dev**	**Skewness**	**Kurtosis**	**Std. Error**
Boardsize	12	6	11	8.5	2.221	0.354	-1.041	0.552
Board independence	12	33%	86%	60%	12%	0.226	-0.541	0.552
Board Gender Diversity	12	0.0%	50%	16%	12%	0.29	-0.645	0.552
ROA	12	-2.9%	5.2%	2.1%	1.7%	-0.827	0.519	0.552

According to the data, the smallest possible board size is six, while the largest possible board size is eleven. The average size of a board was eight, and the standard deviation was two. The return on assets, which serves as a proxy for bank performance, can range anywhere from -2.9% to 5.2%, with a return of 2.1% serving as the average. According to research done on board diversity, there are around 16 percent of a board's total membership that is comprised of female directors. The lowest possible value for the statistic representing the board's independence is 33%, while the highest possible value is 86%. The average percentage of independent members serving on bank boards is sixty percent, with the standard deviation at twelve percent.

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Correlation

Table 5: Correlation

		Size of Board	Return on Assets	Gender diversity	Independence of the Board	Size of Bank
Board Size	Pearson Correlation	1	0.21	.383**	0.17	0.27
	Sig. (2-tailed)		0.07	0.00	0.15	0.05
	N	12	12	12	12	12
Return on Assets	Pearson Correlation	0.21	1.00	-0.18	0.11	0.15
	Sig. (2-tailed)	0.07		0.12	0.35	
	N	12	12	12	12	12
Gender diversity	Pearson Correlation	.383**	-0.18	1.00	0.14	-0.14
	Sig. (2-tailed)	0.00	0.12		0.23	0.23
	N	12	12	12	12	12
Independence of the Board	Pearson Correlation	0.17	0.11	0.14	1.00	0.15
	Sig. (2-tailed)	0.15	0.35	0.23		0.35
	N	12	12	12	12	12
Size of Bank	Pearson Correlation	0.27	0.15	-0.14	0.15	1.00
	Sig. (2-tailed)	0.05		0.23	0.35	
	N	12	12	12	12	12

The study's findings revealed that sizes of the bank, independence, and size of the board have a moderately significant association with financial performance as assessed by return on assets. The correlation coefficients for each of these variables are 0.11, 0.21, and 0.15 respectively. Yet, a negative but small association can be shown between board diversity and return on assets. Both size and diversity of the management board have correlation coefficients of 0.383 with board independence, and board diversity has a correlation coefficient of 0.14 with board independence. These correlation coefficients indicate a feeble link between the size and independence of the management board.

Regression Analysis

Size of board

Summary of the model

According to the results, the R statistic is 0.213, and the R square value is 0.046. As a result, there is a moderately weak relationship between the number of board members and financial performance. Also, the model is able to account for 4.6% of the variance in the dependent variable, which is the return on assets relative to the mean as shown in Table 6 below.

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Table 6: Summary of the model

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.213[a]	0.046	0.032	1.65%

Variance Analysis

The calculated values for these variables are f = 3.44 and p = 0.068, hence the results are statistically significant. The significance of 0.068 is just above the minimum required value of 0.025. Thus, the model's attempt to explain the connection between board size and return on assets is unimportant as shown in table 7 below.

Table 7: Variance Analysis

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9.32	1	9.32	3.44	.068[b]
	Residual	195.293	82	2.71		
	Total	204.613	85			

Coefficients of the model

According to the model coefficient, an increase or decrease in the size of the board results in an equivalent increase or decrease of 0.161. Hence, "the number of directors on a board has a beneficial effect on the financial performance of banks under study as shown below in Table 8."

Table 8: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficient	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.585	0.821		0.71	0.48
	Board size	0.161	0.087	0.21	1.85	0.07

Gender diversity in company boards and financial performance

Summary of the model

According to the model, a gender diverse workforce and strong financial performance have a R value of 0.182, which implies a moderately positive association between the two as showed below in Table 9.

Table 9: Summary of the model

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.182[a]	0.033	0.02	1.66%

Variance Analysis

According to the findings, the f statistic is 2.46, and the significance level is 0.121. Due to the fact that the research was carried out at a confidence level of 95%, the significance of this finding is not within the crucial level of 0.025 as shown below in Table 10.

Table: 10: **Variance Analysis**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.768	3.00	6.77	2.46	.121[b]
Residual		197.844	82	2.75		
Total		204.613	85			

Coefficients of the model

According to the research, it was clear to note that lack of gender diversity in the boards of directors of financial institutions results in a financial

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performance of 2.45. Also, a change of one unit in the gender diversity variable results in a comparable decrease of 0.025 percentage points in financial performance showed in Table 11 below.

