

CORPORATE GOVERNANCE AND FINANCIAL PERFORMANCE OF COMMERCIAL BANKS IN MACHAKOS COUNTY, KENYA

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ABSTRACT

Purpose: the purpose of the research was to examine how the services provided by commercial banks in the country affect the customers' satisfaction, regulatory framework compliance, employee motivation and retention, and overall transparency and accountability.

Methodology: Data was gathered using surveys utilizing a descriptive research methodology. Commercial banks in Machakos County were the focus of this research. Because of its central location within the metro area and its excellent infrastructure, Machakos County was chosen due to the region's tremendous economic potential. Machakos county has a total of 26 commercial banks spread across its 9 sub counties and were all involved in the study. The data collection tool was piloted in Makueni County. Both the correlation and regression results were used to establish whether any form of influence between transparency and accountability, employee motivation and retention, regulatory framework compliance, customer satisfaction and performance of commercial banks in Kenya.

Findings: The study found out that there exists a positive relationship between the specific aspects of corporate governance under study and the financial performance of commercial banks. these findings have also been related to the findings of other previous researches.

Recommendations: The research recommends that to ensure there is sufficient Compliance to Regulatory Framework the management of the commercial banks, the legislature and the central bank which is the supervising authority needs to put in place policies to ensure the bank is compliant to the provisions.

Key Words: *transparency and accountability, financial performance, employee motivation and retention, regulatory framework compliance and customer satisfaction*

INTRODUCTION

World Bank policy goals have recently shifted to prioritize the growing corporate governance significance in an economy. The African, Asian and Caribbean markets have

embraced this emerging concept in a bid to compete with the global economies. The Asian economic crisis coupled with African market below average financial performance has compelled the conceptualization of corporate governance, (Dalton and Dalton, 2013). Corporate governance envisions a situation where systems are utilized to manage and control corporate entities with the least friction being experienced. Management bodies in corporates gives a clear perception on the distribution of rights and privileges as well as responsibilities and duties.

The obligations of each participant are also managed among the key stakeholders including; shareholders, board of directors, creditors, managers, auditors, other stakeholders and regulators. It further informs the procedures and guidelines to be adhered to by the relevant personnel bestowed with the duty of making crucial decisions, (Enobakhare, 2020). Through an effective system of corporate governance, an organization makes its objective achievement path very short in employing a structured system while concentrating on market frameworks, regulatory framework and social dimensions of growth of processes and procedures of the contextualized operational environment (Enobakhare, 2020). Governance can therefore be used to explain management policies, monitoring process, operational decisions and (Mullins, 2014).

The agency theory defines the process of governance as to include; board composition and size, sensitivity to the performance of the CEO, shareholders' rights, ownership structure, directors and stakeholders support and goodwill. Where the mechanisms of governance, should be changed, the management interests are to aligned with the shareholders' and stakeholders' interest to maintain a higher value, growth or achievement of the firm. Corporations that have an effective governance structure have a faster financial growth than their counter parts with ineffective governance structure. Stable frameworks of corporate governance are important to corporation in that they guarantee credit access, spontaneous growth, less investment capital and favourable terms of engagement from stakeholders. Risky financial patterns, slow growth, and macroeconomic crises are precipitates of weak structures to manage corporate governance of an entity. Increased market liquidity and confidence of investors is also a result of effective corporate governance (Ren, L. 2014).

Transparency, accountability, and Performance of Commercial Banks

Transparency and accountability is characterized by increase in the flow of reliable timely and comprehensive information on social, economic, investors prospects, political climate and influence on the financial outcome of the corporation, utilization of credit facilities and corporate creditworthiness, changes in fiscal and monetary policies and international activities influencing the operational environment of the business. Denial of access to information or providing misleading information either intentionally or without knowing leads to lack of transparency and accountability or if the information provided is untimely, incomplete or misrepresented. Therefore, an understanding of transparency and accountability should have the following ingredients; reliability, relevance, access, quality and comprehensiveness of information provided (Vishwanath & Kaufmann, 2001). The economics and finance definition of full disclosure is a systematic process of making available, accessible, understandable and visible the information relating to; actions, decisions, existing conditions and threats to the continued operations of the corporate entity.

According to the American International Financial Journal, a conflict of interest may emerge between shareholders and management or between minority and controlling shareholders, transparency and accountability. The common driver of the above listed conflicts is the lack of transparency and accountability. A common prerequisite of shareholder-management conflict is the low effort by the management and unproductive investment. The minority-controlling shareholder conflict is precipitated by expropriation or private benefits control (Goodstein, 2019).

