LEADERSHIP STYLE, FINANCIAL INNOVATION, BANKING REGULATION AND FINANCIAL PERFORMANCE OF COMMERCIAL BANKS IN KENYA

WERU MWANGI

A THESIS SUBMITTED TO THE SCHOOL OF MANAGEMENT AND LEADERSHIP IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF DOCTOR OF PHILOSOPHY IN MANAGEMENT AND LEADERSHIP OF THE MANAGEMENT UNIVERSITY OF AFRICA

OCTOBER 2022

DECLARATION

I declare that this thesis is my original work and has not previously in its entirety or in part been presented for a degree or other academic award

Signature……..Date……

Weru Mwangi DML/1/00007/2/2015

This thesis has been submitted for examination with my approval as University Supervisor

Signature……..Date……

Prof. Emmanuel Awuor, Ph.D.,

School of Management and Leadership,

Management University of Africa

Signature……..Date……

Prof. Peter Kithae, PhD.,

School of Management and Leadership,

Management University of Africa

DEDICATION

I dedicate this research work to the almighty God, to who I give thanks due to the insight, wisdom and strength He granted me during this journey; and, to my family for the love, prayers, encouragement and support I received from them while I pursued my studies in this program.

ACKNOWLEDGEMENTS

To my advisors, Prof Emmanuel Awuor, PhD and Prof. Peter Kithae, PhD, I owe my gratitude for their guidance and wisdom. Without their support, the quality of this work would have been wanting. I am also indebted to members of the defence panel for their input and advise that improved the quality of this work. In addition, special gratitude goes to the examiners whose input in the final document was invaluable.

I am indebted to the Management University of Africa community, especially the School of Leadership & Management, Post Graduate Studies Board and library staff, for their support and cooperation during the course of this study. It is not possible to mention each person by name. It would not have been possible for any one person to complete this project alone. I most sincerely thank all the people who were a part of this process in one way or the other some whom I will never got to meet in person. I thank all who participated by filling questionnaires and offering respondent leads especially bank human resource managers

.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

ACRONYMS AND ABBREVIATIONS

BIS:	The Bank of International Settlements.
BASEL III:	Third Edition of the Bank of International Settlements' guidelines on Bank Supervision.
CAMELS	The Capital Adequacy, Asset Quality, Management, Earnings, Liquidity and Solvency rating of the Bank of International Settlements.
CBK:	Central Bank of Kenya.
CFCS:	CFC Stanbic Bank Limited
DTB:	Diamond Trust Bank Limited
EBL:	Equity Bank Limited.
FBL:	Family Bank Limited.
FOSA:	Front Office Service Activity.
IFRS 9:	International Financial Reporting Standard number 9
IFRS 18:	International Financial Reporting Standard number 9
KCB:	Kenya Commercial Bank
NBK:	National Bank of Kenya.
NIC:	NIC Bank Limited.
NSE:	Nairobi Securities Exchange.
OECD:	Organization for Economic Cooperation and Development
SASRA:	Sacco Societies Regulatory Authority.

OPERATIONAL DEFINITION OF TERMS

Banking Regulation	Rules and directives made and maintained by a supervisory authority mainly a Central Bank. Covers rules and regulations covering capital, liquidity, conduct of business, ethical conduct and governance amongst others.
Corporate Governance	System through which organizationa are controlled and directed. Involves establishment and implementation of policies, procedures and rules by an organization's leadership with a view to ensuring balance of power and accountability.
Deposit taking institution	Institutions licensed under the Banking Act, Microfinance Act and Sacco Societies Act to offer current, transaction, savings, FOSA and fixed deposit accounts to the general public.
Efficiency	Achievement of financial results using optimal or less than optimal resources. Measured in terms of financial ratios which include but are not limited to growth in assets, growth in profitability, return on assets and return on equity.
Executive Committee	A team of members of management in a bank responsible for strategic and business planning, budget preparation and implementation, execution of operating plans, periodic review of operations, review of credit proposals, Asset and Liability Committee strategy as well as key risk identification and management.
Financial Innovation:	Design, development, and the implementation of ground breaking financial instruments and processes as well as the formulation of creative solutions to financial needs and problems

Financial intermediary:	An institution involved in mobilizing monies in the form of deposits by offering current, transaction, savings, FOSA and fixed deposit accounts from the public and on-lending the same to other members of the public at its own risk.
Financial Intermediation	The process of facilitating the flow of funds from savers to borrowers. Acheved through mobilization of short-rem deposits in relatively small amounts from savers and on-lending to borrowers in relatively larger amounts and for a longer period of time
Financial Performance	A measure of how well an institution utilizes its resources to generate revenues and measure a firm's overall financial health. Captured under balance sheet, income statement and cash flow statement ratios. In this study, it is assessed terms of profitability, return on net assets, Return on Equity and Growth in Assets.
Leadership	Any role or position within an organization which involves decision making as well as influencing organizational direction and performance. Includes senior, middle level and junior management positions as well as supervisory roles
Leadership Style	The process of influencing people towards agreeing and understanding about what needs to be done, how it should be done and the process of facilitating both individual and collective efforts towards accomplishment of shared objectives
Management	Any role or position of power or authority in an organization which also involves day to day as well as long-term decision making in an organization. Involves developing plans, organizing resources, exercising control and directing activities

ABSTRACT

Leadership style has been considered a critical factor influencing financial performance of firms across the globe. Commercial banks in Kenya have registered mixed financial performance results over the past ten years despite the homogeneity of the industry market conditions. Disparity in financial performance prompted the need to assess if leadership style could be responsible. Relationship between leadership style and financial performance have been studied with mixed findings indicating a possibility of other factor-variable roles in mediating or moderation. Financial innovation being considered a leader's decision, and banking regulations as factor outside leader's decision ambit, could possibly define this relationship. However little or no empirical evidence have been documented to explain this phenomena prompting the need for this study. The study was guided by the specific objectives namely to: establish the influence of leadership style on the financial performance of commercial banks operating in Kenya; examine the intervening effect of financial innovation on the relationship between leadership style and the financial performance of commercial banks operating in Kenya; determine the moderating effect of banking regulation on the relationship between leadership style and financial performance of commercial banks in Kenya; and determine the moderating effect of banking regulation on the mediating role of financial innovation on the relationship between leadership style and financial performance of commercial banks in Kenya. The study was anchored on Behavioral Leadership Theory, Diffusion of Innovation Theory, Agency Theory and Stakeholder Theory. The study adopted a positivist philosophy, correlational and cross-sectional research deigns and a target population comprising management staff working in commercial banks. 385 respondents were selected from 10,395 management staff. Primary data was collected using structured questionnaires with data being analyzed using both descriptive and inferential statistics. Descriptive statistics such as frequency, percentages, means and standard deviations were adopted while correlation analysis was used to establish the strength and direction of relationship between the variables. Regression PROCESS conditional analysis was used to established the meditation, moderation and moderated-mediated analysis. Parametric test statistics was adopted to establish the significance influence of variable effect at 95% level of significance as well as to test the study hypothesis. The findings indicated that there exists a partial mediation effect on the mediating role of financial innovation on the relationship between leadership style and financial performance. Further, there is a significant negative moderating effect of banking regulation on the relationship between leadership style and financial performance of commercial banks in Kenya. Lastly, the study findings indicated that there exists negative and significant moderating effect of banking regulation on the mediating role of financial innovation in mediating the relationship between leadership style and financial performance of commercial banks in Kenya. The study recommended that that top managers of the commercial banks need to take up effective transformational and democratic leadership style in their management programs. The leaders within banks should emphasize research and development and ensure that the working environment is suitable for creativity and innovation. Lastly, the study recommends that bank managers and owners abide by the banking regulations according to the CBK guidelines. Limitations wise, some banks considered information on banking innovation and impacts of regulation to be confidential and were therefore reluctant to respond to the questionnaire. Some bank managers also indicated that it was against their company policy to divulge any information on the company operations. The researcher took time to convince the respondents by informing them that the data was purely for research purposes. In some cases, alternative respondents were identified using the multi-level sampling method.

