THE EFFECTS OF CORPORATE GOVERNANCE PRACTICES ON THE PERFORMANCE OF COMMERCIAL BANKS IN KENYA: A CASE STUDY OF KENYA COMMERCIAL BANK.

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RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF MANAGEMENT AND LEADERSHIP IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF BACHELOR OF MANAGEMENT AND LEADERSHIP OF THE MANAGEMENT UNIVERSITY OF AFRICA.

SEPTEMBER, 2017
DECLARATION

This project is my original work and has not been presented in any other university or institution for academic credit.

Signature:…………………………………… Date:…………………………………………

BERNARD GITHINJI
BML/8/00201/2/2014

This project has been submitted for examination with my approval as the appointed University Supervisor.

Signature:…………………………………… Date:…………………………………………

Dr. Leonard Wambua
The Management University of Africa.
DEDICATION

With inconceivable love, I dedicate this project to all those who made it a success: my family, especially my wife who supported me both financially and emotionally. She was my tower of strength, encouraging me to persevere when I did not have the faith in my abilities. She provided the much needed support, encouragement and prayers. A big thank you to my children George, Mercy and Triza for their support and words of encouragement, my employer, and all those who selflessly supported this work.
ACKNOWLEDGEMENT

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ABSTRACT
The objective of this research study was to establish the effects of corporate governance practices on the performance of commercial banks in Kenya with specific aims being: to determine the effects of leadership style on corporate governance practices on the performance of KCB, to establish the effects of financial risk management on corporate governance practices on the performance of KCB, to establish the effects of market structure on corporate governance practices on the performance of KCB, and to determine if organizational culture affects corporate governance practices on the performance of KCB. The study will add to the body of literature and researchers shall be able to use this research study as a reference to what they will do in future not forgetting that it will be used as a source of literature review to their studies. 50 respondents were chosen through stratified random sampling. The researcher used secondary information sources which were obtained through reading relevant literature available in the library, various documents, publications and reports including journals and magazines. The research questionnaires were administered by the researcher himself, and respondents’ data was analyzed through frequency and descriptive statistics. Data was presented with the aid of graphs and pie charts. The study established that corporate governance is the key to the global integrity especially for financial institutions. Corporate governance can occur where there is no accountability and transparency, the quality of corporate governance principles in place should and will determine the overall performance in the financial institutions and that of national economy in terms of growth and development. The study recommends that KCB Management should ensure that all regulations provided by Central Bank are fully complied with. This will ensure that the bank does not face sanctions that might affect its daily operations and consequently impact on its performance. The top management of KCB Bank should ensure that efficient monetary policy that would intensify integrity, transparency and curtail insider abuses on customer accounts at the bank and their products should be structured in such a way that contains competition from other banks, and they should adopt appropriate pricing of various products in line with the estimated business risk which will eventually increase profit and therefore result to better performance.
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OPERATIONAL DEFINITION OF TERMS

**Commercial Banks** : Are institutions that are mandated to provide financial services (Central Bank of Kenya, 2013).

**Financial Performance** : Is an independent indicator that shows the way a banking institution generates revenue (Al-Tamimi & Hassan, 2010).

**Market Share Index** : A composite of weighted average of annual net properties, deposits, capital and a number of deposit accounts held by a bank (Anderson & Fornell, 2010).

**Corporate Governance** : Involves the way banking institutions’ affairs and businesses are managed by administrators, management and board of directors and that affects how the bank carries out its plans, policies and objectives taking into consideration making economic returns for the shareholders, everyday management and protection of the depositors (Nambiro, 2007).
CHAPTER ONE
INTRODUCTION

1.0 Introduction
In this chapter the following is presented: the study background, problem statement, research objectives and questions, significance of the study, its scope and chapter summary with relations to the effects of corporate governance practices on the performance of commercial banks in Kenya, with reference to Kenya Commercial Bank as the case study.

1.1 Background of the study
According to Nambiro (2007), corporate governance in the banking sector involves the way banking institutions’ affairs and businesses are managed by administrators, management and board of directors and that affects how the bank carries out its plans, policies and objectives taking into consideration the making of economic returns for the shareholders, everyday management and protection of the depositors. Organizations that are commitment to safe professional behaviour and practices which are in the conformity with legislations and regulations (Adams & Mehran, 2003). There has been growing interest in the corporate governance practices of modern organization, particularly since the high profile collapses of large United States firms such as WorldCom and Enron corporations (Nambiro, 2007). According to Adjaoud, Zeghal, and Andaleeb (2010) corporate governance is about putting in place the mechanisms, structures and processes that ensure that the organization is managed and directed in a way that process enhances long-term shareholders value through accountability of managers which in return will enhance organization’s performance. Bairathi, (2009) define corporate governance as a system through which business corporations are controlled and directed in favour of all the stakeholders. Financial institutions have acknowledged the importance of having good corporate governance practices (Bairathi, 2009).

Leaders all over the world have increased their concern on corporate governance due to increase in the number of fraud cases that are reported, agency conflicts, inside trading among other corporation’s saga. Corporate failure has recently been witnessed in both emerging economies and developed economies such as the collapse of Enron in 2001, WorldCom in 2002 and the
global financial crisis of 2008 (Cheng, 2009), Chase bank in Kenya in 2014 among others are crises that emanated from poor governance practices from the financial sector. Commercial banks in Kenya like other banks in Kenya are also faced with corporate governance challenges; the banks have previously witnessed a phenomenal growth from the economic turbulences and political meltdown in the recent years that created new challenging environment.

The study investigates the effects of corporate governance practices on the performance of commercial banks in Kenya. This was conducted through empirical studies. The subject of corporate governance in Kenya has been a top agenda topic for many years, despite the tough regulations, corporate governance continues to be weak in the country to a great extent. Corporate governance in Kenya is influenced by two main factors that are by privatization process and government relaxed rules that govern issuance of licenses to banks. The stakeholders in corporate governance in Kenya banking sector include central bank of Kenya, external auditors, capital market authorities, management, bank shareholders and board of directors.

1.1.1 KCB profile
In 2015, as a result of corporate restructuring, KCB bank was incorporated. Prior to November 2014, the bank was both licensed as a financial institution and a holding company for its subdivisions in order to comply with finance act of 2012. In 2015, the KCB Group Limited tabled its vision to incorporate KCB Bank Kenya Limited as a fully owned subsidiary and turned itself to a non-trading holding company (KCB, 2015).

Kenya Commercial Bank roots can be traced back to 1896 July when the bank was started in Mombasa as a subdivision of the Indian National Bank. The merger of the Indian National Bank and Grindlays Bank in 1958 gave rise to National and Grindlays Bank. In 1963 the government of Kenya acquired sixty percent of National and Grindlays Bank with the aim of bringing banking closer home, and by 1970 the government acquired the rest of the shares and renamed the bank Kenya Commercial Bank (KCB, 2015).
1.2 Statement of the Problem

The financial crisis of 2008 proved that it is necessary to have a stable financial system as it has a positive impact on equity and growth. Typically, one would expect regulations to improve efficiency and lower any risk of a financial crisis. Commercial Banks in Kenya especially KCB are in search of modern management apparatus to improve performance. Recently, KCB has tried to improve cash management and offer new services to attract more funds flow. Despite the rapid expansion of banking services in Kenya, KCB still faces obstacles with respect to the handling of the risks that the bank is exposed to due to corporate governance issues. There are benefits of incorporating corporate governance norms and practices to improve the organization strategy, hence the need to enrich commercial banks with corporate governance framework. There is a positive relationship between corporate performance and corporate governance (Abor & Adjasi, 2007).

Studies have shown that an organization with better corporate governance warrants the payback to the shareholders and limit the risk of the investment. The relationship between quality of corporate governance and organization profitability is one of the main focus in corporate governance studies, it cannot be predicted to which direction its headed to due to the fact that there are mixed results as prior literature shows. Commercial banks that are better governed tend to have more efficient operations resulting to higher profit margins. Studies have been conducted on the area of corporate governance such as Bairathi (2009) who carried a research on the effects of corporate governance and organization profitability; his finding had mixed results without showing a clear cut relationship between the two variables. Another study by Young (2010) established that board composition of organization has no effect on financial performance in relation to governance of organization and his studies was also limited in developed economies. Local studies by Rambo (2013) who carried a study on corporate governance related and financial performance of microfinance in Kenya and also Wanyama (2013) also conducted study on the effect that corporate governance on the performance of insurance firms listed in Nairobi security exchange. From the researcher’s observation, none of these local studies have investigated corporate governance practices on the performance of commercial banks in Kenya; the research therefore aimed to fill this information gap.
1.3 Objectives of the study
The study’s broad objective was to determine the effects of corporate governance practices on the performance of commercial banks in Kenya with reference to KCB Bank as the case study.

1.3.1 Specific Objectives
i. To determine the role of leadership style on the corporate governance practices at Kenya Commercial Bank.

ii. To establish the effects of financial risk management on corporate governance practices at Kenya Commercial Bank.

iii. To establish the effects of market structure on corporate governance practices at Kenya Commercial Bank.

iv. To determine the effects of organizational culture on the corporate governance practices at Kenya Commercial Bank.

1.4 Research Questions
i. To what extent does leadership style affect corporate governance at Kenya Commercial Bank?

ii. To what extent does financial risk management affect corporate governance at Kenya Commercial Bank?

iii. Does market structure affect corporate governance at Kenya Commercial Bank?

iv. Does organizational culture affect corporate governance at Kenya Commercial Bank?