According to Pfeffer 2012, south Africa has the leading enthusiasm of transparency and accountability. The outer forces enjoy utilization of power counterbalance instruments which include; legal climatic and regulatory framework and adequacy of corporate governance enforcement, discouraging detrimental insiders' actions, allow corporate and judicial channels intervention for the affected stakeholders without any probability of insiders' intervention. Corporate governance coupled with employees' delivery in developing economies taking into account the Southern African economic block. The

greatest outcome was the Impact of employee motivation in ensuring corporate governance is achieved.

Employee Motivation and Performance of Commercial Banks

Freeman, Wicks and Parmar asserts that, employees are key to achieving corporate governance. In their findings they clarify that, despite employees being mere implementers and managers, the shareholders and directors only develop the strategic direction and employees choose how to implement the directives. Well-motivated employees implement cooperate governance with great ease and less conflict and such institutions reap the maximum benefit of corporate governance for their growth. Corporate governance boosts development and performance by encouraging employee engagement and protecting shareholder value (Freeman, Wicks and Parmar, 2014).

Compliance to Regulatory Framework and Performance of Commercial Banks

Effective compliance to regulatory framework leads to stabilized corporate governance and performance. Non-compliance leads to legal battles with the states and in return, institutions end up spending too much funds and time on legal costs (Khaled, 2019). In Nigeria, several cooperates were barred from operations due to non-compliance in tax disclosures, where the companies were underreporting incomes and over stating expenses to minimize the amount of taxes due and payable to the state Kumudini (2018).

Back in Kenya, several companies have been on the run without attaining full compliance. In 2021 for example, Keroche industries was closed down by the Kenya Revenue Authority for non-compliance of tax reporting and payment. In the same year, several companies along Nairobi River and Athi river were also put on notice by the National Environment Management Agency (NEMA) for draining their waste in to the rivers without following the due procedure as provided by the agency. The collapse of Uchumi Supermarkets, Mulleys supermarkets, several financial institutions and parastatals is a classic example of the need for corporate governance in institutional management Kumudini (2018).

Customer satisfaction and Performance of Commercial Banks

Customer satisfaction is key to any business success as it helps in building a stable customer base (Enobakhare, 2020). Several agencies and state corporations have been put in place to monitor and protect consumers from scrupulous business entities such as the Kenya Bureau of Standards (KEBs). Customer retention and profitability in commercial banking are more open to speculation in economies still getting their feet under them. For instance, when there is more information available, there is less of a chance that an error was made when estimating the return distribution (Clarkson et al., 2016). According to research by Vander and Willekens (2018), businesses in the European Union with a larger concentration of ownership provide less information to the public than those in common law nations. The relationship between disclosure quality, credibility, and management incentives was examined in Core's (2021) assessment of the empirical disclosure literature. One possible justification for companies sharing data is social responsibility (Gelb & Strawser, 2021).

STATEMENT OF THE PROBLEM

The connection between corporate governance and economic success has been the subject of numerous studies. It's worth noting that this line of inquiry is part of a growing body of literature as more and more businesses recognize the value of good corporate governance in fostering economic growth through increased financial performance. It's also worth noting that, to date, the vast majority of academic study on corporate governance has been conducted in first-world nations. The study aims to fill this void in the literature. Commercial banks are an integral part of the economic fabric of any country. Because they safeguard the assets of all the other businesses and ensure the viability of the other industries by extending credit, they deserve special recognition for their crucial role in the economy. This study aimed at filling a significant information gap by conducting the first comprehensive analysis of corporate governance and financial performance across Kenya's commercial banks.

The study's primary objective was to determine whether or not commercial banks' financial performance is affected by their level of openness and accountability. Publication of yearly financial accounts, disclosure of board decisions, disclosure of willingness to report changes in the board of directors and top management, and disclosure of business alliances

are all ways in which transparency and accountability can be gauged. The study also intended to determine whether or not commercial banks' financial performance is correlated with their employees' levels of motivation and commitment to the company. Banks were evaluated on their use of monetary and non-monetary inducement schemes to keep their staff engaged, while employee turnover was used to gauge how well they are doing at retaining their current workforce.

The purpose of this research was to determine if there is a connection between commercial banks' levels of compliance with the regulatory environment and their financial success. The rules were separated into those that apply to commercial banks in Kenya specifically. When determining compliance, the number of times a given institution has been warned for not following the rules should be used. The number of closed accounts due to dissatisfied consumers and reports of customer feedback was used to gauge customer satisfaction. The profitability of commercial banks over the course of a fiscal year served as the dependent variable by which their financial performance was evaluated.