Table 11: Coefficients

Model		Unstandar dized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.45	0.31		7.87	0.00
	Gender diversity	-0.025	0.016	-18.20%	-1.6	0.12

Independence of the board

Summary of the model

The findings indicated that R is 0.111. This suggests that there is a favorable connection between "the independence of the board of directors" and the performance of the company's finances as shown below in Table 12.

Table 12: Summary of the model

Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate
1	.111[a]	0.012	-0.001		0.02

Variance Analysis

In the following table, which is labeled Table 13 you will find an analysis of the variation that exists between return on assets and independence of the board.

Table 13: **Variance Analysis**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.503	1	2.50	0.89	.348[b]
	Residual	202.11	82	2.81		
	Total	204.613	85			

Coefficients of the Model

According to the findings, the lack of independence on the part of the board of directors resulted in a financial performance of 1.154. In addition, a change of one unit in the independence of the board of directors resulted in a corresponding change of 0.015 in the financial performance as shown in Table 14 below.

Table 14: **Coefficients of the model**

Model		Unstandardized Coeficients		Standardized Coeficients	t	Sig.	Confidence Interval (95.0%) for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	1.154	1		1.17	0.25	-0.81	3.118
	Independence of the board of directors	0.015	0	0.11	0.94	0.35	-0.017	0.047

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Bank Size

Summary of the Model

The findings showed that coefficient of determination, was 0.257, which showed that the monetary performance in the regression model can be explained by 25.70% of the fluctuations in size. This is evidence that the size of the enterprises under consideration is a strong determinant of the link between financial performance and company governance. As a result, this size of firm is a significant element in affecting the profitability of firms as shown in Table 15 below.

Table 15: **Model Summary**

Model	R	R Square	Adjusted	RSquare	Std. Error of theEstimate
1	0.520[a]	0.270	0.257		0.02

Variance Analysis

According to the findings, the regression had a mean square of 0.009, while the residuals had a mean square of 0.000. Also, the sum square for the regression was 0.079, while the model residual was 0.212. The F-statistic for the variance analysis came in at 20.453, and the p-value ended up being 0.000. According to the findings presented, it is clear that the size of the bank by itself does not have a substantial role in modulating the relationship between corporate governance and financial success. It was determined that none of the variables being considered were relevant as displayed in Table 16 below.

Table 16: **Variance Analysis**

Model		Sum ofSquares	df	Mean Square	F	Sig.
1	Regression	0.079	1	0.009	20.453	.000[b]
	Residual	0.212	82	0.000		
	Total	0.291	84			

Coefficients of the Model

The findings indicate that the value of the coefficient was 0.2%, the value of t was 1.088, and the value of p was 0.277. As a consequence of this, the findings suggest that there is no substantial connection between the size of the bank and its overall financial success, as indicated by the data presented in Table 17.

Table 17: **Coefficients of the model**

Model		Unstandardized Coefficients"		Standardized Coefficients	t	Sig.	Confidence Interval for B (95.0%)	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	0.003	0.006		0.515	0.607	-0.009	0.015
	Bank size	0.002	0.002	0.060	1.088	0.277	--0.001	0.005

Regression Analysis

Summary of the model

According to the findings of the study, R equals 0.370. The data demonstrates that ROA has a considerable impact on both the number of members and the gender composition aspect of the board. This conclusion is connected to the observation that the board's stature and the financial institution's size do tie (R=0.137). As a direct result of this, the model is accountable for 13.7% of the changes all of which were found to be present in the factors which were the subject of the investigation.

Table 18: Summary of the Model

Model	R	R Square	Adjusted RSquare	Std. Error of theEstimate
1	.370[a]	0.137	0.1	1.59%

Variance Analysis

According to the findings, the regression had a mean square of 9.328, while the residuals had a mean square of 2.523. Also, the sum square (SS) for the regression was27.985, while the model residual was 176.627. The F-statistic for the variance analysis came in at 3.70, and the p-value ended up being 0.016. According to the findings presented, it is clear that corporate governance has a significant effect on financial success as shown in Table 19 below.

Table 19: **Variance Analysis**

Model		SS	df	MS	F	Sig.
1	Regression	27.985	3	9.328	3.70	.016[b]
	Residual	176.627	82	2.523		
	Total	204.613	85			

Coefficients of the Model

A beta coefficient of -0.30 is indicated by the results, which imply that the company's "financial performance, as assessed by return on assets ratio, implies a failing grade." Due to this, the absence of board-level corporate governance variables results in a poor position for financial performance. Increases in these factors have a favorable effect on financial performance as a result of their positive coefficients (0.01, 0.22, and 0.24 respectively). Board independence, bank size, and board size all have positive coefficients. Yet, it was discovered that gender variety has a negative 0.04 beta coefficient, which means that gains in gender variety has a negative effect on "financial performance" as displayed in Table 20.