1.5 Significance of the study
1.5.1 Management of KCB
The management of Kenya Commercial Bank will use the study as a pointer. This is because it will highlight the effects of corporate governance on commercial banks’ performance. Managers will therefore use these results to select the optimal strategies that would maximize growth and performance of banks. Findings from the study will aid managers of prospective firms whose main targets are to improve banks’ performance. The study will also provide ample information to those firms already in the market with strategies that are not working for them.
1.5.2 Scholars and Researchers

This study will thus make special contribution to the existing knowledge, address and provide the background information to research organizations, individual researchers, and scholars who will want to carry out further research in this area to identify gaps in the current research.

1.5.3 Policy Makers and Government Officials

The study will be significant to government officials and the policy makers as it will enable the government to understand and appreciate the importance of corporate governance in Kenya, and also help those policy makers to develop and implement regulations and policies that will promote growth and development of financial institutions to boost economic growth and job creation.

1.6 Scope of the Study

The research was confined to Kenya Commercial Bank, Corporate Section. The offices in Nairobi are located at Kencom House along Moi Avenue. The researcher believes that this gives enough grounds to generalize the findings. The researcher also believes that this provides adequate population and sample for the study and therefore gives reliable results and findings. However, the study was carried out during the month of June 2017 to September 2017.

1.7 Chapter Summary

This chapter is the principle guide upon which literature was reviewed. It also identifies the necessary empirical and literature aims and methodology followed in conducting the study. The chapter has discussed the study background and problem statement. It has also highlighted study objectives, research questions, and their importance. This chapter has laid out the basis in which the research was carried out.
CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction
This chapter has considered works which are related and consistent with the objectives of the study, explanations of the existing theories and analysis of the past established knowledge which will outline the organized understanding of the major issues, and past studies in the area under study. It further outlines empirical literature, research gaps to be filled, summary and the conceptual framework of the study.

2.1 Theoretical Literature Review
According to Donaldson and Preston (2009), theoretical literature review establishes the theories that already exist, their relationship with study variables and help in the development of hypothesis or study questions to be asked and tested.

2.1.1 Theory of Planned Behavior
According to Abor and Adjasi (2007), Theory of planned behavior was adopted in the model framework for development purpose and it does not assume the decision making that is rational, but rather it incorporates both unforced and thoughtful decision making. Human behavior is assumed to follow a consistent, reasonable and often automatic path which may be biased, irrational and inaccurate (Abor & Adjasi, 2007). Human behavior is based on various behavioral criteria such as occurrence, extent and contradiction. Interest behavior in this study applied the underlying theory to launch and decide the dynamics under the current study.

This theory was developed and adopted in 1942 by Ajzen. Theory of planned behavior is designed to explain and predict human behavior within a given specific context, the behavioral theory suggest that verdict are not in any way made impulsively ,but they are as a result of assertiveness or subjective norms and perceived behavioral control which primarily affect behavior through the impact on intention. According to this theory it indicates that when someone intends to engage in a particular behavior, they are more likely to engage in it (Yuan, 2009).
2.1.2 Conventional Economic Efficiency Theory

According to Aly, Grabowsk, Pasurka, and Rangan (2010), this theory stipulates that organizations accomplish their output at the minimum level per cost, and maximum production can be reached through economies of scale, and that noticeable value is repeatedly countered by more cost of association with existing system. The allocative competence criterion indicates that financial institutions that have high level rivalry between them should be precluded from making extreme profits by raising prices to an unreasonable level above their marginal cost. Maximum allocation competence is reached when commercial yields reach the prime output of a combination of services and goods for maximization (Aly, Grabowsk, Pasurka, & Rangan, 2010).

The conventional economic efficiency theory considers the fact that organizational assets are limited and can be exploited at a given period of time, with the result that using a measure of material once comprises an opportunity cost stopping the organization from using the material for another purpose. Organizations are more precisely competent if they are reliably efficient. This concept offers a thoughtful approach to factors associated with operating cost of a business that creates more output from the same capacities of quantifiable inputs than other companies do. Variances in commercial efficacy amongst business may be caused by differences in price (Wooldrige, 2009). This theory is fundamental to this study in the sense that for financial institutions to function in a well-organized manner, institution’s merchandises have to be optimally priced and therefore reduce discriminating competition in the market.

2.1.3 Institutional Theory

This theory was established in 1942 by Goguen and Burstall. Institution theory has put more emphasis on the organization environment which are important in shaping firms structure and actions, the theory states that organization decisions are not purely driven by rational goals of efficiency but by cultural and social factors and apprehensions for acceptability (Amer, Moustafa, & Eldomiaty, 2011). Organizations are elated by structures, routines, cultures and operate at several levels. According to institutional theory organizations become similar due to isomorphic pressure and pressure for sincerity. Which implies that organization in the same field tend to become homologous over time, as competitive and customer pressure motivate them to
copy organization leaders. Organizations are likely to be induced to adopt what fellow organization by external isomorphic pressures from competitors, government, trading partners and customers (Athanasoglou, Brissimis, & Delis, 2008).

Institutional theory puts more emphasis on social behavior which considers organization process by which structures, schemas, rules, norms and routines that are established as authoritative guidelines. According to the theory organization strategies are influenced by other external factors that include political, social and economic pressure and decision making within the firm seek to legitimate their practices to other stakeholders. The study adopted this theory because it explains the changes brought about in organization by social values, regulations that affect decision and technological advancements (Barth, Gerard, & Ross, 2006).

2.2. Empirical Literature Review

2.2.1 Leadership Style
According to Douglas, Coleman and Oddy (2009) for an organization to implement a strategic decision there are varying needs that influence the process such issues includes objectives, services and product required, the organization structure and the process involved. The leadership in organization provides a life line in action and strategy needed in the implementation process; studies have shown that the imperativeness of leadership style and management is the key to success of strategic plans (Douglas, Coleman, & Oddy, 2009). A study by Lohrke, Bedeian and Palmer (2010) established that there is a direct link between participation of leadership style and success of strategies in the workplace. They further also established that management commitment is a sound quality policy which states organization corporate vision and mission of the quality of the service or product the organization produces.

A study done by Khadra (2012) indicated that most reasons why implementation of organization strategic plans failed in Jordanian organization was lack of organization management support. In this respect leadership style involvement and commitment in involvement is both mandatory and domineering. Leadership should show and provide evidence of its commitment to implement and develop quality management system and frequently rally its effectiveness by informing the organization the importance of meeting statutory and regulatory requirements as well as
customers satisfaction; ensuring that resources required for the implementation of quality management system process are available, ensuring quality goals are established in all levels and functions, appointing representative to coordinate quality management system activities and also conducting management reviews. Leaders in organizations should guarantee that they communicate policies, strategies, principles and benefits to the personnel that are responsible and ensure they are well understood in all organization departments and levels.

According to Harms and Kumar (2010) profitability and efficiency within the organization will improve if leadership style commitment in provision of direction to the workforce toward implementing the process mapping technique, which in return will provide awareness among the employees. Management teams that practice the leadership style patronage have the primary basic functions of organizing, staffing, planning, directing, controlling and communicating. According to Hyde (2012) there are basic requirements of leadership that include supporting personnel as well as encouraging effective staff participation; developing clear, effective strategies and supporting plans for accomplishing the mission and objectives; developing and sharing corporate beliefs, values and objective of the mission statement; personal involvement and being a role model for culture of quality management among others.

The basic elements of managerial commitment include teamwork, expertise, clear goals and time. The literature shows that organizational leadership is the key to implementation of corporate governance practices. Advocates of corporate governance indicate that benefits include service improvement, quality products, efficiency and productivity. Corporate governance makes organizations operating performance to go up, reduces cost, improves on time, and improves customer satisfaction, increases productivity and the sales rate increases (Barth, Gerard & Ross, 2008).

### 2.2.2 Financial Risk Management

Organizations will always tend to mitigate the financial and actuarial risk associated with proper business practice transaction through shifting it to other parties in a combination of reinsurance, product design and price. The firm only eliminate the risk that they are left to manage this is due to the fact that insurance firms recognises that is what is required. The financial risk associated with provision of services that are associated with insurance are risk bound to the financial
operations of the organization that includes underwriting, credit, technical provision, liquidity, solvency, market and reinsurance risk. Christian, Moffit, and Suberly (2007) explain that the risk the borrower will not perform in accordance with obligations may rise from both unwillingness and inability on the lenders to pre-committed contract manner. Insurance firm will be subjected to credit risk whenever the change occurs in the economic policy framework that will entail changes in the investments. Organizations when managing credit risk will look into avoidance of risk that are concentrated and strive to achieve diversification in the investments (Christian, Moffit, & Suberly, 2008).

Hameeda and Al-Ajmi, (2004) describes financial risk as the unexpected volatility of returns which is measured in terms of market risks, credit risks and liquidity risk. This same view is in agreement with Kithinji (2010) who defined financial risk management as those procedures and activities that managers employ in order to protect the organization from market risks, credit risks and liquidity risk which are the major categories that financial risk management practices into. In provision of insurance and other financial services organizations assume various kind of financial and actuarial risk, insurers product risk contained embedded products that are offered to customers to protect them from the actuarial risk that are not borne by the insurer directly.