Commercial banks have been for a very long time operated in a very regulated framework and with less competition with very strict entry requirements. In the recent past, commercial banks have had to endure a growing challenge of the entry into the sector by other forms of financial service providers such as micro finance institutions, savings and credit cooperative societies (SACCOs), Mobile Money transfer, savings and lending platforms. This means that, commercial banks are at a threat of a more competitive environment than recently was. It is also worth noting that, commercial banks have faced several challenges in the recent past majorly being cash flow changes to meet their depositors' requirements and even some of them being handed over to receivers and buy outs. Examples of such include; Imperial bank, National Bank of Kenya, Chase bank, Mwalimu National, K-Rep Bank among others.

RESEARCH OBJECTIVE

The objective of this research was to analyze corporate governance and financial performance of commercial banks in Machakos County, Kenya.

LITERATURE REVIEW

Several studies have been propagated to establish the effects, impact and influence of corporate governance to growth, profitability and sustainability of corporate entities in divergent sectors of economies both developed as well as developing economies. According to a research by Dalton and Dalton, 2013, World Bank policy goals have recently shifted to prioritize the growing importance of corporate governance in both developed and developing economies (2015). The African, Asian and Caribbean markets have embraced this emerging concept in a bid to compete with the global economies. The Asian economic crisis coupled with African market below average financial performance has compelled the conceptualization of corporate governance, (Dalton and Dalton, 2013).

According to research conducted by Chirchir (2014), the process of governance as to include; board composition and size, sensitivity to the performance of the CEO, shareholders' rights, ownership structure, directors and stakeholders support and goodwill. Where the mechanisms of governance, should be changed, the management interests are to aligned with the shareholders' and stakeholders' interest to maintain a higher value, growth or achievement of the firm Chirchir (2014). Kumudini (2018) found out that, corporations that have an effective governance structure have a faster financial growth than their counter parts with ineffective governance structure. Stable frameworks of corporate governance are important to corporation in that they guarantee credit access, spontaneous growth, less investment capital and favourable terms of engagement from stakeholders. Risky financial patterns, slow growth, and macroeconomic crises are precipitates of weak structures to manage corporate governance of an entity. Increased market liquidity and confidence of investors is also a result of effective corporate governance (Ren, L. 2014).

Marcinkowska (2012) used information from commercial banks in his research into the impact of openness and accountability on financial performance of commercial banks in south Africa. Namely, the study examined problems associated with commercial bank accountability and transparency, as well as possible remedies to such problems. The research focused on markers of openness and responsibility, such as sharing data on financial performance, distributing customer feedback, and reporting dividends to

shareholders. The research findings were that, commercial banks play a very crucial role in economic growth and their growth should be paramount. The researchers further established that, customers would relatively consume services from the commercial banks that were more transparent and accountable as compared to the others that were not. While this research aims to analyze commercial banks, it was conducted in South Africa whose main economic activities is manufacturing unlike Kenya whose main economic activity is agriculture and trading.

Kariuki (2015) investigated the relationship between financial sector openness and sustainability in Kenya. Based on the information gathered, it is clear that commercial banks in Kenya's financial sector need to make transparency and accountability central tenets of their corporate governance in order to secure a viable future for the industry. Receivership cases of various insurance companies and the Imperial bank and national bank were examined.

Darker and Caylor (2014), carried out a study to establish the influence of employee motivation and retention on financial performance of listed security firms in France. The aspects of employee motivation put to test were; timely remittance of salaries, additional incentives, competitive remuneration, training and capacity development schemes, guaranteed study leaves with full salary, health insurance cover for their families and education policy for their children. They found out that firms that motivated and retained their employees had the highest chances of retaining their customers as well and additionally could grow their customer base very fast.

Kumudini (2018) conducted an elaborate study to disengage the individual aspect of employee motivation on growth of firms listed in the Nairobi Securities Exchange. The study adopted both primary and secondary sources of data. Descriptive research design was utilized while correlation was used to establish whether there existed any influence and to what extent the influence was. He found out that, monetary motivation had a great impact on the growth of firms in the short run and firms which adopted monetary employee motivational schemes could not retain the employees in the long run and hence they were

characterized by high employee turnover rates. On the other hand, firms which adopted non-monetary employee motivational schemes such as capacity development schemes, fully funded studies in line of operations, sufficient health insurance and educational policies among others could easily retain their workforce and the growth of such firms was more sustainable, (Donaldson and Davis, 2014). These findings agree with the findings of Dalton, C. M. and Dalton, D. R. (2013) who contend that a well, non-monetary motivated workforce is a well spread of expertise that is sure of its role and how to get to the ultimate goal, not easily poachable and not willing to leave and chase any financial offer place on the table.