CHAPTER ONE

INTRODUCTION

This chapter outlines the background of this study by expounding on key concepts used in the study. It introduces the independent, dependent intervening and moderating variabls. The chapter details the research problem, outlines the objectives of the study based on research gaps identified. The chapter also details the significance, scope and limitation of the study based on the variables studied under this paper.

1.1 Background of the Study

Commercial banks play the critical role of financial intermediation whereby they facilitate flow of funds between persons with financial surplus, mainly savers and those with financial deficit mainly borrowers and investors (Manasseh et al., 2021). They aggregate funds on behalf of the borrowers and investors while also facilitating settlement of business transactions. They also facilitate transformation of risks and maturities between savers and borrowers (Hull, 2018). In addition, through borrower due diligence, banks eliminate information asymmetry that exists between borrowers and investors on one hand and savers on the other as well as help in reduction of transaction costs related to lending (Abdelhafid and Buheji, 2019). Due to their financial intermediation role, banks play a significant role in transmission of government monetary policy, a critical tool in controlling money supply, interest rates and inflation as well as promoting economic growth (Casu, Girardone, and Molyneux, 2015). In addition, through credit creation and facilitation of business transactions, banks improve overall liquidity in the economy and therefore contribute to the growth of the Gross Domestic Product. Every nation therefore requires a functional banking system in order to achieve its economic objectives (King, 2019).

Since banks, as financial intermediaries play a critical role in the economic stability and development of every country, their ability to function effectively can therefore be considered to be of interest to businesses, policy makers and the general public. Each bank's ability to function effectively can be established through an assessment of the probability of continuity of its operations which can best be evaluated through its financial performance indicators such as profitability, capital adequacy, liquidity and asset quality (Dzhamalovna et al., 2020). In this regard, banks exhibiting good financial performance are therefore less likely to be destabilized by economic shocks and other factors in the external operating environment and are consequently less

likely to discontinue operations during a crisis (Kuznyetsova and Pogorelenko, 2018). Since the financial performance of banks is a matter of national importance in every country, it is essential that banks publicize their financial statements and avail them for public scrutiny.

Globaly, financial performance can be described as a subjective assessmrnt of how well a firm utilizes assets from its core activities or primary business operations in revenue generation while financial evaluation aims at establishing a clear picture of a company's financial position (Easwaran et al. 2021). In developed nations such as United States of America, financial performance refers to assessment of the overall health of the financial position of an institution or the effectiveness of its policies and operations in monetary terms over a specified period of time (Wood, 2018). Its well established practice in develpped nations that data on financial performance are recorded in the annual, quarterly or monthly financial statements of an institution namely the profit and loss account which is aslo known as an income statement, balance sheet which is also refered to as statement of financial position and cash flow statement (Weygandt et al., 2018). Financial performance can be measured in absolute figures such as profitability, total cash generated, sales turnover, capitalization amongst others. It can also be measured in financial ratios which can be classified into market value, liquidity, performance, cash flow, profitability and debt ratios (Procházka, 2017).

In China, commercial banks measures of financial performance are important since they reduce large volumes of information into a convenient format that can be used for analysis and interpretation of performance (Bir, Jones and Ladd, 2020). The interpretation and analysis help in establishing trends and patterns which can assist internal and external stakeholders in ascertaining strengths, weaknesses as well as opportunities for improvement (Wood et al., 2018). This helps develop and provide useful management information that can be applied in running a business enterprise with a view to achieving the organization's goals (Alexander, 2018). In a banking context, analysis of financial statements may help identify declining profitability caused by reducing interest income coupled by growth in the loan book. Further analysis may identify increase in suspension of recognition of interest on loan caused by borrower default. This could help management in taking corrective action in regard to loan recovery as well as other activities relating to loan origination, appraisal, approval and monitoring.

Regional pespectives of measurement of financial performance, according to Pinto et al. (2018), incorporates but are not limited to on assets and profitability ratios. In addition, capital adequacy, non-performing loans, return on assets, net interest margin, and loan to deposit ratios can be used to evaluate a bank's financial health (Fibriyanti and Nurcholidah, 2020). Other measures include total deposit to total assets ratio, leverage ratio, total loans to total assets ratio, retained earnings to total assets ratio and tangible book value per share ratios. In addition, the financial performance of a bank can be evaluated in terms of net interest margin and return on average assets, ratios which are used mainly due to the fact that they are easy to calculate and interpret (Puspitaningtyas, 2019).

Performance of commercial banks as measured in financial terms is of great importance to economies since well performing banks have the ability to attract resource providers such as shareholders who offer capital, bond holders who provide debt capital and depositors who provide savings (Gautam, 2018). Resource providers are attracted by a good return on their funds in terms of dividends to the shareholders and interest for bondholders and depositors. On the other hand, poor financial performance by commercial banks can lead to banking failure and crisis with negative implications on economic growth, wealth creation and employment (Nguyen, Nguyen and Pham, 2020). Banks financial performance is also critical since their liabilities are highly liquid while their assets are highly illiquid (Goddard and Wilson, 2017). In addition, the existence of systemic risk which refers to a situation where the collapse of one bank can have a negative impact on the stability of other financial institutions further emphasizes the importance of bank financial performance. The impact of systemic risk was exhibited when the collapse of Chase Bank, caused partly by financial losses, led to panic withdrawals affecting small and medium sized banks thereby greatly denting their liquidity which in turn resorted to violation of regulatory ratios (Olingo, 2017).