According to Arif and Showket (2015) banking institutions’ main business is that of risk taking. Banks deal with category of risks which have direct impact on their daily performance, based on these risks they prove to be a great setback in the process of achieving performance and growth is restrained in terms of returns. The key risk that hampers the performance of commercial banks are market risk, underwriting risks, credit risks, operational risks, strategic risk and liquidity risks. These risks can be all grouped under financial risk. Financial risk comprehends the risk of insolvency (Arif & Showket, 2015). Allan (2008) describes the importance of financial risk because it’s determined by various explanations such as greater deregulation, increased competition, price fluctuations and interest rate fluctuation. However with the initiation spinoffs which act as circumventing mechanisms has left companies to prepare to additional possibility to protect the firms against shudders of financial risks. In simple terms financial risk management can be explained as aegis term for numerous of classifications associated with financial transactions (Arif & Showket, 2015).
Financial institutions cannot fully identify customers’ ability to repay the money borrowed, therefore the interest rates payable at the banks are the most vulnerable to the market since commercial banks’ rates are driven by higher overhead costs (Amer, Moustafa, & Eldomiaty, 2011). Obligations of an extreme cost of loans usually intensifies the delinquency of contrary choice as the customer surplus creates a large pool of willing debtors with unidentifiable credit worthiness. However, theoretically there are many variations in the systems applied by the government to contrivance restrictions on the borrowing proportions. Vanilla interest rate cap are used in some nations and are written into all regulations for licensed banks. The main explanation used against capping the rates is that they distort the market and prevent financial institutions from giving loans at the lower end of the market that have no alternative access to credit (Gonzalez, 2013).

2.2.3 Market Structure

The operations of commercial banks are highly regulated due to the role they play in the general development and growth of a nation. Operating efficiency of financial institutions is therefore paramount for the existence of strong financial systems of the country. Research on the performance and regulations of financial institutions have always established a negative relationship between the two. According to Gonzalez (2013), strict regulations increase banks threat captivating enticements by dropping bond worth that harms the stability of the banking system. The Kenyan banking sector is highly regulated and supervised by the government through CBK. The regulator has set minimum operational requirements for banks to operate and which are aimed at safeguarding the interest of depositors and fair market for all banks.

The country’s economic growth receives major contributions from the banking sector. The competition in the financial sector results to highly efficient economic services, better services and improves the quality of financial innovations. Financial services access is highly influenced by competition in the financial sector. Governments can achieve the desired economic growth by increased competition in the banking sector. Competition in the financial sector is measured in non-structural and structural approaches. The structural approach constitutes a natural link between concentration and competition (Barth, Gerard, & Ross, 2006). The market performance
is greatly affected by exogenous factors related to market structure, and explicitly basic demand and supply condition which affect banks’ performance in the industry. It is used to test whether higher level of concentration in the market place results to collusive actions among the large banks and thus results in greater performance (Bernanke, 2008).

A study by Demsetz (2003) established that performance and market structure is affected by price reduction due to their profit maximizing behavior. That is, market concentration resulted from the superior efficiency of leading banks. This study will consider competition among banks by determining the market share index of each bank for every year under consideration. However, the non-structure approach states that competition can be measured directly without using the relationship between structure, conduct and performance. Competition under non-structure approach can be measured using factors such as risk profiles, entry or exit barriers, and revenue behavior (Demsetz, 2003). The traditional view of competition fragility states that high bank concentration erodes market power, resulting in lower profit margins and accordingly reduces banks motivation for risk taking (Jimenez, Lopez, & Saurina, 2010). The second view is the competition-stability contending that more market power in the loan market will increase financial institutions’ interest rates on loans that often result to higher rate of defaulters (Nicolo & Loukoianova, 2007).

The competitive condition in banking system has been investigated in many studies such as Bernanke (2008) carried out a study showing how market structure, market concentration and profitability are related in US banks in 2003-2005, and their study established that noncompetitive price behavior could explain that relationship. Another study focused on how banks whose performance is affected by regulations and other factors relate to the competitive environment. It was established that the tighter the entry restrictions, the poorer the bank efficiency and that leads to higher interest margins and overhead expenditure as well as increasing bank fragility (Bernanke, 2008). This study will analyze market structure as one of the variables that determine the performance of KCB Bank with reference to corporate governance.
2.2.4 Organizational Culture

Several studies that have been conducted indicate that there is a relationship between job performance and organizational culture. Spencer, (2011) indicated that organizational culture is inherently connected to organization practices, therefore company culture is conditional on the culture of organization. The findings by this author is that organization allows staff to be acquainted with organization history as well as methods of operations. A study by Ojo (2009) assesses and analyzed the impact of corporate culture on employee job performance as well as productivity in organization in Nigerian Banks. His findings were that organinzational culture affects job performance. A study by Daniel (2011) on organization of work and decision making on financial performancefound out that organizational culture was predictive of short term performance. This is when performance is defined with indicators such as return on sales, investment and assets.

A study by Blakemore (2008) established that corporate culture can help business drive results, and culture can lead to superior performance, in his surveys he designed to measure the correlation between attitudes and employee behaviors that define organization culture and financial implications research findings by AlMazrouei and Zacca, (2015) on employee performance and organizational culture, the outcomes were that most companies assert performance as dependent variable which seeks variations on organizational culture. The findings were that organizational culture is theoretically related to performance and has a positive influence. A study by Chipunza and Samuel (2009) highlighted that the role of culture is important in sustaining, nurturing and enhancing organization performance. In addition a study by Kopelmal (2010) indicates that organizational cultural system adds to the coordination of assignments and minimizes inefficiency in employee’s efforts and organizational resources.

Chipunza and Samuel (2009) stated that culture is described by adjectives such as driving, risk taking, creative, challenging, pressurized, enterprising and result oriented. The typical result in organization culture is growth in sales. According to Allan (2008) organizational bureaucratic emphasis on rules, regulations and efficiency has clear lines of responsibility and authority. Firms with higher bureaucratic will highlight predictability and consistency through structures,
rules and procedure which can often affect employees negatively. According to Chipunza and Samuel (2008) supportive dimension include trust, friendliness, warmth and relationship oriented. Allan (2008) indicated that work environments that is suppotive is characterized by safety, trust and collaborative atmosphere. Managers who work with such employees create an open relationship. Organizations where culture can be seen as unit of a family the staff feels committed to the firm. Members who share organizational values and belief are often commitment to the organization (Aly, Grabowk, Pasurka, & Rangan, 2010).

2.3 Summary and Research Gaps
The Kenyan banking environment in the last decade has undergone many structural changes in the sector that are financial and regulatory, and this has encouraged foreign banks to enter into the market. Corporate governance is the key to the global integrity especially for financial institutions. Corporate governance can occur where there is no accountability and transparency, the quality of corporate governance principles in place should and will determine the overall performance in the financial institutions and that of national economy in terms of growth and development. Financial institutions in Kenya are in the quest for good relevance of corporate governance and this is strengthened by the desire to draw investments for international and local investors. Most of the financial institutions failures in Kenya recently are attributed to failure of corporate governance.

Studies have shown that organization with better corporate governance warranties the payback to the shareholders and limit the risk of the investment. The relationship between quality of corporate governance and organization profitability is one of the main focus in corporate governance studies, it cannot be predicted to which direction its headed to due to the fact that there are mixed results as prior literature shows. Commercial banks that are better governed tend to have more efficient operations resulting to higher profit margins. Studies have been conducted on the area of corporate governance such as Berglof (2009) who carried a research on the effects of corporate governance and organization profitability, his finding had mixed results without showing a clear cut relationship between the two variables another study by Millstein (2010) established that board composition of organization has no effect on financial performance in relation to governance of organization and his studies was also limited in developed...
economies. Local studies by Rambo (2013) who carried a study on corporate governance related and financial performance of microfinance in Kenya and also Wanyama (2013) also conducted study on the effect that corporate governance on the performance of insurance firms listed in Nairobi security exchange. From the researcher’s observation, none of these local studies have investigated corporate governance practices on the performance of commercial banks in Kenya; the research therefore aimed to fill this gap information gap. Various studies show that there is lack of clarity on what the true corporate governance on the performance of commercial banks is, and that is the motivation for this research.