Freeman et al. (2014) indicated that, compliance to regulatory framework strikes harmony between the interests of a corporation's stakeholders fulfillment and the general interests of the public as propagated by the regulatory agents. In his study influence of regulatory framework on growth of financial institutions in south Africa, he found out that regulatory framework doesn't disenfranchise firms but rather creates a very harmonious environment for business entities to carry out trade and get the benefit of good relationship with the members of the public. He further elaborated that; the government doesn't tax corporates as a punishment but only to ensure that it has the financial capacity to provide public goods. He asserted that, financial institutions are some of the entities which operate under a very strictly regulated environment due to its risky nature. He recommended that; financial institutions should have a compliance department under corporate governance structure to ensure full compliance to the regulatory provisions at all levels.

A study by Munyao (2021) looked into the connection between construction firms' tax compliance and their financial success in Kenya. The researchers focused on the building industry because of the country's rapid rate of infrastructure expansion. Ten counties were chosen at random to take part in the study. The primary data was gathered through interviews with company executives in the construction industry. Tax compliance has been one of the greatest challenges of firms across the country since the introduction of itax to monitor tax compliance in the country. For a company or an enterprise to secure a government tender, the directors have to ensure that the company acquires a tax compliance

which is auto generated from the itax system (Ahmed, 2016). In his findings, he found out that, entities that were not tax compliant were not eligible to participate in public tendering. He also established that some private corporates and commercial banks had also starting barring entities which were not compliant from participating in their tendering process more so the companies listed with the Nairobi Securities Exchange (NSE) (Goodstein, 2019). This study was however carried out among construction companies which have a different operational and compliance framework as compared to commercial banks and this is the gap that this study seeks to address.

A study by Arasli et al. (2019) indicated that customer happiness has a beneficial effect on the financial results of the banking industry. According to the findings of the study he conducted in Nigeria, client loyalty is directly proportional to the level of pleasure with the service received. The impact of happy customers on a bank's bottom line was studied by Akhtar et al. (2021). He then used a clear strategy to evaluate how customers of different banks felt about their experiences.

According to research conducted by Akhter et al. (2021), customer happiness has a direct and beneficial effect on a company's bottom line. They looked examined how the financial sector's bottom line would fare if it prioritized customer value and loyalty over other factors including trust, contentment, commitment, communication, image, complaint handling, and service quality. It was discovered that factors such as a company's brand image, customer loyalty, dedication, perceived quality, and customer satisfaction all had a favorable effect on a telecom company's bottom line. Furthermore, it was discovered that brand credibility, as a construct that influences both customer satisfaction and financial success, has a cross-impact on both.

RESEARCH METHODOLOGY

Research Design

Kothari and Garg (2015), define a research design as an arrangement of the research purpose with procedure hence it's the conceptual structure within which the research study is conducted. This study used a descriptive research approach to illustrate the existing

relationship between transparency and accountability, staff motivation and retention, compliance to regulatory framework, and customer satisfaction and financial performance of commercial banks in Kenya. Several researchers have utilized this method successfully to find correlations like (Nguru, 2016 and Shipho, 2011). This method has the advantage of helping researchers to plan and carry out studies that provide in-depth details about people, places, or particular phenomena under study. Since the main objective is frequently to have a better understanding of the research study, the research study adopted a quantitative research design, the results obtained by the study should be in a position to be used in generalizing findings of any type of research carried out in any setup.

Target Population

This study targeted commercial banks in Machakos county. Machakos county was selected due to its strategic position in the metropolis region with a myriad of economic activities and its potential to spur economic growth. The establishment of the Konza Techno city in its border with Makueni and Kajiando counties also provides a great potential for the county in terms of technological investment which provides a great platform for commercial banks to operate. Machakos county has a total of 26 commercial banks spread across its nine sub-counties. Since the population was deemed manageable, census was used to select all the commercial banks in Machakos county.

Data Collection Instrument

Saunders (2004) argues that closed-ended items are simpler to interpret and more reliably measure quantitative variables than open-ended items, hence these were used exclusively in the study. The study will gather secondary data on the indicators of the dependent variables; internal growth and market share, and obtain primary data using a questionnaire.

Pilot Study

The research instrument was piloted in Makueni county involving six commercial banks located in Wote town which plays host to the county headquarters. The six branches of the commercial banks were chosen at random. The researcher conducted a self-administered data collection procedure so as to interact with the pilot test respondents. Low dependability falls into the 0.3–0.5 range, moderate reliability falls between 0.5 and 0.7, and high

reliability falls between 0.70 and 0.90. (0.90 and above). Every section of the survey with the same sort of items underwent reliability testing. The findings of the pilot test were only being used to improve on the reliability and the validity of the research tool and do not form part of the final data analysis. The study also adopted content, face, construct, internal and external, statistical conclusion and criterion related validity with assistance from the supervisor, and professionals in the field.