Due to the significance of bank financial performance, the Bank of International Settlements (2019), as the global organization tasked with setting banking standards has set a bank financial \performance rating system to guide in assessment of financial health of banks. The system covers quality of assets, adequacy of capital, efficiency of management, liquidity position and earning capability (Khatri, 2019). Capital adequacy, measured in terms of the capital adequacy ratio assesses the level of a bank's solvency and the extent to which a bank's capital is sufficient for its level of operations and level of risk. Asset quality, measured in terms of portfolio at risk ratio refers to extent of probability of default within a bank's loan book. On the other hand, liquidity

position refers to a bank's ability to meet its payment obligations and is evaluated in terms of liquidity and cash reserve ratios while earning ability refers to how well a bank utilizes resources and is evaluated using profitability ratios such as return on total assets, return on equity, growth in profitability and other related parameters

Locally in Kenya, the Central Bank of Kenya (2013), basing its actions on the Bank of International Settlement's guidelines has issued a prudential guideline relating to preparation and publication of financial statements to commercial banks. The guideline requires that banks publish annual audited financial statements by end of the third month following the conclusion of the financial year with the financial year ending on 31st of December every year as well as publication of quarterly unaudited financial statements by the end of the month following the end of a financial quarter. Banks must therefore publish their their statements of financial position, cash flow statements, profit and loss accounts and statement of changes in equity in a newspaper with national circulation as well as display the financial statements prominently within all their business premises. In addition to the publication, the Central Bank of Kenya summarizes and analyzes the banks' financial statements and publishes performance ratios such as return on equity, liquidity ratio, return on assets, growth in profitability, growth in assets and capital adequacy amongst other disclosures. Bank financial performance is influenced by both internal bank specific and external macro-economic factors (Gautam et al., 2018). Internal factors refer decisions by management and boards of directors while external factors relate to dynamics in the operating environment that management teams and board of directors have no influence over. External factors include regulatory requirements (Li, 2018; Ben Naceur and Omran, 2011). Leadership Style, financial innovation and banking regulations form part of the scope for this study and will therefore be examined in detail in subsequent sections of this chapter.

1.1.1 Leadership Style

Leadership can be reffered to as the means by which persons in authority influence people towards agreeing and understanding about what should be done, how it ought to be done as well as the process of enabling both individual and collective efforts towards accomplishment of shared objectives (Yukl, 2006; Raffo and Clark, 2018). The foregoing definition suggest that leadership is an ongoing process and not an event. It also involves one or several persons influencing other people, within a group or team context. Lastly, leadership involves attainment of goals or

objectives which are shared by leaders and their followers with leaders ensuring that the goals are achieved (Malik and Azmat, 2019). This is evidence that leadership focusses on results which are achieved mostly through teamwork and collaboration thereby requiring that leaders focus both on work and relationships.

Leadership Style is anchored under the behavioral theory of leadership and emphasizes what leaders do as well as their actions towards their subordinates in different contexts (Northouse, 2015). It can be described as intentional means through which leaders influence groups of people within organizations towards widely understood future states that are different to existing ones (Gandolfi and Stone, 2018). Leadership style also signifies a leader's behavioural attributes or patterns, which has a bearing on the attitude and perception of employees as well as the manager and job satisfaction (Dhamija, Chiarini, and Shapla, 2021). The foregoing suggests that employees and other stakeholders though having differing objectives can be swayed into a common goal through the behavior of their leaders as well as how they are treated.

Leadership style can generally be classified into task behaviours which emphasize goal accomplishment and relationship behaviours where leaders' emphasis is on ensuring that subordinates feel comfortable with the organization, themselves, their colleagues as well as with the situation they are operating in (Ruzgar, 2018). Relationship behaviours would be considred critical to enhancing collective effort while task behaviors can be considered essential in goal attainment thereby linking the findings of Northouse, (2015) and Dhamija et, al. (2021). This mean that leaders should focus on both the tangible organizational objectives and rappot building with a view to enhancing the bond between individual employees and the organization as well as between individual employees.

Leadership style approach, anchored under the behavioral theory of leadership, explains the extent to which leaders combine both task and relationship behaviours. Stogdill, (1974) as reviewd by Aalateeg (2017) identifies task leadership behaviors which include work organization, structuring work context, role and responsibility definition and scheduling work activities. They also identify consideration behaviours which include building friendship/companionship, respect, trust, and liking between leaders and followers. Cartwright and Zander, (1960), as reviewed by Aalateeg et al. (2017) identified employee orientation and production orientation behaviours with employee orientation referring to leaders who approach followers with a strong emphasis on relationships

and production orientation referring to an emphasis on the technical and production aspects of a job. Oni (2017) identifies relationship and task oriented leadership style. Task oriented style equated to concern for production and while relationship oriented style equated to concern for people under the works of Blake et al., (1964, 1978, 1985). Task orientation or concern for production refers to a leaders' inclination towards achievement of organizational tasks while relationship orientation or concern for people may be reffered to as the way in which a leader relates to and attends to persons within the organization who are tasked with achievement of its goals. Relationship-oriented leadership incorporates staff recognition, development and support while task-oriented leadership involves planning, role clarification, objective setting and performance monitoring (Sfantou et al, 2017). The foregoing highlights the fact that leaders, in pursuit of organizational goals, cannot ignore tasks or relationships. It is also places emphasis on the need for leaders to be conscious about how they treat followers since their relationship with followers has an impact on results. The authors however fail to discuss the extent to which a leader should focus on task accomplishment compared to how much they should focus on relationship building.

Bodhankar and Modi (2018) discusses autocratic, bureaucratic, democratic and laissez-faire leadership style conceptualized by Lewin and Lippit (1938). Autocratic leaders hardly consult with followers, expect followers to obey orders without explanations and motivates through structured rewards and punishments. Bureaucratic leadership is where law, policy and procedures are applied to the letter and anything not outlined therein is declined or referred to higher authority. Democratic leadership refers to persons who adopt a participative, consultative style of leadership, who share information freely and involves followers in decision making. Laissez-Faire Leadership on the other hand refers to a style where little or no direction is offered to followers since the leader believes that people know what they need to do and can do it without much direction. Compared to studies regarding task and relationship behaviors it seems that autocratic and bureaucratic leaders may be more task than relationship oriented while democratic leaders could be more relationship than task oriented. On the other hand, laizzez-faire leaders may neither be task or relationship oriented, preferring a hands-off approach.

Burns (1978) and Den Hartog (2019) discuss transformational leadership style as the process by which leaders and their followers challenge and promote each other to increasingly higher levels of motivation and morality. Leadership is therefore not a distinct set of acts but a process where

leaders and followers influence one another while their relationships evolve over time. Transformational leaders use intellectual stimulation to inspire creativity and innovation and challenge the status quo; individualized consideration to create an organizational climate where followers' individual needs are addressed; idealized influence where the leader acts as a role model who the follower identify with and imitate due to their high moral and ethical conduct and inspirational motivation to communicate high expectations to followers in order to inspire commitment to shared (Teymournejad and Elghaei, 2017). These leaders seem also to be highly relationship and task focused since their motivation and inspiration is individualized as well as focused on the shared vision.

Transactional leadership style refers to an approach based on exchange of rewards for performance or punishment for nonperformance for example wages for effort and where leaders seek to appeal to followers' self-interest (Hussain et al., 2017; Xenikou, 2017). Leaders thus focus on task accomplishment & good relationships in exchange for desirable rewards. These leaders may adapt their approach to suit follower experiences. They use contingent reward to clarify goals and reward followers or give incentives when expectations are met, passive management by exception where correction or punishment are utilized as a response to performance that is below expectations or any form of deviation from the acceptable standards. On the other hand, active management by exception refers to situations where a leader actively monitors employee performance and utilizes corrective methods with a view to ensuring that work is completed within acceptable standards (Khan et, al., 2017).