2.4 Conceptual Framework

Figure 2.1: Diagram showing the conceptual framework
2.5 Operationalization of Variables

Table 2.1: Table showing operationalization of variables

<table>
<thead>
<tr>
<th>Study Objective</th>
<th>Variable</th>
<th>Indicators</th>
<th>Type of Data Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>To determine how leadership style affects corporate governance practices at Kenya Commercial Bank.</td>
<td>Leadership style</td>
<td>• Budget allocation</td>
<td>Descriptive statistics</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Effective communication</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Responsibilities</td>
<td></td>
</tr>
<tr>
<td>To establish effects of financial risk management on corporate governance practices performance at Kenya Commercial Bank.</td>
<td>Financial risk management</td>
<td>• Quality service</td>
<td>Descriptive statistics</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Quality products</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Customer satisfaction</td>
<td></td>
</tr>
<tr>
<td>To establish effects of market structure on corporate governance practices at Kenya Commercial Bank.</td>
<td>Market Structure</td>
<td>• Less complaints</td>
<td>Descriptive statistics</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Customer relations</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Competitive pricing</td>
<td></td>
</tr>
<tr>
<td>To determine the effects of organizational culture on the corporate practices at Kenya Commercial Bank.</td>
<td>Organizational culture</td>
<td>• Proper structures</td>
<td>Descriptive statistics</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Quality service</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Quality products</td>
<td></td>
</tr>
</tbody>
</table>

2.6 Chapter Summary

The study selected the past activities that fall within the objectives of the study. That gave a clear account of all past theoretical undertakings that tried to determine the effects of corporate governance practices on the performance of commercial banks in Kenya with reference to KCB Bank as the study case. The study has reviewed leadership style, financial risk management, market structure and organizational culture, and has observed a positive relationship on performance of banks. This chapter provides a theoretical and conceptual basis from which a
methodology for research is developed, an analytical framework chosen, relevant data collected and consequent analyses carried out towards drawing conclusions to determine the effects of corporate governance practices on the performance of commercial banks in Kenya.
CHAPTER THREE
RESEARCH DESIGN AND METHODOLOGY

3.0 Introduction
This chapter outlines the methodology used in the study and offers an explanation into what type of research this study is all about. It also defines the population of the study and the specific sampling techniques to be used, data analysis and collection methods. The chapter also includes design, pilot study, validity, reliability and ethical considerations.

3.1 Research Design
A general layout that the researcher uses to respond to research questions is referred to as research design. Orodho (2005) defines research design as a general layout that is used to answer research questions or resolve a dilemma. This study dilemma was carried out through descriptive research designs. Cooper and Schindler (2008) describe descriptive design as a process of finding out, what, where and how an incident occurred.

Descriptive research design is appropriate for studies that have specific issues where problems have been defined (Mugenda and Mugenda, 2003). The issues in the study being the determination of the effects of corporate governance practices on the performance of commercial banks in Kenya with reference to KCB as the study case, are thus geared towards addressing the essential why, who, when, what, and how questions in the research. The study seeks to describe a situation through the study of variable relationships. The study describes and defines the subject matter by profiling issues under study (Cooper & Schindler, 2008). It also helps the researcher to critically analyze the problem in question with a view of drawing more detailed and specific information about the subject that can be useful to management. Most often than not, it was used as a precursor to more statistical research as it gives some valuable pointers as to what variables are worth testing quantitatively.

3.2 Target Population
Borg and Grall (2009) described target population as a common set of study units to which a researcher would like to determine the general results. Populations are units that have observable
characteristics that the study uses to generalize the findings. The research study target was 80 KCB bank Staff (Corporate Section).

Table 3.1: Table showing research study population

<table>
<thead>
<tr>
<th>Category</th>
<th>Target Population</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Managers</td>
<td>7</td>
<td>9</td>
</tr>
<tr>
<td>Middle Level Managers</td>
<td>25</td>
<td>31</td>
</tr>
<tr>
<td>Non-Management staff</td>
<td>48</td>
<td>60</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>80</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

3.3 Sample and Sampling Techniques

A sample is defined as a subject of a population that has been selected to reflect or represent characteristics of a population (Kothari, 2004). A stratified proportion sampling is employed to obtain a suitable unit representative of analysis. This is because of the heterogeneity of the population and that all respondents had equal opportunity of participation. Kothari (2004) argues that a stratified proportional sample increases a sample’s statistical efficiency and provides adequate data for analyzing the various populations. This method is cost effective, fast tracks data collection, and access to the unit of analysis and elements of the study. According to Kombo and Tromp (2009), a sample size of ten percent and twenty percent of the target population chosen through stratified sampling is appropriate. Thus, 10% of the accessible population is enough for the sample size. In this context, the researcher used the minimum which is 10% because of limited resources. Kothari (2004) observed that a sample drawn randomly is unbiased in a way that no number of populations has any chance of being selected more than the other. The study used stratified sampling technique which involves dividing the target population of 80 KCB bank Staff into strata. This method was appropriate since it gives all the respondents from each of the four strata equal chance to participate. Participants were stratified into the following categories: Senior Managers, Middle level Managers, and Non-Management staff. A sample size was arrived at through proportionate stratified sampling as shown here below:

Sample size: \( \frac{x}{n} \times z = y \)

Where \( \frac{x}{n} = \) weight over population.
Z = Sample space
Y = sample size.
Hence a sample size determined in each stratum was achieved as follows:

Table 3.2: Table showing research sample size

<table>
<thead>
<tr>
<th>Type of trade</th>
<th>Target Population</th>
<th>Sample size</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Managers</td>
<td>7</td>
<td>7</td>
<td>14</td>
</tr>
<tr>
<td>Middle level Managers</td>
<td>25</td>
<td>12</td>
<td>24</td>
</tr>
<tr>
<td>Non- Management staff</td>
<td>48</td>
<td>31</td>
<td>62</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>80</strong></td>
<td><strong>50</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

3.4 Data collection techniques
The study used questionnaires to collect data especially primary data as outlined by Kothari (2004). A questionnaire is an instrument of research that contains questions on the variables of the study. The researcher used questionnaires which are a more efficient and economical tool for descriptive and prescriptive research for the sample size that is chosen. This way, it was easier to identify the level by which the respondent agrees or disagrees (Kothari, 2004).

The study used secondary data for literature review. The material that was used includes books, journals, reports, magazines and internet literature. The researcher collected primary data for this study report and used secondary data for literature review.

3.5 Pilot Study
The pilot study aims at establishing the validity and reliability of instruments of research (Cooper & Schindler, 2008). The study adopted content validity to measure the degree to which data was collected with the aid of questionnaires. The pilot testing was conducted on 8 KCB bank staff.
The pilot group was done through random sampling. According to Cooper and Schindler (2008), a pilot study should be ten percent of the main study.

3.5.1 Validity
The researcher used both content and facial observation to ascertain validity of the questionnaire. Validity is the correctness and capacity of interpretations founded on the study results. The researcher conducted the pilot study to validate the study questionnaire.

3.5.2 Reliability
The study used a co-efficient of 0.6 or above for all constructs that are considered adequate for the study. The construct multiple of reliability is Cronbach’s alpha. According to Boris (2008), the standard acceptable reliability coefficient is 0.6. The study adopted Cronbach’s alpha that was used to test research instruments reliability. According to (Goddard & Melville, 2004) Goddard and Melville (2005), a reliability test of research instruments is one that consistently produces the expected results. According to Borg and Gall (2009), a questionnaire has the same expectation, that is, it reliably does what it is designed to do every time it is used. If the questionnaire is consistent over time and yields similar results each time it is used, it is reliable. They say that because of economy in time and labour, the procedure for extracting an estimate of reliability should be obtained from the administration of a single test. The researcher can use the questionnaire and administer the questionnaire to 10 respondents from the target population randomly. The researcher waited 2 weeks and then repeated the questionnaire to the same respondents.

3.6 Data Collection Procedure
Primary data presented the actual information that was collected through the use of questionnaires that were self-administered. The questionnaires were then picked up by the researcher for data analysis. The study used secondary data for literature review. The materials used include books, journals, reports, magazines and internet literature.

3.6.1 Questionnaires
Questionnaires are a list of standard questions prepared to fit a certain inquiry. The questionnaires contain closed-ended questions so as to facilitate structured responses for the
rating of various attributes whilst open-ended questions help to provide additional respondents information. According to Arodho (2005), questionnaires measure the likelihood of straight, even, and blunt answers. This can be superior to an interview because face to face encounters may prevent the person from expressing what he feels to be socially or professionally unacceptable views. The researcher used Likert-type format of questionnaires.

3.7 Data Analysis and Presentation
Data analysis was done using descriptive statistics. Specifically, means, averages and percentages were used in the study. The data analysis tools were simple tabulations and presentations of the report using spread sheets. The data was presented using tables, charts and graphs. Data was first coded then organized into concepts from which generalization was made of entire population. Data was then tabulated and frequencies calculated on each variable under study and interpretations made from the field findings. Percentages were calculated and interpretations made.

3.8 Ethical Consideration
The researcher undertook various steps to ensure that the study adhered to research ethical standards. Research introduction letters were obtained from the participating institutions, Management University of Africa and Kenya Commercial Bank.

3.8.1 Informed Consent
Borrowing from Arodho (2004), the researcher ensured that through the principle of informed consent, complex as it is, the respondents had no hang-ups that come with lack of clear expectations of the research. As Oliver points out, some respondents may be impressed by the status of the researcher, or even by the words the researcher has used and may agree to participate without having a good idea of what the research is all about.

3.8.2 Voluntary Participation
The researcher sought consent from the management of the Kenya Commercial Bank before administering the questionnaires. Participants were asked to verbally consent to participate in the
research, for which they were free to participate or not. The researcher explained to them that the information that they give would be used only for the study.

3.8.3 Privacy

The respondents were not be identified by name. Confidentiality of respondents was treated as a matter of priority. Further, the researcher used two methods in engaging these respondents before agreeing to answer the questions of this study.

3.8.4 Confidentiality

The researcher explained to the respondents that the data being gathered in this study is treated in confidence and that the findings are meant for a project at the Management University of Africa. The researcher also explained to the respondents that the data was coded and no one, whatsoever, will relate the data to the respondents for both external and internal audiences of the project.