RESEARCH FINDINGS

Transparency and Accountability Financial Performance of Commercial Banks

The findings of the study showed that there is great relationship between aspects of transparency and accountability and financial performance of commercial banks in Machakos county. The least of the mean of the aspects of transparency and accountability was 3.5 on the scale of 1 to five for At least two of the audit committee members being independent directors indicating that most of the out of the respondents agreed that aspects of transparency have a contribution to the financial performance of commercial banks in Machakos county. The variance and the standard deviation of the data collected was compressed with the highest being a variance of 1 and standard deviation of 1.32 to show how the response was spread in the options given.

Employee Motivation and Financial Performance of Commercial Banks

The findings of the study showed that there is great relationship between aspects of employee motivation and financial performance of commercial banks in Machakos county. The least of the mean of the aspects of transparency and accountability was 3.8 on the Likert scale of 1 to five for coaching and Mentorship for succession indicating that most of the out of the respondents agreed that aspects of employee motivation have a great contribution to the financial performance of commercial banks in Machakos county. The variance and the standard deviation of the data collected was compressed with the highest being a variance of 1.1 and standard deviation of 1.04 to show how the response was highly concentrated along the scale.

Regulatory Framework Compliance and Financial Performance of Commercial Banks

The findings of the study showed that there is great relationship between aspects of Regulatory framework compliance and financial performance of commercial banks in Machakos county. The least of the mean of the aspects of Regulatory framework compliance was 3.7 on the Likert scale of 1 to five for Management is aware of international financial reporting standards (IFRS) indicating that most of the out of the respondents agreed that aspects of Regulatory framework compliance have a great contribution to the financial performance of commercial banks in Machakos county. The variance and the standard deviation of the data collected was compressed with the highest being a variance of 0.9 and standard deviation of 1.03 to show how the response was highly concentrated along the scale.

Customer Satisfaction and Financial Performance of Commercial Banks

The findings of the study showed that there is great relationship between aspects of customer satisfaction and financial performance of commercial banks in Machakos county. The least of the mean of the aspects of customer satisfaction was 3.9 on the Likert scale of 1 to five for Bank Employees are trustworthy indicating that most of the out of the respondents agreed that aspects of customer satisfaction have a great contribution to the financial performance of commercial banks in Machakos county. The variance and the standard deviation of the data collected was compressed with the highest being a variance of 1.0 and standard deviation of 0.98 to show how the response was highly concentrated along the scale.

Regression Analysis

To establish the factors, influence of the four factors on the financial performance of commercial banks in Machakos county, a multiple regression analysis was conducted to establish the relative influence of the independent variables on the dependent variable. The regression model was as shown below:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

$$Y = \beta_0 + \beta_1 X_1 \text{ (transparency and accountability)} + \beta_2 X_2 \text{ (employee motivation)} + \beta_3 X_3 \text{ (regulatory framework compliance)} + \beta_4 X_4 \text{ (customer satisfaction)} + \varepsilon$$

Table 1: Model Goodness of Fit

R	R²	ADJUSTED R²	STANDARD ERROR OF ESTIMATION
0.971	0.87	0.932	0.06227

- a. Predictors: (Constant), transparency and accountability, employee motivation, regulatory framework compliance, customer satisfaction.
- b. Dependent Variable: Y Performance of commercial banks

With an adjusted R² of 0.932, the model shows that transparency and accountability, employee motivation, regulatory framework compliance and customer satisfaction explain 93.2 percent of the variations in performance of commercial banks while 6.8 percent is explained by other factors not in the model. The standard error of estimation was at 6.22% meaning the model was perfect at a 94.78%.

Table 2: Analysis of Variance

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	4.181	3	1.394	3.135	0.038a
Residual	15.562	35	.445		
Total	19.744	38			

The P-value of 0.038 implies that performance of commercial banks has a significant joint relationship with transparency and accountability, employee motivation, regulatory framework compliance and customer satisfaction which is significant at 3.8 percent level of significance. This also depicted the significance of the regression analysis done at 96.2% confidence level.

Table 3: Regression Coefficient Results

	Un-standardized Coefficients	Standardized Coefficients	T	Sig.
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	B	Std. Error	Beta		
(Constant)	7.724	0.038		3.87	0.038
transparency and accountability	0.719	0.720	0.791	3.87	0.038
employee motivation	0.456	0.827	0.662	3.87	0.038
regulatory framework compliance	0.034	0.197	0.838	3.87	0.038
customer satisfaction	0.865	0.698	0.687	3.87	0.038

a. Dependent Variable: Y performance of commercial banks

From the data in table 18, there is a positive relationship between Y (performance of commercial banks) and transparency and accountability, employee motivation, regulatory framework compliance, customer satisfaction.