Research findings have reported mixed findings on the relationship between leadership style or leadership behaviors and financial performance. For example, Collins (2001) established that leaders who exhibited a paradoxical blend of professional will and personal humility in addition to a fierce determination to make their companies succeed led their companies to sustained levels of financial performance. Collins and Hansen (2011) on the other hand established that companies headed by leaders who were more empirical, more disciplined and more paranoid in regard to creativity, innovation, risk taking and vision setting than their peers attained higher levels of financial and non-financial performance during periods of economic uncertainty. The foregoing studies were based on companies listed on the New York Securities Exchange using content analysis and a comparative research design. The authors however failed to arrive at specific leadership behaviors across the two studies probably because the research objectives as well as the

economic conditions were different. However, it is also noteworthy that there was a ten-year gap between the tto studies which could also have accounted for the variation in findings. There is also a probability that the different bevaioral traits of the leaders could be accounted for by the different situations that they were handling.

Kittikunchotiwut (2020) established that transformational leadership style positively contributed towards the financial performance of small and medium enterprises in Indonesia. Onagh and Azimi (2018) on the other hand concluded that transformational leadership style had a significant effect on the financial performance of software companies in Iran due to the leaders' ability to inspire followers to pursue transcendental purposes as well as inspire creativity and innovation. Both studies were based on cross-sectional survey design and focused on only one leadership style. Both therefore failed to assess if other aspects of leadership style had a similar or different impact on the companies surveyed. Contradictory findings have also been reported, for instance, Miloloza et al., (2018) concluded that authoritarian leadership style which can be equated to autocratic leadership style had a negative impact on the financial performance of large enterprises in the growth and maturity phase in Croatia while Khajeh (2018) established that democratic leadership style had a negative impact on return on investments, profitability, shareholder returns market share and sales sales amongst companies in Iran.

In banking sector, Schaubroeck, Lam and Cha (2007) stated that although transformational leadership style was responsible for improved financial performance by banks in the United States of America and Hong Kong, the study reported poor financial performance of commercial banks could be attributable to poor management of bank's reputation and ethical malpractices. In addition, the collapse of Washington Mutual Bank of the United States of America in 2008 was blamed on the unorthodox leadership style of the Chief Executive as well as the incompetence of other leaders (Grind et al., 2012). On the other hand, Delić, Kozarević and Alić (2017) found out that leader's willingness to build mutual trust, build teamwork, promote healthy working relationships and provide resources to employees positively and significantly contributed to the profitability of commercial banks in Bosnia and Herzegovina. In Kenya, Maina and Waithaka (2018) established a positive relationship between organizational financial performance and leaders who emphasized change, employee competence, creativity and innovation amongst other factors amongst commercial banks operating in Nyeri County. Kasuni, Mandere and Njeru (2022)

also found that strategic leadership has a positive and significant influence on the return on equity and return on assets amongst commercial banks in Kenya.

Given the mixed research findings, this study conceptualized that leadership style influence of financial performance could be mediated or moderated by other factors leading to the inconsistency of results. Therefore, financial innovation and banking regulations were tested for the mediating and moderating effects respectively as none of the reviewed work have addressed this concern.

1.1.2 Financial Innovation

An innovation refers to any idea, service or tangible good, that is perceived by an individual, organization or group of persons as new regardless of whether it has a history with someone else (Taylor, 2017). Innovations are geared towards meeting market needs, responding to opportunities, improving organizational performance and involve development of new products or production processes to improve operations (Laban and Deya, 2019). It can therefore be concluded that innovations are used as a tool for improving customer satisfaction as well as financial performance. Kogabayev and Maziliauskas (2017) assert that Innovation is geared towards economic growth, increase in employment as well as growth in market share and profitability of business enterprises. Innovation also involves a number of organizational decision-making processes, ranging from new idea generation all the way to implementation, monitoring and evaluation (Dziallas and Blind, 2019). From the foregoing, it is also safe to conclude that innovation is driven by leaders through decision making and thereafter impacts financial performance through growth in sales, customer retention and profitability growth amongst other forms of impact. In addition, from the foregoing, innovation can be viewed as changes emanating from new or improved processes, products and structures amongst other factors. These changes are initiated with a view to improving individuals, communities, organization or nations socially and economically. Though the nature and extent of innovation may vary, the end result is always a new or improved product, service, process, way of life or method of achieving objectives.

Financial innovation refers to a process involving the conceptualization, establishment, promotion and adoption of new products, processes, platforms, or technology enablers which introduce changes or new ways to in regard to how a financial product is delivered or financial activity is carried out (Khraisha and Arthur, 2018). Tahir et al. (2018) define financial innovation as

development of new financial products and instruments in financial intuitions and markets through new technologies which includes process, product and institutional innovation. Gasparini and Prospero, (2019) on the other hand includes digital social finance initiatives such as digital crowdfunding, financial data privacy and protection and social media use for customer service, financial inclusion and financial literacy programs amongst others as part of financial innovation. Financial innovations can therefore be classified into product innovations (Oke, 2007) or process innovations that involve creation of new product types, features, functions, benefits or characteristics. It also involves initiation of changes regarding the way a financial activity is carried out or a financial product is delivered (Kaisha et al., 2018). The Kenyan banking sector has witnessed several financial innovations such as new channels including agent banking, mobile banking amongst other as well as improvements on existing products such as additional security features on debit cards through use of memory chips. There have also been partnerships amongst banks such as Pesalink money transfer as well as the Stawi digital loan product targeting small and medium enhterprises.

There are a number of ways that financial innovation leads to improved financial performance. For example, it leads to reduced cost of doing business amongst financial service providers as well as increased financial access to consumers (Ülgen,2019). It can also help in reducing cost of service delivery, increase the speed of recognition of fraud as well as decrease the cost of payments (Akkaya, 2019). On the other hand, financial innovation can lead to financial losses for example through fraud and operational risk losses (Feyen et al. 2021). The process of innovation also carries with it elements of risk and uncertainty which have the potential to cause financial and other losses as was witnessed in the 2008 global financial crisis. Consequently, the final outcome of financial innovation may not necessarily be positive since failure to mitigate inherent risks may lead to losses through fraud or financial loss making.

Salman and Nowacka (2021) classifies financial innovations into new products and processes such as internet banking, digital payments, mobile banking, credit scoring and electronic loan appraisal among others. YuSheng and Ibrahim (2020) on the other hand associate financial innovation with new processes, products and systems. The foregoing is proof that new products by commercial banks in Kenya which include but are not limited to Internet Banking, Mobile lending, Mobile Banking and Agent Banking, debit cards, credit cards, electronic money, value capping, agent banking, Real Time Gross Settlement, Cheque Truncation Clearing System, payments of utility

bills, electronic fund transfers, and selling insurance products can be classified as financial innovation as asserted by the 2013 Central Bank of Kenya's bank supervision report. The foregoing products further grant credence to the argument by Heikkinen and Korhonen (2006) that financial innovation by commercial banks is highly influenced by advancement in information and communication technology.

The assertion that financial innovation is driven by technology is further supported by Alshubiri, Jamil and Elheddad (2019) who discovered that increase in penetration of technology within the gulf cooperation countries had led to increase in financial products as well as increased access to financial services which in turn led to growth of financial institutions coupled with economic development. There is further proof that financial innovations by commercial banks is motivated by financial gains. For example, Mwawasaa and Ali (2020) found out that financial innovations in banks lowers cost of production. Secondly, innovation in financial services is highly influenced by a need to ease payments and savings, reduce circulation of fake currency and accelerate flow of funds (Ozili, 2017). This study therefore sought to establish the extent to which financial innovation involving technology influence financial performance of commercial banks operating in Kenya.