Table 20: Coefficients

"Model		Unstandardized Coefficients		Standardi zed Coefficients	t	Sig.	Confidence Intervalfor B (95.0%)	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	-0.30	1.13		-0.27	0.79	-2.56	1.95
	Independence of the board	0.01	0.02	0.10	0.90	0.37	-0.02	0.05
	Size of the board	0.24	0.09	0.32	2.62	0.01	0.06	0.42
	Gender diversity in board	-0.04	0.02	-0.32	-2.63	0.01	-0.08	-0.01
	Size of bank	0.22	0.04	0.10	2.60	0.02	0.06	0.42

Discussion of Research Findings

The study set out to discover whether good corporate governance affect the overall financial performance of banks trading on the NSE in Kenya. The study's results show that the goal of the research has been achieved.

The results show that there exists a fundamental link between the "the board leadership" and how the listed banks perform fiscally" with an r=0.370. Correlation coefficients of 0.21, 0.15, and 0.11, respectively, show a positive relationship amongst board size, bank size, and board independence, and

return on assets. The female representation variable was found to be negatively correlated with financial performance. The research shows that listed can benefit financially when solid corporate governance practices are in place.

These results are consistent with the position taken by Mrabure and Abhulimhen-Iyoha (2020) that good "corporate governance" is essential for protecting shareholder value. Properly constituted boards, according to Castrillon (2021), will improve a company's bottom line. Evidence from the aforementioned studies corroborates this notion by showing a link of sound corporate governance as it related to success of financial institutions like banks. A negative association between profitability and female representation was found which a surprising finding was. This finding is supported by the findings by Ibrahim, Ouma, and Koshal (2019) who claim that a diverse workforce leads to better financial results.

The fact that different types of institutional investors have varied behaviors and attitudes towards companies with a high proportion of women on their boards explains why female representation on boards had a negligible effect on ROA. These findings follow in the footsteps of Moreno-Gómez, Lafuente, and Vaillant (2018), who found that female inclusion in the workplace leads to improved business outcomes although investors are hesitant to it into consideration when constituting company boards.

There was a 0.21 positive link between board size and the financial success of firms under the study. The beta coefficient for this variable in the regression model is also positive. The study found that boards of directors for firms under the study typically consist of 8 people (the least membership being six and the largest has eleven members). In light of this evidence, it is evident that banks with larger boards fare better financially. There is a positive correlation between board size, female inclusion, and autonomy. As a result, smaller boards would have a lower proportion of women than larger boards. Goel and Sharma (2020) found that the number of directors on a board positively affects company success.

A significantly positive coefficient of 0.11 was found between ROA and BOV (board independence). It is likely that there is a slight positive association amongst the two. Board independence has a positive 0.01 coefficient in the regression model parameters, suggesting that enhancements to this variable have beneficial implications on the financial health of firms. Qadorah & Hanim (2018) discovered that having an independent board of directors is beneficial to a company's bottom line. This is because of the benefits that independent directors are thought to bring to management. Independent directors also aid the board's objectivity in making strategic decisions by keeping management in check without bias (Kotishwar, 2011). Banks have between a third and eighty-six percent independent board members, as is mandated by the prudential requirements set forth by the regulatory agency.

CONCLUSIONS AND RECOMMENDATIONS

The purpose of this research, which was to "examine the relationship between corporate governance and the financial success of Kenyan banks traded on the Nairobi Stock Exchange (NSE)," was successfully accomplished. After taking everything into account, the researchers came to settle that effective corporate governance had satisfactory influence on the financial performance of banks. Financial performance was higher for larger financial institutions, boards with more members, and greater independence; nevertheless, the study found that boards with more women had a negative 0.04 beta value. Because of this factor, commercial bank performance appears to be highly varied (the positive beta coefficient). As a result, banks and other financial institutions ought to think long and hard about expanding the number of their boards of directors until they achieve optimal financial performance. If more people are able to join the board, more diverse perspectives and expertise can be brought in, which is expected to have a positive effect on the company's bottom

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line.

The study's recommendations noted that financial institutions listed on NSE should give serious consideration to expanding the size of their boards of directors until they reach the highest possible situation of financial performance. To ensure best degree of financial performance for banks, management of banks and other policy makers should take the impact of bank size into account when developing financial regulations. To ensure the banking industry continues to perform well, banker associations should also develop regulations to harmonize asset quality management procedures. This examination recommends that because board diversity has a major control on share returns, companies should make sure that their boards are widely varied and include members of all genders. This is so because diverse blend of genders on a board of directors conveys an image of inclusivity within a firm, and because it is a best practice, this excellent reputation leads to better performance and thus higher share returns.

Suggestion for Further Research

The research study concentrated on all Kenyan commercial banks that are listed on NSE. The study should be repeated in a different setting for a developing economy, the researcher advises. This will make it easier to recognize the outcome from a different, comparable setup and make a comparison. Surprisingly, the study also discovered a link between gender diversity and corporate performance. Additional study with a particular focus on this characteristic would be extremely instructive.

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