The established regression equation was:

Y (performance of commercial banks) = 7.724 (constant) + 0.791 (transparency and accountability) + 0.662 (employee motivation) + 0.838 (regulatory framework compliance) + 0.687(customer satisfaction) + 0.038.

LIMITATIONS OF THE STUDY

The main limitation of the study was the bureaucratic nature of the commercial banks with some of the bank managers demanding that the researcher seeks authorization from their headquarters which are mostly based in Nairobi. This challenge was addressed by explaining to them that, the data collected would only be used for research purposes and would not be advanced to any other purposes whatsoever and therefore would be kept very confidential. The other main limitation was the busy schedule of the bank managers with some of the managers not meeting the time allowed to fill the questionnaires. This challenge was addressed by allowing some more time to have the questionnaires filled.

SUMMARY RECOMMENDATIONS AND CONCLUSION

Transparency and Accountability and Financial Performance of Commercial Banks

The findings were that there exists a strong relationship between transparency and accountability and financial performance of commercial banks. This means that to a great extent, transparency and accountability influences the financial performance of commercial banks. These findings agree with the findings of Marcinkowska (2012), who used information from commercial banks in his research into the impact of openness and accountability on financial performance of commercial banks in South Africa. Namely, the study examined problems associated with commercial bank accountability and transparency, as well as possible remedies to such problems. The research findings were that, commercial banks play a very crucial role in economic growth and their growth should be paramount. The researchers further established that, customers would relatively consume services from the commercial banks that were more transparent and accountable as compared to the others that were not.

Further the findings agree with the findings of Aljifri and Moustafa (2012) who examined the impact of internal and external transparency on the performance of 51 Ugandan retail chains. The study found that the financial performance of the surveyed companies improved significantly once they instituted more consistent financial reporting. Research into the impact of airlines' corporate social responsibility on their financial success. They also discovered that the financial health of listed companies was strongly impacted by the degree to which their operations were open and accountable to the public. They singled out the fact that transparent businesses could survive even in unfavorable economic conditions, saying that they had easy access to finance.

Further these findings are in agreement with the findings of Kariuki (2015) who investigated the relationship between financial sector openness and sustainability in Kenya. Based on the information gathered, it is clear that commercial banks in Kenya's financial sector need to make transparency and accountability central tenets of their corporate governance in order to secure a viable future for the industry. Receivership cases of various insurance companies and the Imperial bank and national bank were examined.

Employee Motivation and Retention and Financial Performance

The findings were that there exists a strong relationship between Employee motivation and financial performance of commercial banks. This means that to a great extent, employee motivation influences the financial performance of commercial banks. These findings agree with the findings of Bouten and Hoozée (2015) who examined the influence of employee motivation and financial performance of commercial banks within the territorial boundaries of Belgium. They found out that, corporate governance was a key driver which was greatly driven by the employees to strategize and achieve results. Moreover, it generates a more complete picture of the organizations capacity to enhance other corporate governance aspects.

Further, the findings of the study were that; monetary motivation had a great impact on the growth of firms in the short run and firms which adopted monetary employee motivational schemes could not retain the employees in the long run and hence they were characterized by high employee turnover rates. On the other hand, firms which adopted non-monetary employee motivational schemes such as capacity development schemes, fully funded studies in line of operations, sufficient health insurance and educational policies among others could easily retain their workforce and the growth of such firms was more sustainable, these finding are consistent with the findings of Dalton, C. M. and Dalton, D. R. (2013) who contend that a well, non-monetary motivated workforce is a well spread of expertise that is sure of its role and how to get to the ultimate goal, not easily poachable and not willing to leave and chase any financial offer place on the table.

The findings further agree with the findings of Darker and Caylor (2014), who carried out a study to establish the influence of employee motivation and retention on financial performance of listed security firms in France. The aspects of employee motivation put to test were; timely remittance of salaries, additional incentives, competitive remuneration, training and capacity development schemes, guaranteed study leaves with full salary, health insurance cover for their families and education policy for their children. They found out that firms that motivated and retained their employees had the highest chances of retaining their customers as well and additionally could grow their customer base very fast.

Further, the study findings agree with the findings of the research conducted by Lipton and Lorsch (2012) on the influence of motivated workforce on growth of corporate governance culture among commercial banks in Liberia. the study adopted descriptive research design and focus groups were used to gather the data for analysis. They found out that more contend workforce grew their loan book at a faster rate than the ones that did not have well motivated employees. Although the methods of motivating the employees were not put to test, the scholars recommended that commercial banks should consider both monetary and monetary motivational schemes for the employees.