From the discussion, it's evident that financial innovation defines a leader's ability to achieve effectiveness and efficiency in managing resources for optimal performance. This ability was conceptualized to have a mediating role in influencing leadership style on financial performance and therefore it become a mediating variable for the study. For instance, commercial banks in Kenya have witnessed multiple aspects of product, process and organizational innovations. Product innovations in the recent past include agent banking, bancassurance, mobile banking, micro lending and cheque truncation processing amongst others. Process innovations include online account opening, credit information sharing, biometric customer identification, automated queueing systems and self-service deposit machines. Organizational innovations include enterprise risk management systems, strategic partnerships with money remittance companies, financial inclusion initiatives and organizational restructuring among others. All these innovations are aimed at achieving effectiveness and efficiency in operations and customers' satisfaction which ultimately translates to financial performance. The innovations are anchored on technology and communication advancement creating automation of process and service delivery, and by large is a decision making process vested on leadership. This justifies the choice of financial innovation

as a mediating variable. From the reviewed literature, none of the study have assessed the mediating role of financial innovation, and therefore the study bridged this vital knowledge gap.

1.1.3 Banking Regulation

Banking regulation involves institution of rules of conduct, monitoring whether the rules are being followed, observance of the behaviors of the market participants and enforcement to ensure compliance with the rules (Tian, 2017). Governments regulate banks in order to ensure that capital is allocated to the best projects, that banks provide portfolio management services and handle payment system in an effective manner, ensure that problems in the financial sector do not spill over to real economy, ensure investors are not ripped off or misled, reduce excessive risk-taking and minimize conflict of interest (Van Hoose, 2017). In addition, regulations are meant to ensure that financial institutions do not engage in excessive risk taking, that there is sufficient transparency about the activities of financial institutions and that financial intermediaries are informed by rational and objective evaluation of information (OECD, 2018; Giannetto, Gangi and Altankhuyag, 2019).

Khan (2018) states that banking regulation was conceptualized due to microeconomic concerns over banks' depositors' ability to monitor bank's risk profiles and take appropriate measures to ensure that banks take acceptable levels of risk. Regulation is reinforced by a recognition about the significance of banks to the global economy as well as a concern about the potential social and economic impacts of the collapse of any bank. In addition, increasing product complexity, market fragility and institutional complexity has led to increased importance of regulation of banking and other financial institutions (Newell, Cohen & Carmichael, 2017). The foregoing studies indicate that banking regulation is meant to protect stakeholder interests as well as enhance industry discpline and stability.

Banking regulation can be classified into systemic, prudential and conduct of business requirements (Cargill et al., 2017). Systemic regulation is comprised of rules and requirements aimed at enhancing the stability of the entire banking system. The rules therefore give a safety net and ensures soundness of the banking system. They include regulations such as lender of last resort, deposit insurance and failure to settle mechanisms amongst others. They therefore protect the banking system against problems in one bank spilling over to other banking institutions and thus causing instability. Prudential Regulation relate to rules aimed at ensuring proper risk

management and capital adequacy (House of Lords, 2017). They include risk management guidelines, liquidity, capital adequacy and asset quality requirements amongst others. They are aimed at ensuring that banks maintain a sound financial base and only take risks that can be sufficiently absorbed by their capital. Conduct of business regulation on the other hand refers to rules meant to protect customers, investors and the general public from harm that may emanate from the behavior of financial institutions. They include regulations relating to allowed or prohibited business activities, information disclosure, honesty, integrity and ethics.

Recent banking regulatory requirements in Kenya include enactment of the Consumer Protection Act in 2012 and imposition of interest rate capping under the Banking (Amendment) Act of 2016. Though is not specific to banks or the Kenyan financial sector, Financial Reporting Standard number 9 (IFRS 9) in 2018, had an impact on how banks recognize income and make provisions for loan losses especially because Central Bank of Kenya require commercial banks to prepare annual and periodic financial statements in accordance with International Financial Reporting Standards (Musyimi, and Mutemi, 2019).

With regulations on amount of capital required for certain levels of business (capital adequacy), income recognition and recording, asset write off amongst others, it is clear that regulatory requirements have an influence on bank financial performance of commercial banks. The study conceptualized this influence to exhibit a moderation effect given that tne regulations emanates from outside the management control and its influence can be either way in defining financial performance. Given the Central Bankof Kenya mandate in establishing rules that control the nature and extent of financial innovation, the study further conceptualized that it can exhibit a moderated-mediation role in defining the financial innovation role in mediating the relationship between leadership style and financial performance. Equally, the reviewed literature has not clearly provided evidence of moderating-mediating role of banking regulations, despite the possibility of banking regulation's influence on financial innovation ability of leaders and its ultimate influence on financial performance. This study therefore established the extent to which banking regulatory requirements moderates the mediation role of financial innovation in mediating the relationship between leadership style and financial performance of commercial banks in Kenya.

1.1.4 Financial Performance of Commercial Banks

Central Bank of Kenya's Prudential Guideline (2013) require that banks not only publish financial statements which include the balance sheet or statement of financial position, income statement which is also reffered to as profit and loss account, statement of changes in equity and cash flow statements but also make qualitative financial disclosures such as aggregate exposure to related parties and transactions with related parties and accounting policies as well as non-financial information that may impact financial performance such as risk management strategies and practices, management and governance information and group structure amongst others. The bank of International Settlements (1988) developed a system for rating the financial performance and stability of banks commonly known as CAMELS rating system. The acronym CAMELS represents the six measures namely Asset Quality, Capital Adequacy, Management Efficiency, Earnings Ability and Sensitivity. Capital adequacy is measured using five ratios namely total shareholders' equity to total risk weighted assets, total complementary capital to total risk weighted assets, total capital base to total complementary capital, liabilities to equity and deposits to equity. Asset quality is measured in terms of five ratios namely rate base assets to total assets, bank earning shares to total assets, deposits to total assets, fixed assets to equity and fix assets to total assets.

Management efficiency ratios include net profit to number of branches, total assets to number of branches, total liabilities to number of branches, total deposits to number of branches and total loans to number of branches. Earnings ability ratios include fees and commissions to total income, loan income to total loans, deposit cost to total deposits, loan income to deposit cost and cost to income. Liquidity ratios include investment to total assets, current liquidity to deposits security to total assets, current liquidity to demand deposits and liquidity to assets. Sensitivity is measured in terms of doubtful debts to loans, provisions for loans to loans, bad and overdue loans to total loans, long term deposits to total deposits and demand deposits to total deposits. The CAMELS rating system is unique to financial institutions and was established due to the sensitivity of the banking system to the global economy (Khatri, 2019). From the foregoing, it is prudent to conclude that the CAMELS rating largely impacts the financial performance of commercial banks. Emphasis on application of the system has been increased after the 2008 financial crisis where insufficient capital and low quality of assets were found to be the main reasons for financial instability amongst banks (Nguyen et al. 2020).