3.8.5 Anonymity

The researcher accorded the respondents their due respect while at the same time ensuring that they answer the queries as expected by the study, interjecting questions intelligibly. The researcher picked respondents without any discrimination. This helped the researcher to receive truly anonymized respondents even to the researcher himself. This was achieved through self-administered questionnaires with an anonymous method of return.

3.9 Chapter summary

The chapter contains the methodology adopted for this study by offers and explanations into what type of research this study is all about. It also defines the population of the study and the specific sampling techniques to be used, data analysis and collection methods, study design, pilot study, validity, reliability and ethical considerations.
CHAPTER FOUR
RESEARCH FINDINGS AND DISCUSSIONS

4.0 Introduction

Research findings are presented in this chapter. The chapter has been sectioned into: response rate, respondents’ background, and the effects of corporate governance practices on the performance of commercial banks in Kenya taking KCB bank as the case study.

4.1 Presentations of Research Findings

4.1.1 Response Rate

This refers to the response by the respondents which was administered through questionnaires from each strata, as per the sample size as shown in table 4.1 below. The response rate determination was important because it clearly enabled the researcher to know the exact number of questionnaires that would be valid for analysis.

Table 4.1: Table showing response rate

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Response</td>
<td>42</td>
<td>86%</td>
</tr>
<tr>
<td>Non Response</td>
<td>8</td>
<td>14%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>50</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>
The researcher distributed questionnaires to 50 respondents which were computed as shown in chapter three section 3; sample design and sampling techniques, and 86% response rate was achieved which was favorable for the study as shown in table 4.1 and figure 4.1. Mugenda and Mugenda (2003) explain that 50% reaction is satisfactory and 60% is good, while any response above 70% is perfect for research.

Table 4.2: Table showing gender of the respondents

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>19</td>
<td>45%</td>
</tr>
<tr>
<td>Female</td>
<td>23</td>
<td>55%</td>
</tr>
<tr>
<td>Total</td>
<td>42</td>
<td>100</td>
</tr>
</tbody>
</table>
The gender characteristics of respondents is dominated by females at 55% as shown in figure 4.2 and table 4.2 above against males who are 45%. The gender representation of the respondents indicates that views under the study were represented by all gender, and no single opinion can be attributed to a particular gender.

Table 4.3: Table Showing Respondents Age Brackets

<table>
<thead>
<tr>
<th>Variable</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-23 Years</td>
<td>4</td>
<td>10%</td>
</tr>
<tr>
<td>24-29 Years</td>
<td>9</td>
<td>21%</td>
</tr>
<tr>
<td>30-35 Years</td>
<td>11</td>
<td>26%</td>
</tr>
<tr>
<td>36-40 Years</td>
<td>12</td>
<td>29%</td>
</tr>
<tr>
<td>41 Years and Above</td>
<td>6</td>
<td>14%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>42</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
As indicated in table 4.3 and shown in figure 4.3, 10% of the respondents had their age falling between 18-23 years, 21% belonged in the ages between 24-29 years, 26% were aged between 30-35 years, 29% were aged between 36-40 years, while 14% were aged 41 years and above. The response represents a good dispersion of the respondents in the age bracket but majority were aged between 36-40 years.
4.1.2 Demographic Information

Table 4.4: Table showing the level of education of the respondents

<table>
<thead>
<tr>
<th>Variable</th>
<th>F</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Doctorate</td>
<td>2</td>
<td>5%</td>
</tr>
<tr>
<td>Post graduate</td>
<td>9</td>
<td>21%</td>
</tr>
<tr>
<td>Graduate</td>
<td>18</td>
<td>43%</td>
</tr>
<tr>
<td>Diploma</td>
<td>13</td>
<td>31%</td>
</tr>
<tr>
<td>Secondary</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Primary</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td>42</td>
<td>100</td>
</tr>
</tbody>
</table>

Figure 4.4: Figure showing the level of education of the respondents

The response as indicated in figure 4.4 and table 4.4 shows that most of the respondents had graduate degree at 43%, 21% were post graduates while 5% were doctorates, 31% had diploma,
and none indicated secondary education and primary education levels. This can be interpreted to mean that the respondents’ education level is adequate to answer and interpret the research questions.

Table 4.5: Table showing respondents’ position held in the firm

<table>
<thead>
<tr>
<th>Variable</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior level management</td>
<td>4</td>
<td>10%</td>
</tr>
<tr>
<td>Middle level management</td>
<td>14</td>
<td>33%</td>
</tr>
<tr>
<td>Non-management staff</td>
<td>24</td>
<td>57%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>42</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Figure 4.5: Figure showing respondents’ position held in the organization

As shown in table 4.5 and figure 4.5, the respondents were asked to indicate their positions held in the organization, and 57% of the respondents indicated that they were non-management staff, 33% were in middle level management and 10% were in senior level management. The research findings indicated that the respondents were in a better position to understand the variables under study.
4.2 Main Issues of the Study

4.2.1 Leadership style

Table 4.6: Table showing if leadership style affects corporate governance practices at Kenya Commercial Bank

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>38</td>
<td>90%</td>
</tr>
<tr>
<td>No</td>
<td>4</td>
<td>10%</td>
</tr>
<tr>
<td>Not sure</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>42</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Figure 4.6: Figure showing if leadership style affects corporate governance practices at Kenya Commercial Bank

Respondents were asked to indicate if leadership style affects corporate governance practices at Kenya Commercial Bank, 90% indicated yes while 10% indicated no and none indicated that
they were not sure, as shown in figure 4.6 and tabulated in table 4.6. This shows that respondents believe that leadership style affects corporate governance practices at Kenya Commercial Bank.

Table 4.7: Table showing the extent to which leadership style affects corporate governance practices at Kenya Commercial Bank

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very great extent</td>
<td>15</td>
<td>36%</td>
</tr>
<tr>
<td>Great extent</td>
<td>18</td>
<td>43%</td>
</tr>
<tr>
<td>Moderate extent</td>
<td>5</td>
<td>12%</td>
</tr>
<tr>
<td>Little extent</td>
<td>3</td>
<td>7%</td>
</tr>
<tr>
<td>Very little extent</td>
<td>1</td>
<td>2%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>42</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Figure 4.7: Figure showing the extent to which leadership style affects corporate governance practices at Kenya Commercial Bank
Respondents were asked to indicate the extent to which leadership style affects corporate governance practices at Kenya Commercial Bank, and 36% indicated very great extent, 43% indicated great extent, 12% indicated moderate extent, 7% and 2% indicated little and very little extent respectively as shown in figure 4.7 and table 4.7. This shows that the respondents agree that leadership style affects the performance at Kenya Commercial Bank.

Table 4.8: Table showing respondents’ views on the effects leadership style of corporate governance practices on the performance of KCB

<table>
<thead>
<tr>
<th></th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Undecided</th>
<th>Disagreed</th>
<th>Strongly Disagreed</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>n  %</td>
<td>n  %</td>
<td>n  %</td>
<td>n  %</td>
<td>n  %</td>
</tr>
<tr>
<td>At my organization top management is responsible for implementation corporate governance policies.</td>
<td>15  36%</td>
<td>26  62%</td>
<td>1  2%</td>
<td>0  0%</td>
<td>0  0%</td>
</tr>
<tr>
<td>In my organization management allocate enough resources for corporate governance training.</td>
<td>26  62%</td>
<td>16  38%</td>
<td>0  0%</td>
<td>0  0%</td>
<td>0  0%</td>
</tr>
<tr>
<td>KCB is currently facing a variety of challenges due to leadership style</td>
<td>14  33%</td>
<td>18  43%</td>
<td>2  5%</td>
<td>5  12%</td>
<td>3  7%</td>
</tr>
<tr>
<td>Regulatory reporting requirements affect the performance of KCB</td>
<td>18  43%</td>
<td>16  38%</td>
<td>3  7%</td>
<td>5  12%</td>
<td>0  0%</td>
</tr>
<tr>
<td>In my organization management is responsible for publishing and sharing all required information with all stakeholders</td>
<td>15  36%</td>
<td>26  62%</td>
<td>1  2%</td>
<td>0  0%</td>
<td>0  0%</td>
</tr>
</tbody>
</table>
Respondents were asked to use a five point Likert scale to indicate views on the effects of corporate governance practices on the performance of KCB and the response was as tabulated in table 4.8 and shown in figure 4.8. The first view sought was if at my organization top management is responsible for implementation corporate governance policies; 36% of respondents strongly agreed, 62% agreed and 2% were undecided. Second view sought was if low performance of KCB is an indication that financial regulation is working; 62% strongly
agreed and 38% agreed. Third view was if KCB is currently facing a variety of challenges due to leadership style; 33% strongly agreed, 43% agreed, 5% were undecided and 12% disagreed while 7% strongly disagreed. The fourth view sought was if regulatory reporting requirements affect the performance of KCB; 43% strongly agreed, 38% agreed while 5% were undecided and 12% disagreed. Finally, the question was if in my organization management is responsible for publishing and sharing all required information with all stakeholders, and 36% strongly agreed while 62% agreed and 2% were undecided. The findings are in agreement with A study by Lohrke, Bedeian and Palmer (2010) established that there is a direct link between participation of leadership style and success of strategies in the workplace. They further also established that management commitment is a sound quality policy which states organization corporate vision and mission of the quality of the service or product the organization produces. A study done by Khadra (2012) indicated that most reasons why implementation of organization strategic plans failed in Jordanian organization was lack of organization management support. In this respect leadership style involvement and commitment in involvement is both mandatory and domineering.