Compliance to Regulatory Framework and Financial Performance

The findings were that there exists a strong relationship between Compliance to Regulatory Framework and financial performance of commercial banks. This means that to a great extent, Compliance to Regulatory Framework influences the financial performance of commercial banks. Researchers Jensen and Mackling (2016) looked at the impact of regulations on the bottom lines of companies that emit greenhouse gases and are traded on the New York Stock Exchange. Tax provisions, local ordinances, and rules addressing the effects of climate change were also factors in the evaluation. Research along these lines was also carried out in France (Fama and Jensen 2013). Both the agency theory and the stewardship theory were examined because of their relevance to the topic of regulatory compliance. Surveys and secondary data collection forms were used to acquire information from a stratified random sample of the population of interest. According to the results, companies that followed the rules fared better financially than those that didn't. Analogous results were also observed by (Lam and Lee 2018).

The research went further and exposed the effects of each of the specific aspects of compliance that were under review. It was elaborated that, tax compliance had the largest drain to the resources of the firms which ranged between 50% to 70% of the annual gross turnover. This greatly impacted the financial performance of the firms with a good percentage of its income being consumed as legal fees to settle the tax non-compliance. Compliance to municipal regulations was ranked as the second largest consumer of income

which was ranged between 18% to 33% of the annual gross turnover. Although compliance to climate change adaptations regulations was ranked as the least costly non-compliance with fines only ranging between 2.5% to 7%, the firms that were fully compliant to climate change adaptations regulations, enjoyed a faster growth in terms of customer base and its new products were easily accepted in the market. Such companies also enjoyed great customer retention as compared to the ones that were non-compliant similar findings were realized in a similar study in the United Kingdom (Donaldson and Davis, 2014).

Internal governance frameworks and financial performance of Indian firms were studied by Jackling and Johl (2019). Compliance and financial performance of the companies were both found to benefit from the investigation's focus on their combined efforts. Ujunwa (2021) backed up the findings by establishing that non-compliance is correlated negatively with the financial performance of enterprises in Nigeria.

Freeman et al. (2014) indicated that, compliance to regulatory framework strikes harmony between the interests of a corporation stakeholders' fulfillment and the general interests of the public as propagated by the regulatory agents. In his study influence of regulatory framework on growth of financial institutions in south Africa, he found out that regulatory framework doesn't disenfranchise firms but rather creates a very harmonious environment for business entities to carry out trade and get the benefit of good relationship with the members of the public. He further elaborated that the government doesn't tax corporates as a punishment but only to ensure that it has the financial capacity to provide public goods. He asserted that, financial institutions are some of the entities which operate under a very strictly regulated environment due to its risky nature. He recommended that financial institutions should have a compliance department under corporate governance structure to ensure full compliance to the regulatory provisions at all levels.

As full compliance to regulatory framework accelerates the fundamental operating process and evacuates avoidable internal and legal issues, Laing and Weir (2016) looked into the relationship between full compliance to regulatory framework and financial performance. Findings suggested that noncompliance had an effect, since some compliances are

expensive, but this had major consequences in the long run. Bhagat and Bolton (2021) looked on how adhering to regulations impacted financial outcomes between 2016 and 2020. In addition to bribery of authorities to avoid compliance, the inquiry revealed other hidden expenditures that negatively impacted company performance.

A study by Munyao (2021) looked into the connection between construction firms' tax compliance and their financial success in Kenya. The researchers focused on the building industry because of the country's rapid rate of infrastructure expansion. Ten counties were chosen at random to take part in the study. The primary data was gathered through interviews with company executives in the construction industry. Tax compliance has been one of the greatest challenges of firms across the country since the introduction of itax to monitor tax compliance in the country. For a company or an enterprise to secure a government tender, the directors have to ensure that the company acquires a tax compliance which is auto generated from the itax system (Ahmed, 2016).

The study found out that, entities that were not tax compliant were not eligible to participate in public tendering. He also established that some private corporates and commercial banks had also starting barring entities which were not compliant from participating in their tendering process more so the companies listed with the Nairobi Securities Exchange (NSE) (Goodstein, 2019). This study was however carried out among construction companies which have a different operational and compliance framework as compared to commercial banks and this is the gap that this study seeks to address.