Many authors have associated bank financial performance with availability of financial resources with limited reference to leadership and management. For example, Trujillo-Ponce (2013) concluded that European banks' financial performance is determined by bank size, capital ratio and loan loss provisions while Alemu and Negasa (2015) concluded that bank size, income diversification, capital structure, market structure and ownership status determine Ethiopian banks' financial performance. In addition, Mashamba (2018), assert that bank profitability is determined by size of bank deposit base, bank size, credit risk management, economic conditions, level of a country's gross domestic product and bank's business model or specialization. Qayyum and Noreen (2019) established that capital structure of a bank and the size of the bank has a positive and significant impact on bank's return on equity and return on assets ratios. This happens primarily because highly capitalized banks are less likely to use borrowed funds thus reducing costs of funds while large banks are able to utilize their economies of scale to reduce cost of doing business.

In Kenya, Ongore and Ngusa (2013) asserted that quality of assets, capital adequacy, liquidity management management efficiency and ownership identity determine bank financial performance. This still leaves the question regarding how leadership influences bank financial performance unanswered. Wanalo, Mande and Ng'ang'a (2020) on the other hand asserted that credit risk has a negative and strong relationship with financial performance while liquidity has a strong and positive relationship with bank' profitability and return on assets. This happens since deterioration in credit risk could lead to increasing loan losses thus reducing income while an improvement in liquidity increases ability to lend and invest which potentially increases income.

Many factors therefore determine bank financial performance. However, few writers have mentioned leadership and management efficiency as a key determinant of bank financial performance. In addition, limited literature exists in regard to the impact of banking regulation and innovation on the financial performance of commercial banks in Kenya. Whilst not denying that financial resources are critical, this study focused on the significance of leadership style, financial innovation as well as regulation in determining financial performance of commercial banks in Kenya.

Studies have indicated that financial performance is a reliable trailing indicator of overall decision making (Collins et al, 2002; Siciliano, 2003) thereby rightly suggesting that good financial

performance is a good indicator of good management decisions. On the other hand, other scholars such as Eklof, Podkorytova and Malova, A. (2018) as well as Refmasari and Supriyono (2019 also assert that non-financial measures of pwrformance such as cusotomer satisfaction, organizational learning and internal processes are good lead indicators of financial performance. In addition, non-financial information has been criticized due to lack or universally acceptable mean of verification as well as unreliability due to limited management information on the same (O'Connell and O'Sullivan, 2016). In this regard, this study conceptualized that publishe financial results are a reliable indicator of overall organizational performance.

1.1.5 Commercial Banks in Kenya

The Central Bank of Kenya (2021) stated that as at 31st December 2021, Kenya had 38 commercial banks classified into 13 locally incorporated subsidiaries of foreign banks, 3 branches of foreign incorporated banks and 22 locally owned banks. It also classified the banks into three peer groups of 9 large banks, 9 medium sized banks, and 20 small banks as outlined in appendix 1. The report further stated that the 9 large banks accounted for 74.76% of the market share comprising of 74.2% of deposits, 74.6% of the sector's capital and reserve size, 74.9 %of the asset size, and 86.9 % of the profitability. The 9 medium sized banks accounted for 17.1% of deposits, 16.4% of the sector's capital and reserve size, 16.1% of the asset size and 12.3% of the profitability which adds up to 16.4% of the market share. On the other hand, the 20 small banks accounted for 8.82% of the market share comprising of 8.6% of the deposits, 9% of the sector's capital and reserve size, 9.1% of the asset size, and 0.8% of the profitability.

Further analysis of the report shows that the largest bank (KCB) by shareholders' equity ranked 2nd in profitability but 3rd in return on equity while the fourth largest bank (Co-operative Bank) ranked 3rd and 8th in profitability and return on assets respectively On the other hand, the top 3 banks in regard to growth in total assets as well as growth in profitability belong to the small peer group. The inconsistencies between overall financial performance are also observed amongst banks with same ownership categories. For example, in 2021, Equity Bank and Family Bank who are classified as locally owned, were formed in 1984 as building societies then converted to fully-fledged commercial banks in 2004 and 2007 respectively yet Equity Bank's profit is over KES 41 billion compared to Family Bank's KES 1.3 Billion. In addition, Family Bank's average return on equity between 2017 and 2021 is 6.72.2% compared to Equity Bank's 33.3%. Two foreign owned

banks listed on the stock exchange namely Diamond Trust Bank and Stanbic Bank had huge difference in profitability in 2021 with Diamond Trust reporting KES 4.4 billion in profitability while Stanbic Bank reported KES 9.5 billion in profits.

1.2 Statement of the Problem

Central Bank of Kenya (2021) published summarized financial statements that revealed disparities in financial performance amongst banks with similar characteristics. For example, KCB ranks first in profitability but 5th in return on equity while Co-operative Bank ranks 4th and 8th in profitability and return on assets respectively. The same trend was evident in 2017 where only Barclays Bank ranks 5th on all the parameters since all others are ranked differently on all parameters. In addition, Equity Bank's profit was over KES 41 billion compared to Family Bank's KES 1.3 Billion, in addition to, Family Bank's average return on equity between 2017 and 2021 at 6.72.2% compared to Equity Bank's 33.3%. Diamond Trust Bank and Stanbic Bank had huge difference in profitability in 2021 with Diamond Trust reporting KES 4.4 billion in profitability while Stanbic Bank reported KES 9.5 billion in profits. These disparities in financial performance in 2020 and 2017 raises questions about whether it could be due to something that the management teams in the different banks do or fail to do, a result of good/bad luck or chance or any other reasons. While either of the foregoing or a combination of two or more of the factors could offer an explanation, reasons behind the disparities could be of interest to banks' management, policy maker or regulators. This study, therefore investigated leadership style, financial innovation and banking regulation influence on financial performance, specifically assessing the mediating role of financial innovation and moderating role of banking regulations and the moderating-mediating role of banking regulations.

Studies on the effect of leadership style and financial innovation on the financial performance of commercial banks operating in Kenya have been conducted (Wafubwa, 2013; Cherotich et al, 2015) and mixed results have been reported with both significant and insignificant findings. The effect of financial innovation on financial performance have also provided mixed results with scholars such as Schaubroeck et al (2007) reporting improved financial performance by banks in the USA and Hong Kong while Cherotich et al (2015) reporting positive but insignificant findings. None of the reviewed showed evidence of the moderation-mediation role of banking regulation. The disparities in findings pointed both conceptual and contextual gaps in knowledge despite the

evidence that financial innovation is by far a leadership decision output and thus could conceptually play a mediating role. On the other hand, banking regulations are decision beyond leadership control and therefore could affect leadership decisions in either way, thus conceptually construed as moderator factor. Far and by large, given the regulator's role in shaping innovations, banking regulations could also exhibit a moderation effect in mediating role of financial innovation. These facts have not been clearly addressed within the present research and thus informed the basis of this research in an attempt to bridge this important knowledge gap. The limited nature of research findings in this area justifies the need to further investigate the nature of the relationship between leadership style, financial innovation and banking regulation on the financial performance of commercial banks in Kenya.