4.2.2 Financial Risk Management

Table 4.9: Table showing if financial risk management affects corporate governance practices on the performance of KCB.

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>36</td>
<td>85%</td>
</tr>
<tr>
<td>No</td>
<td>4</td>
<td>10%</td>
</tr>
<tr>
<td>Not sure</td>
<td>2</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>42</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>
Respondents were asked to indicate if financial risk management affects corporate governance practices on the performance of KCB; 85% indicated yes and 10% indicated no while 5% were not sure, as shown in figure 4.9 and tabulated in table 4.9. This shows that respondents believe that financial risk management affects corporate governance practices on the performance of KCB.

Table 4.10: Table showing the extent to which financial risk management affects corporate governance practices on the performance of KCB

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very great extent</td>
<td>16</td>
<td>38%</td>
</tr>
<tr>
<td>Great extent</td>
<td>18</td>
<td>43%</td>
</tr>
<tr>
<td>Moderate extent</td>
<td>5</td>
<td>12%</td>
</tr>
<tr>
<td>Little extent</td>
<td>3</td>
<td>7%</td>
</tr>
<tr>
<td>Very little extent</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>42</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>
Respondents were asked to indicate the extent to which leadership style affects the performance of Kenya Commercial Bank, and 38% indicated very great extent, 43% indicated great extent, 12% indicated moderate extent, and 7% indicated little extent as shown in figure 4.10 and table 4.10. This shows that the respondents agree that financial risk management affects corporate governance practices and performance of KCB.
Table 4.11: Table showing respondents’ views on financial risk management effects on corporate governance practices on the performance of KCB.

<table>
<thead>
<tr>
<th></th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Undecided</th>
<th>Disagreed</th>
<th>Strongly Disagreed</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>n</td>
<td>%</td>
<td>n</td>
<td>%</td>
<td>n</td>
</tr>
<tr>
<td>The performance of KCB Bank depends on efficiency levels, but not market power affected by corporate governance.</td>
<td>15</td>
<td>36%</td>
<td>26</td>
<td>62%</td>
<td>1</td>
</tr>
<tr>
<td>Profitability at KCB is attributed to non-competitive market conditions and price behavior affected by corporate governance</td>
<td>14</td>
<td>33%</td>
<td>18</td>
<td>43%</td>
<td>4</td>
</tr>
<tr>
<td>KCB market share has little significance on the profitability and performance influenced by corporate governance</td>
<td>6</td>
<td>7%</td>
<td>10</td>
<td>12%</td>
<td>4</td>
</tr>
<tr>
<td>At KCB issues on financial risk are taken as great consideration by organization management</td>
<td>15</td>
<td>36%</td>
<td>26</td>
<td>62%</td>
<td>1</td>
</tr>
<tr>
<td>Market interest rates exert influence on the performance of KCB</td>
<td>15</td>
<td>36%</td>
<td>26</td>
<td>62%</td>
<td>1</td>
</tr>
</tbody>
</table>
Figure 4.11: Figure showing respondents’ views on financial risk management effects on corporate governance practices on the performance of KCB

- The performance of KCB Bank depends on efficiency levels, but not market power affected by corporate governance.
- Profitability at KCB is attributed to non-competitive market conditions and price behaviour affected by corporate governance.
- KCB market share has little significance on the profitability and performance influenced by corporate governance.
- At KCB issues on financial risk are taken as great consideration by organization management.
- Market interest rates exert influence on the performance of KCB.

Respondents were asked to use a five point likert scale to indicate views on the effects of financial risk management on the performance of KCB and the responses were as tabulated in table 4.11 and shown in figure 4.11. The first view sought was if the performance of KCB Bank depends on efficiency levels, but not market power affected by corporate governance, and 36% of respondents strongly agreed, 62% agreed and 2% were undecided. Second view sought was if interest rate caps in Kenya have been the claim that it will constrain credit to the low-income
people; 33% strongly agreed, 43% agreed, 5% were undecided and 12% disagreed while 7% strongly disagreed. Third view was if KCB market share has little significance on the profitability and performance influenced by corporate governance, and 7% of respondents strongly agreed, 12% agreed, 5% were undecided while 43% disagreed and 33% strongly disagreed. The fourth view sought was if at KCB issues on financial risk are taken as great consideration by organization management, and 36% strongly agreed, 62% agreed, 2% were undecided while 0% disagreed and 0% strongly disagreed. Finally, the question was if market interest rates exert influence on the performance of KCB, and 36% strongly agreed while 62% agreed and 2% were undecided. The findings are in line with the study done by Kithinji (2010) who defined financial risk management as those procedures and activities that managers employ in order to protect the organization from market risks, credit risks and liquidity risk which are the major categories that financial risk management practices into.

4.2.3 Organizational Culture

Table 4.12: Table showing if organizational culture affects corporate governance practices on the performance of KCB

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>40</td>
<td>95%</td>
</tr>
<tr>
<td>No</td>
<td>2</td>
<td>5%</td>
</tr>
<tr>
<td>Not sure</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Total</td>
<td>42</td>
<td>100%</td>
</tr>
</tbody>
</table>
Figure 4.12: Figure showing if organizational culture affects corporate governance practices on the performance of KCB

Respondents were asked to indicate if organizational culture affects corporate governance practices and performance of KCB; 95% indicated yes and 5% indicated no while none indicated that they were not sure as shown in figure 4.12 and tabulated in table 4.12. This shows that respondents believe that organization culture affects corporate governance at Kenya Commercial Bank.

Table 4.13: Table showing the extent to which organizational culture affects corporate governance practices on the performance of KCB

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very great extent</td>
<td>15</td>
<td>36%</td>
</tr>
<tr>
<td>Great extent</td>
<td>20</td>
<td>47%</td>
</tr>
<tr>
<td>Moderate extent</td>
<td>5</td>
<td>12%</td>
</tr>
<tr>
<td>Little extent</td>
<td>2</td>
<td>5%</td>
</tr>
<tr>
<td>Very little extent</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>42</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
Respondents were asked to indicate the extent to which organizational culture affects performances of Kenya Commercial Bank; 36% indicated very great extent, 47% indicated great extent, 12% indicated moderate extent and 5% indicated little extent as shown in figure 4.13 and table 4.13. This shows that the respondents agree that organizational culture affects corporate governance practices on the performance of KCB.
Table 4.14: Table showing respondents’ view on the impact of organizational culture on performance of KCBBank

<table>
<thead>
<tr>
<th></th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Undecided</th>
<th>Disagreed</th>
<th>Strongly Disagreed</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>n</td>
<td>%</td>
<td>n</td>
<td>%</td>
<td>n</td>
</tr>
<tr>
<td>Organizational culture has significant relations with performance</td>
<td>15</td>
<td>36%</td>
<td>26</td>
<td>62%</td>
<td>1</td>
</tr>
<tr>
<td>Human resource policies on corporate governance affects performance at KCB</td>
<td>26</td>
<td>62%</td>
<td>15</td>
<td>38%</td>
<td>0</td>
</tr>
<tr>
<td>My organization has an annual employee training plan for staff on corporate governance.</td>
<td>14</td>
<td>33%</td>
<td>18</td>
<td>43%</td>
<td>2</td>
</tr>
<tr>
<td>My organization has a clear career path on corporate governance issues</td>
<td>18</td>
<td>43%</td>
<td>16</td>
<td>38%</td>
<td>3</td>
</tr>
</tbody>
</table>
Respondents were asked to use a five point Likert scale to indicate views on the impact of organizational culture on performance of KCB and the responses were as tabulated in table 4.14 and shown in figure 4.14. The first view sought was if organizational culture has significant relations with performance, 36% of respondents strongly agreed, 62% agreed and 2% were undecided. Second view sought was if human resource policies on corporate governance affect performance at KCB 62% strongly agreed and 38% agreed. Third view was if my organization has an annual employee training plan for staff on corporate governance and 33% strongly agreed, 43% agreed, 5% were undecided and 12% disagreed while 7% strongly disagreed. The fourth view sought was if the respondent’s organization has a clear career path on corporate governance issues and 43% strongly agreed, 38% agreed, 5% were undecided while 12% disagreed. The
finding are in line with other scholars such as the study by A study by Ojo (2009) assesses and analyzed the impact of corporate culture on employee job performance as well as productivity in organization in Nigerian Banks. He's finding were that organizational culture affects job performance. A study by Daniel (2011) on organization of work and decision making on financial performance, his study found out that organizational culture was predictive of short term performance. This when performace is defined with indicators such as return on sales, investment and assets.

4.2.4 Market Structure

Table 4.15: Table showing if market structure affects corporate governance practices and performance of KCB

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>42</td>
<td>100%</td>
</tr>
<tr>
<td>No</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Not sure</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>42</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>
Respondents were asked to indicate if market structure affects corporate governance practices on the performance of KCB, and all the respondents at 100% indicated yes, as shown in figure 4.15 and tabulated in table 4.15. This shows that respondents believe that market structure affects corporate governance practices on the performance of KCB.