Customer Satisfaction and Financial Performance

The findings were that there exists a strong relationship between Compliance to Regulatory Framework and financial performance of commercial banks. This means that to a great extent, Compliance to Regulatory Framework influences the financial performance of commercial banks. A study by Arasli et al. (2019) indicated that customer happiness has a beneficial effect on the financial results of the banking industry. According to the findings of the study he conducted in Nigeria, client loyalty is directly proportional to the level of pleasure with the service received. The impact of happy customers on a bank's bottom line

was studied by Akhtar et al. (2021). He then used a clear strategy to evaluate how customers of different banks felt about their experiences.

What's more, as Hossain and Leo (2019) have discovered in Qatar, happy customers are a good indicator of future profits. The approach was applied to customer satisfaction, which was discovered to have an effect on the company's bottom line. The test companies' institutional growth was directly correlated with the extent to which their customers were satisfied.

According to Korda and Snoj (2020), manufacturers in Nakuru were studied to determine if there was a correlation between customer happiness and financial success. In addition, they researched how customers' feelings about service quality affected the company's bottom line. Among four major subsectors of the financial industry, Lai et al. (2019) found that customer happiness was the most important factor in driving growth.

According to research conducted by Akhter et al. (2021), customer happiness has a direct and beneficial effect on a company's bottom line. They looked examined how the financial sector's bottom line would fare if it prioritized customer value and loyalty over other factors including trust, contentment, commitment, communication, image, complaint handling, and service quality. It was discovered that factors such as a company's brand image, customer loyalty, dedication, perceived quality, and customer satisfaction all had a favorable effect on a telecom company's bottom line. Furthermore, it was discovered that brand credibility, as a construct that influences both customer satisfaction and financial success, has a cross-impact on both.

Customer switching costs have a direct impact on financial performance and mediate the relationship between customer satisfaction and financial success, as studied by Varki and Colgate (2021). Results like these are consistent with those discovered by Munyao (2021), who studied the microfinance banks of Kenya and found that customer satisfaction improvement strategies improved the banks' bottom lines.

RECOMMENDATIONS

The following are the recommendations drawn from the findings of the study.

Transparency and Accountability and Financial Performance of Commercial Banks

From the findings of the study, the research recommends that to ensure there is sufficient transparency and accountability, the banks management needs to make publication of bank governance structure such as majority shareholders, composition of the board, make regular publication of annual, semi-annual and quarterly financial reports, make full disclosure of Financial market, inflation index, deposit insurance systems and protection of stockholder's rights, make full disclosure of operational ratios such as debt-to-equity ratio and other ratios, ensure that.

Employee Motivation and Retention and Financial Performance

From the findings of the study, the research recommends that to ensure there is sufficient employee motivation, the management of the commercial banks should ensure that there is sufficient salary and other monetary benefits awarded and reviewed every year, provide assurance of Job security, contribute to the insurance schemes such as Pension scheme for the employee as well as medical Insurance. The management should develop sufficient policies for training (Internal & External) for higher responsibilities, coaching, Mentorship for succession and practice academic & professional sponsorship to Seminars, conferences for skills advancements and professional networking within the bank.

Compliance to Regulatory Framework and Financial Performance

From the findings of the study, the research recommends that to ensure there is sufficient Compliance to Regulatory Framework the management of the commercial banks, the legislature and the central bank which is the supervising authority needs to put in place policies to ensure the bank is compliant to the provisions of anti-banking fraud, bank is compliant with the provisions of the anti-money laundering, bank is compliant with the provisions of the data protection act, bank is always compliant with credit rates, transaction charges, and any other charges as guided by the Central Bank of Kenya.

Customer Satisfaction and Financial Performance

The study recommends that, commercial banks should develop strategic methods of establishing the degree of satisfaction after every service that is offered. The coming into effect of mobile applications makes it very easy for financial institutions to offer all its services at the comfort of the customers. This makes it very possible for the commercial banks to sample customers and find out how satisfied with their services they are.

RECOMMENDATIONS FOR FURTHER RESEARCH

The uptake of mobile money transfer systems seems to be at a very fast rate in the country, the research therefore recommends further research to be carried out on corporate governance of mobile money companies as well as mobile money lending and other financial institutions.

CONCLUSION

It is worth noting that, commercial banks in Kenya have faced several challenges in the recent past majorly being cash flow changes to meet their depositors' requirements and even some of them being handed over to receivers and buy outs. Examples of such include; Imperial bank, National Bank of Kenya, Chase bank, Mwalimu National, K-Rep Bank among others. It is this main reason that compelled the researcher to investigate the relationship between corporate governance and financial performance of commercial banks including; transparency and accountability, employee motivation and retention, regulatory framework compliance, customer satisfaction. The study has found out that there exists a positive relationship between the specific aspects of corporate governance under study and the financial performance of commercial banks. these findings have also been related to the findings of other previous researches.

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