1.3 Objectives of the study

Research objectives refers to the researcher's intentions and should be focused on finding out the reality and facts that are either unknown or have not been exposed (Mishra and Alok, 2019). They represent the specific and measureable that are taken in order to achieve the goals of a study (Frey, 2018).

1.3.1 Overall Objective of the Study

The overall objective of the study was to establish the relationship between leadership style, financial innovation, banking regulation and the financial performance of commercial banks in Kenya.

1.3.2 Specific Objectives of the Study

The specific objectives are:

i. To establish the influence of leadership style on financial performance of commercial banks in Kenya.

ii. To examine the intervening effect of financial innovation on the relationship between leadership style and financial performance of commercial banks in Kenya.

iii. To determine the moderating effect of banking regulation on the relationship between leadership style and financial performance of commercial banks in Kenya.

iv. To determine the moderating effect of banking regulation on the mediating role of financial innovation on the relationship between leadership style and financial performance of commercial banks in Kenya

1.4 Significance of the Study

This study adds to the existing body of knowledge and can help in improving interaction between academia and industry practitioners. The findings can be used to enrich the linkage between theory – research and education - and industry practice especially in regard to approaches to management development and innovation in commercial banks. The study also introduces a new dimension through which banking regulation impacts financial performance of commerciual banks as a moderator to the mediating role of financial innovation. This new aspect will form a basis for additional future academic research.

The Central Bank of Kenya can utilize the findings of this study to review and enhance policy formulation and regulations regarding minimum requirements for recruitment to management and boards of directors in banks. Central Bank can also use the findings in this study to inform its decisions in regard to regulating banking innovation. The report from this study can also be used to ascribe deeper meaning to 'fit and proper' requirements for bank directors, senior executives and other management staff.

The findings of this study informs bank owners and decision makers on the role played by leadership style, financial innovation and banking regulation in influencing financial performance with a view to improving return on investment, enhancing quality and content of staff development programs and addressing existing leadership skills gaps in commercial banks.

This study has rich literature review that could be used by scholars and student tgo further research in the area. In addition, the study made recommendations for further research areas that could be used to advance the field of analysis.

1.5 Scope of the Study

This study covered all the 38 commercial banks in operation in Kenya as at 31st December 2021 Financial performance was evaluated on the basis of growth in profitability, return on assets, return on capital employed and growth in assets between 2017 and 2021 and no other measures of financial performance were analyzed. The study focused only on leadership style with its

indicators being transformational, autocratic, democratic and lasses-faire leadership. It also focused on the moderating effect of banking regulation as performed by the Central Bank of Kenya and the intervening effect of financial innovations relating to technology on financial performance of commercial banks in Kenya. Financial innovation products studied included, agent banking, internet banking, mobile lending and mobile banking. The analysis covered a duration of five years from 2017 to 2022.

1.6 Delimitations of the Study

The study was delimited to analysis of four indicators of leadership style namely, transformation leadership, democtatic leadership, autocratic leadership and lazier faire leadership Style. Under financial innovation, the analysis was delimited to internet banking, mobile lending, mobile banking and agent Banking since they are the most contemporary financial innovations of which idependently verifiable data is available. Banking regulations was delimited and assessed based on application of International Financial Reporting Standard number 9 (IFRS 9), application of International Financial Reporting Standard number 16 (IFRS 16), new product development regulations and risk management regulations. Finaly, financial performance analysis was delimited to assessment of growth in profitability, growth in assets, return on assets and return on Equity. The anslysi period was delimited to fiscal years covering between and including 2013 and 2022.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter outlines theoretical and empirical literature on leadership style, diffusion of innovation theory, agency theory and stakeholder theory as a theoretical framework for the study. It is a compilation of the conceptual and theoretical approaches to leadership style, innovation, financial performance and bank regulation and how each theory can be applied to commercial banking institutions. The chapter explores the key assumptions as well as strengths and weaknesses of each theory. In addition, the chapter also reviews empirical literature on leadership style, financial innovation, bank financial performance and banking regulation and their impact on financial performance in banking.

2.1 Theoretical Literature Review

Scholars and practitioners have attempted to define leadership over the centuries without arriving at a consensus with this process leading to various theories which include situational, trait, style, path-goal, contingency, leader-member exchange, servant, authentic, psychodynamic, team and transformation approaches (Northouse, 2015). This study used behavioural theory of leadership as the lead theory and a detailed discussion is outlined under section 2.1.1. The theory on diffusion of innovation, agency and the stakeholder theories are also discussed with a view to illustrating how innovation, agency and stakeholder issues may affect financial innovation, financial performance and banking regulation.

2.1.1 Behavioral Theory of Leadership

Behavioral theory of leadership evolved from trait theories and stresses that principally, leaders are made and not born as well as that leadership behaviors can be learnt to ensure leadership effectiveness (Johns and Moser, 1989; Denison, Hooijberg and Quinn, 1995). The theory therefore largely ignores the situation and environment of the leader as well as the leader's traits (Northouse et al., 2015). Research on behavioural theory of leadership resulted in different patterns of behaviour being grouped together and being referred to as styles with Blake and Mouton's Managerial Grid and Ohio State University's model being the earliest examples (Benmira and Ogboola, 2021). Approaches under the theory focus on how leaders conduct themselves and

attempt to answer questions about what leaders do and how leaders act (Asrar-ul-Haqa and Anwar, 2018). They emphasize more on the determinants of behavior of a leader and conclude that using these determinants, leadership style can be learnt.

Leadership behaviours are classified into task behaviours which facilitate goal accomplishment and relationship behaviours which are geared towards assisting subordinates feel appreciated as well as comfortable with various work situations, themselves and with each other. The behavioural approach therefore attempts to explain how leaders combine both task and relationship behaviours in order to influence achievement of organizational objectives. The theory is therefore credible since it forms a basis for leadership training, coaching and mentoring and also emphasizes that how leaders treat followers is important despite the fact that it ignores a leaders' situation which cannot ber divorced from a leaders' behaviour. It is the best leadership theory applicable to this study since the study conceptualizes that leaders influence bank financial performance through the way they treat and interact with their employees, how they handle regulatory requirements as well as how they handle innovations.

Leadership behavior is further explained through Blake & Mouton, (1964, 1978, 1985) who designed a grid explaining how leaders help organizations achieve objectives through concern for production and concern for people. Concern for production, which can be equated to task orientation, includes behaviours such as emphasis on policy and processes, new product development, sales among others Concern for people on the other hand can be equated to relationship behaviors and includes promotion of employee self-worth, improving working conditions, fair remuneration, promoting good social relations amongst others. Leaders can emphasize tasks with little emphasis on people through authority compliance style or exhibit a low concern for tasks with high concern for relationships through country club style. Leaders may also be unconcerned with both tasks and people thus exhibiting impoverished management, exhibit intermediate concern for both people and tasks through middle-of-the-road management or have a strong emphasis on both tasks and interpersonal relationships through team management. Leaders who exhibit both task and people orientations but are unable to integrate the two are referred to as paternalistic or maternalistic while those who use all styles for purposes of personal advancement are referred to as opportunists (Islam and Bhattachar, 2019).