Table 4.16: Table showing the extent to which market structure affects corporate governance practices on the performance of KCB

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very great extent</td>
<td>22</td>
<td>52%</td>
</tr>
<tr>
<td>Great extent</td>
<td>20</td>
<td>48%</td>
</tr>
<tr>
<td>Moderate extent</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Little extent</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Very little extent</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>42</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
Respondents were asked to indicate the extent to which market structure affects corporate governance practices on the performance of KCB, and 52% indicated very great extent while 48% indicated great extent as shown in figure 4.16 and table 4.16. This shows that the respondents agree that market structure affects the performance at Kenya Commercial Bank.
Table 4.17: Table showing respondents’ views on the effects of market structure on the performance of KCB Bank

<table>
<thead>
<tr>
<th></th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Undecided</th>
<th>Disagreed</th>
<th>Strongly Disagreed</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>n</td>
<td>%</td>
<td>n</td>
<td>%</td>
<td>n</td>
</tr>
<tr>
<td>The performance of KCB depends on efficiency levels, but not market power</td>
<td>15</td>
<td>36%</td>
<td>26</td>
<td>62%</td>
<td>1</td>
</tr>
<tr>
<td>Profitability at KCB bank is credited to price behavior and market conditions that are attributed to non-competitive conditions.</td>
<td>26</td>
<td>62%</td>
<td>16</td>
<td>38%</td>
<td>0</td>
</tr>
<tr>
<td>KCB bank market share has little significance on the bank profitability and performance</td>
<td>18</td>
<td>43%</td>
<td>16</td>
<td>38%</td>
<td>3</td>
</tr>
<tr>
<td>KCB’s profitability and stability appear to be moving with NSE share index</td>
<td>15</td>
<td>36%</td>
<td>26</td>
<td>62%</td>
<td>1</td>
</tr>
</tbody>
</table>
Figure 4.17: Figure showing respondents’ views on the effects of market structure on the performance of KCB

Respondents were asked to use a five point Likert scale to indicate views on the effects of market structure on performance of KCB and the response were as tabulated in table 4.17 and shown in figure 4.17. The first view sought was if the performance of KCB depends on efficiency levels, but not market power and 36% of respondents strongly agreed, 62% agreed and 2% were undecided. Second view sought was if profitability at KCB bank is credited to price behavior and market conditions that are attributed to non-competitive conditions. KCB bank market share has little significance on the bank profitability and performance. KCB’s profit ability and stability appear to be moving with NSE share index.
market conditions that are attributed to non-competitive conditions; 62% strongly agreed and 38% agreed. Third view was if the KCB bank market share has little significance on the bank profitability and performance, and 43% strongly agreed, 38% agreed while 5% were undecided and 12% disagreed. Finally, the question was if KCB’s profitability and stability appear to be moving with NSE share index, and 36% strongly agreed while 62% agreed, and 2% were undecided. The findings are in line with a study by Demsetz (2003) which established that performance and market structure is affected by price reduction due to their profit maximizing behavior. That is, market concentration resulted from the superior efficiency of leading banks. This study will consider competition among banks by determining the market share index of each bank for every year under consideration. However, the non-structure approach states that competition can be measured directly without using the relationship between structure, conduct and performance. Competition under non-structure approach can be measured using factors such as risk profiles, entry or exit barriers and revenue behavior (Demsetz, 2003). The traditional view of competition fragility states that high bank concentration erodes market power, resulting in lower profit margins and accordingly reduces banks’ motivation for risk taking (Jimenez, Lopez, & Saurina, 2010). The second view is the competition-stability contending that more market power in the loan market will increase financial institutions’ interest rates on loans that often result to higher rate of defaulters (Nicolo & Loukoianova, 2007).

4.3 Limitations of the study
Owing to the nature and characteristics of the target respondents, most of respondents were reluctant to disclose information with regards to the survey for fear of being reprimanded by the management who are responsible for handling issues related to the matter under study. In this case, the researcher guaranteed the respondents of the privacy of the data that they provided and sought authority from management to undertake research in the firm. The researcher also attached authority research letter from the university to the questionnaire so as to give further assurance on the purpose of the study.

4.4 Chapter Summary
This chapter presents research findings that were obtained from the field data; the study was to examine the effects of corporate governance practices on the performance of commercial banks
in Kenya, with KCB Bank as the case study. The findings were influenced by both male and female respondents, and data analysis was through descriptive method. The data has been presented in form of graphs and tables.
CHAPTER FIVE
SUMMARY, RECOMMENDATIONS AND CONCLUSION

5.0 Introductions

In this section, a summary of research outcomes, recommendations and conclusion of the research study are outlined in relation to study variables. Conclusion is made based on the study findings.

5.1 Summary of Findings

Out of 98 questionnaires that were distributed, 86 percent response rate was achieved. The gender characteristics of respondents are dominated by females at 55% against males who are 45%. As for the age, 10% of the respondents had their age fall between 18-23 years, 21% belonged in the ages between 24-29 years, 26% were aged between 30-35 years, 29% were aged between 36-41 years while 14% were aged 42 years and above. Most of the respondents had graduate degree at 43%, 21% were post graduates while 5% had doctorate and 31% had diploma qualifications. 56% of the respondents were non-management staff, 33% were in middle level management and 10% were in senior level management.

5.1.1 Leadership style

Respondents were asked to indicate if leadership style affects corporate governance at Kenya Commercial Bank, 90% indicated yes while 10% indicated no and none indicated that. Respondents were asked to indicate the extent to which leadership style affects corporate governance at Kenya Commercial Bank, and 36% indicated very great extent, 43% indicated great extent, 12% indicated moderate extent, 7% and 2% indicated little and very little extent respectively. This shows that the respondents agree that leadership style affect the performance at Kenya Commercial Bank.

Respondents were asked to use a five point Likert scale to indicate views on the effects of corporate governance practices on the performance of KCB and the first view sought was if at my organization top management is responsible for implementation corporate governance policies; 36% of respondents strongly agreed, 62% agreed and 2% were undecided. Second view
sought was if low performance of KCB is an indication that financial regulation is working; 62% strongly agreed and 38% agreed. Third view was if KCB is currently facing a variety of challenges due to leadership style; 33% strongly agreed, 43% agreed, 5% were undecided and 12% disagreed while 7% strongly disagreed. The fourth view sought was if regulatory reporting requirements affect the performance of KCB; 43% strongly agreed, 38% agreed while 5% were undecided and 12% disagreed. Finally, the question was if in my organization management is responsible for publishing and sharing all required information with all stakeholders, and 36% strongly agreed while 62% agreed and 2% were undecided. The findings are in agreement with a study by Lohrke, Bedeian and Palmer (2010) established that there is a direct link between participation of leadership style and success of strategies in the workplace. They further also established that management commitment is a sound quality policy which states organization corporate vision and mission of the quality of the service or product the organization produces. A study done by Khadra (2012) indicated that most reasons why implementation of organization strategic plans failed in Jordanian organization was lack of organization management support. In this respect leadership style involvement and commitment in involvement is both mandatory and domineering.

5.1.2 Financial Risk Management

Respondents were asked to indicate if financial risk management affects corporate governance practices on the performance of KCB; 85% indicated yes and 10% indicated no while 5% were not sure. Respondents were asked to indicate the extent to which leadership style affect the performance of Kenya Commercial Bank, and 38% indicated very great extent, 43% indicated great extent, 12% indicated moderate extent, and 7% indicated little extent. This shows that the respondents agree that financial risk management affects corporate governance practices and performance of KCB. Respondents were asked to use a five point likert scale to indicate views on the effects of financial risk management on the performance of KCB and the responses were as follows; the first view sought was if the performance of KCB Bank depends on efficiency levels, but not market power affected by corporate governance, and 36% of respondents strongly agreed, 62% agreed and 2% were undecided. Second view sought was if interest rate caps in Kenya have been the claim that it will constrain credit to the low-income people; 33% strongly agreed, 43% agreed, 5% were undecided and 12% disagreed while 7% strongly disagreed. Third
view was if KCB market share has little significance on the profitability and performance influenced by corporate governance, and 7% of respondents strongly agreed, 12% agreed, 5% were undecided while 43% disagreed and 33% strongly disagreed. The fourth view sought was if at KCB issues on financial risk are taken as great consideration by organization management, and 36% strongly agreed, 62% agreed, 2% were undecided while none disagreed and strongly disagreed. Finally, the question was if market interest rates exert influence on the performance of KCB, and 36% strongly agreed while 62% agreed and 2% were undecided. The findings are in line with the study done by Kithinji (2010) who defined financial risk management as those procedures and activities that managers employ in order to protect the organization from market risks, credit risks and liquidity risk which are the major categories that financial risk management practices into.

5.1.3 Organizational Culture

Respondents were asked to indicate if organizational culture affects corporate governance practices and performance of KCB; 95% indicated yes and 5% indicated no while none indicated that they were not sure. This shows that respondents believe that organization culture affects corporate governance at Kenya Commercial Bank. Respondents were asked to indicate the extent to which organizational culture affects performances of Kenya Commercial Bank 36% indicated very great extent, 47% indicated great extent, 12% indicated moderate extent and 5% indicated little extent. This shows that the respondents agree that organizational culture affects corporate governance practices on the performance of KCB. Respondents were asked to use a five point Likert scale to indicate views on the impact of organizational culture on performance of KCB and the responses were. The first view sought was if organizational culture has significant relations with performance, 36% of respondents strongly agreed, 62% agreed and 2% were undecided. Second view sought was if human resource policies on corporate governance affect performance at KCB 62% strongly agreed and 38% agreed. Third view was if my organization has an annual employee training plan for staff on corporate governance and 33% strongly agreed, 43% agreed, 5% were undecided and 12% disagreed while 7% strongly disagreed. The fourth view sought was if the respondent’s organization has a clear career path on corporate governance issues and 43% strongly agreed, 38% agreed, 5% were undecided while 12% disagreed. The
finding are in line with other scholars such as the study by A study by Ojo (2009) assesses and analyzed the impact of corporate culture on employee job performance as well as productivity in organization in Nigerian Banks. His finding were that organizational culture affects job performance. A study by Daniel (2011) on organization of work and decision making on financial performance, his study found out that organizational culture was predictive of short term performance. This when performance is defined with indicators such as return on sales, investment and assets.

5.1.4 Market Structure
Respondents were asked to indicate if market structure affects performances of Kenya Commercial Bank and all the respondents at 100% indicated yes. Respondents were asked to indicate the extent to which market structure affects performances of Kenya Commercial Bank, and 52% indicated very great extent while 48% indicated great extent. Respondents were asked to use a five point Likert scale to indicate views on the effects of market structure on performance of KCB and the responses were as follows: The first view sought was if the performance of KCB depends on efficiency levels, but not market power and 36% of respondents strongly agreed, 62% agreed and 2% were undecided. The second view sought was if profitability at KCB bank is credited to price behavior and market conditions that are attributed to non-competitive conditions; 62% strongly agreed and 38% agreed. Third view was if the KCB bank market share has little significance on the bank profitability and performance; 43% strongly agreed, 38% agreed while 7% were undecided and 12% disagreed. The last question was if KCB’s profitability and stability appear to be moving with NSE share index; 36% strongly agreed while 62% agreed and 2% were undecided. The findings are in line with a study by Demsetz (2003) which established that performance and market structure is affected by price reduction due to their profit maximizing behavior. That is, market concentration resulted from the superior efficiency of leading banks. This study considered competition among banks by determining the market share index of each bank for every year under consideration. However, the non-structure approach states that competition can be measured directly without using the relationship between structure, conduct and performance. Competition under non-structure approach can be measured using factors such as risk profiles, entry or exit barriers and revenue behavior.
5.2 Recommendations

The study has the following recommendations:

The top management of KCB Bank should ensure that efficient monetary policy that would intensify integrity, transparency and curtail insider abuses on customer accounts at the bank and their products should be structured in such a way that contains competition from other banks, and they should adopt appropriate pricing of various products in line with the estimated business risk which will eventually increase profit and therefore result to better performance.

For the management of KCB Bank there is need to comply with corporate governance requirements and best practices to avoid poor performance and bank closure. For the central bank of Kenya it should come up with national corporate governance policy which will make financial institutions in the country, the framework policy should be able to assess and monitor the financial institutions corporate governance.

KCB Bank Management should play manifest part in influencing organizational culture that is aligned to organization structure and strategy. Management of KCB Bank should have a clear picture of the company’s organizational culture. Management of KCB Bank should focus more on adhering to organization mission by ensuring that employees are conversant with mission and visions of the organization. Senior administration must toil on ethical practices in the organization that are likely to promote higher performance culture. Management of KCB Bank should invest in regular staff training and development in order to improve and develop human capability. Management of KCB Bank should involve employees in decision making as this makes the employee identify themselves with the organization.

Human resource department at KCB Bank should come up with good human resource policies to increase performance. This can be achieved by paying particular attention by involving the corporate governance consultants through encouraging more training, use of job manuals and continuous new hire orientation in all stages as they facilitate their performance. Training and development is a useful tool for employees to perform their jobs, if training and development programmes on corporate governance should be periodically arranged for employees to improve
skills on a regularly basis hence better performance, KCB Bank management should know that training and development of individual staff enhances satisfaction as well as performance.

KCB Bank management should ensure that all regulations provided by Central Bank are fully complied with. This will ensure that the bank does not face sanctions that might affect its daily operations and consequently affect its performance.

5.3 Area of Further Study

The study suggests that a comparable research should be done in other banks, micro-finance institutions and deposit taking savings and credit cooperative organizations to validate the findings of the current study.

5.4 Conclusion

The Kenyan banking environment in the last decade has undergone many structural changes in the sector that are financial and regulatory, and this has encouraged foreign banks to enter into the market. Leadership style can be measured by looking at the growth in the financial sector and this is done by comparing financial performance before new regulations came into effect and the performance after. Corporate governance is the key to the global integrity especially for financial institutions. Corporate governance can occur where there is no accountability and transparency, the quality of corporate governance principles in place should and will determine the overall performance in the financial institutions and that of national economy in terms of growth and development. Financial institutions in Kenya are in the quest for good relevance of corporate governance and this is strengthened by the desire to draw investments for international and local investors. Most of the financial institutions failures in Kenya recently are attributed to failure of corporate governance.
REFERENCES


APPENDIX 1

LETTER OF INTRODUCTION

Dear Respondent,

My names are BERNARD GITHINJI and as part of the requirements to graduate with a degree of Bachelor of Management and leadership of the Management University of Africa, I am conducting a study titled: **THE EFFECTS OF CORPORATE GOVERNANCE PRACTICES ON THE PERFORMANCE OF COMMERCIAL BANKS IN KENYA: A CASE STUDY ON KCB BANK.** For this reason, I humbly request you to assist in filling the attached questionnaire to the best of your knowledge. The information that you will provide is strictly for academic purposes, shall not be used for any other way, and your names shall not appear in this study. Your input will go a long way in facilitating this research study.

Thank you.

Yours Faithfully,

BERNARD GITHINJI

BML/8/00201/2/2014

Management University of Africa
APPENDIX II: QUESTIONNAIRE

Instructions

Tick the appropriate response. Where the question is opened, write in the space provided

SECTION A

1. Please indicate your gender …………………

2. What is your age group?

18 years to 23 years { }, 24 years to 29 years { }, 30 years to 35 years { }, 36 years to 41 years { }, above 42 years { }

3. What is your education level?

Primary { } Secondary { } College { } Graduate { } Post graduate { } Doctorate { }

4. Your current position in the organization

Senior Management ( ) Middle-Level Management ( ) None Management ( )

SECTION B

Leadership style

1. Does leadership style affect performances of Kenya Commercial Bank?

{ } Yes { } No { } Not Sure

2. To what extent does leadership style affect performances of Kenya Commercial Bank?

Very Great Extent { } Great Extent { } Moderate Extent { } Little Extent { } Very Little Extent { }

3. Please give your view on the effects of corporate governance practices on the performance of KCB and use the scale provided for the best answer possible
<table>
<thead>
<tr>
<th></th>
<th>The regulation of the banking industry is of particular importance to the performance of KCB</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Undecided</th>
<th>Disagreed</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Low performance of KCB is an indication that financial regulation is working</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>KCB is currently facing a variety of challenges due to financial regulation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Regulatory reporting requirements affect the performance of KCB</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>In my organization management is responsible for publishing and sharing all required information with all stakeholders</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Financial risk management**

1. Does financial risk management affect performances of Kenya Commercial Bank?

{ } Yes { } No { } Not Sure

2. To what extent does financial risk management affect performances of Kenya Commercial Bank? Very Great Extent { }Great Extent{ }Moderate Extent{ }Little Extent{ }

Very Little Extent { }

3. Please give your view on the impact of financial risk management on performance of KCB and use the scale provided for the best answer possible

<table>
<thead>
<tr>
<th></th>
<th>The performance of KCB Bank depends on efficiency levels, but not market power affected by corporate governance.</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Undecided</th>
<th>Disagreed</th>
<th>Strongly Disagreed</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Profitability at KCB is attributed to non-competitive market conditions and price behavior affected by corporate governance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>KCB market share has little significance on the profitability and performance influenced by corporate governance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Organizational culture

1. Does organizational culture affects corporate governance at Kenya Commercial Bank?

{ } Yes { } No { } Not Sure

2. To what extent does organizational culture affects corporate governance at Kenya Commercial Bank? Very Great Extent { } Great Extent { } Moderate Extent { } Little Extent { }

   Very Little Extent { }

3. Please give your views on the impact of organizational culture on performance of KCB and use the scale provided for the best answer possible.

<table>
<thead>
<tr>
<th></th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Undecided</th>
<th>Disagreed</th>
<th>Strongly Disagreed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Organizational culture has significant relations with performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Human resource policies on corporate governance affects performance at KCB</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>My organization has an annual employee training plan for staff on corporate governance.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>My organization has a clear career path on corporate governance issues</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Market Structure

1. Does market structure affect performance of Kenya Commercial Bank?

{ } Yes { } No { } Not Sure

2. To what extent does market structure affect the performance of KCB?

   Very Great Extent { } Great Extent { } Moderate Extent { } Little Extent { }
3. Please give your views on the impact of market structure on performance of KCB and use the scale provided for the best answer possible.

<table>
<thead>
<tr>
<th></th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Undecided</th>
<th>Disagreed</th>
<th>Strongly Disagreed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The performance of KCB depends on efficiency levels, but not market power.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Profitability at KCB bank is credited to price behavior and market conditions that are attributed to non-competitive conditions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>KCB bank market share has little significance on the bank profitability and performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>KCB market power has no influence on bank performance.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>KCB’s profitability and stability appear to be moving with NSE share index.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Thank you for your participation.