Leadership behaviours under behavioural theory can further be classified into initiating structure and consideration (Stogdill, 1974). Initiating structure can be equated to concern for production under Blake et. al (1964, 1978, 1985) and includes behaviours such as work organization, structure provision, role definition and work scheduling while consideration can be equated to relationship behaviors and includes relational behaviours such as trust building, respect as well as building companionship and friendship between leaders and followers. While reviewing University of Michigan Studies Stogdill et al. (1974) identified employee orientation and production orientation behaviours where employee orientation refers to leaders who emphasize strong human relations while production orientation comprises of behaviours that emphasize the technical and production aspects of a job. Employee orientation mirrored relationship behaviours from his previous research while production orientation mirrored task behaviours.

There is a general consensus amongst scholars that leaders need to be both highly task as well as highly relationship oriented in all situations (Peretomode, 2021; Nor, Mokhtar, and Hazuan, 2021). From the foregoing studies, it is can be considered that in focussing for both production or employee orientations, leaders are striving to influence performane and meet stakeholder expectations. Both concern for tasks or production as well as concern for people or relationships are also reflected under the balanced scorecard tool used for strategic planning and performance management (Bochenek, 2019) with concern for production or task behaviors being reflected under the financial and internal proceses pillars while the relationship and consideration behaviors being reflected in the customer and organizational development pillars on the balanced scorecards.

The behavioural theory of leadership has integrated previous studies such as those by Webber (1947) who conceptualized transactional leadership style where leaders employ both rewards and punishments to ensure compliance and motivate followers. Compliance equates to task or production focus while motivation equates to relationship or employee focus. Leaders use contingent reward where they communicate what employees need to achieve in order to be rewarded, active or passive management by exception where they invoke corrective measures whenever there is deviation from established rules or laissez-faire style where they use delegation to get work done. Transactional leaders are not considered to be future oriented but focused on maintaining the status quo. Supporters of the style argue that it is effective in emergency situations, during crisis periods or when projects need to be carried out in a specific way (Rockwell, 2021; Changar and Atan, 2020). They also argue that the style is suitable in times of stability. Critics of

the style however point to its lack of focus on relationship building, limited long-term focus and suppression of creativity and innovation (Alavi, Rabah and Jones, 2021). Others critics fault the style for an over emphasis on rewards and punishments despite the fact that its impossible to find rewards that can motivate all people equally (Ramadhanti, Singh and Kularajasingam, 2018). It can however be concluded that transactional leaders are task focussesd due to their emphasis on compliance and are also relationship focused due to their emphasis on motivation. It can also be concluded that the focus on both compliance and staff motivation is geared towards influencing financial and non-financial performance through positive and negative staff incentives.

Transformational leadership style as conceptualized by Burns (1978) can also be classified as a prpoduct of behavioural theory of leadership. The style involves a process by which leaders and followers promote each other to higher levels of motivation and morality. Leadership is therefore not a distinct set of acts but a process where leaders and followers influence one another while their relationships evolve over time based on mutual trust (Islam, Furuoka and Idris, 2021; Salas-Vallina, 2020). Transformational leadership stands on four pillars namely inspirational motivation, idealized Influence, individualized consideration and intellectual stimulation. Idealized influence is the emotional component of transformational leadership. The leader acts as a role model who the followers identify with and imitate due to their high moral and ethical conduct (Den Hartog el al., 2019) though the leaders may drift towards organizational centric unethical conduct (Balasubramaniam et al., 2021; Havarangsi, 2021). Under inspirational motivation, leaders communicate high expectations to followers in order to inspire commitment to shared vision with a view to channelling group members' efforts towards teamwork instead of self-interests (Chebon, Aruasa and Chirchir, 2019; Susilo, 2018)). It can therefore be concluded that idealized influence is the relationship or employee focus aspect of transformational leadership while inspirational motivation comprises the task or production component.

Intellectual stimulation could also be viewed as a task or production component of transformational leadership. It involves inspiring followers' creativity and innovation and challenges the followers', leaders' and organizations' values and beliefs (Agyemang, Boateng, and Dzandu, 2017; Mokhber, Khairuzzaman and Vakilbashi, 2018). It also encourages followers to experiment with new approaches and innovate towards handling organizational issues and problems. Individualized consideration on the other hand can be viewed as a relationship aspect under transformational leadership. It refers to creating organizational climate where followers'

individual needs are addressed. Leaders therefore coach and advice followers in order to assist them become fully actualized through empowerment and delegation (Bass, 1985).

Supporters of transformational leadership style argue that transformational leaders stimulate and inspire followers into achieving extraordinary results as well as develop leadership capacity amongst the followers (Northouse et al. 2015). They also argue that leaders' responsiveness to follower personal needs, leads to high levels of follower commitment and satisfaction which in turn improves productivity (Bass, 1985, 1998a). They also indicate that the style has produced positive results in different sectors and institutions such as technical training institutions (Okoli et al., 2021), manufacturing (Arif and Akram, 2018), financial technology (Huang and Chang, 2021). as well as drug and food control (Effiyanti et al, 2021). They also argue that transformational leadership stimulates job satisfaction, organizational commitment, and job performance which in turn influencee organizational performance (Chen, Xu and Jones, 2018). Critics of transformational leadership however point out that leaders with high idealized influence tend to have high charisma and are prone to misusing their power and privilege through reduction in good suggestions and criticisms from followers, increase in excessive confidence and optimism by leader, stepdown in development of competent successors, denial of problems and failures by leader, decrease in capacity to foresee possible dangers and future expectations (Hussain et al. 2021). Other critics assert that though transformational leaders can inspire and unite followers, effectiveness and ethics can suffer since these leaders have the potential to abuse power. In addition, transformational leaders with narcissistic tendencies may misuse their power and influence to manipulate followers with the manipulation often being ignored due to the strong emotional bonds that followers create with the leaders (Arif et al. 2018).

The foregoing arguments for and against transformational leadership demonstrates that the style is a double edged sword which can be used either to the benefit or detriment of the organization. Adolf Hitler in Germany is an example of a transformational leader who abused their charisma while Nelson Mandela is an example of one who used his charisma positively. In the corporate world, Enron Corporation is a good example of transformational leaders abusing their charisma with HP as well as Procter and gamble being examples of charismatic transformational leaders who influenced followers and corporations positively (Collins et. al. 2009). It can also be concluded that leaders have a responsibility to monitor the excesses of their transformational

leadership tendencies with a view to ensuring that they maximize on the positive aspects as well as mitigate the negative aspects.

The work of Lewin (1939) who conceptualized a leadership model that classified leadership style into authoritarian also known as autocratic, democratic also reffered to as participative, laissez-faire also known as delegative and bureaucratic styles ca also be considered part of behavioural theory of leadership. Autocratic leadership is practiced by leaders who prefer giving clear and concise instructions regarding what followers need to do, how things should be done as well as the exact timing of accomplishing tasks. They also maintain a clear distance between a leader and the followers as well as make decisions independently with minimal or no input from group members (Chukwusa, 2018). These leaders are regarded as controlling, bossy and dictatorial. Most leaders who prefer this style do it with a view to reducing time taken to complete tasks as well as standardize procedures (Saxena et al. 2017). Likert (1961) broke down autocratic leadership into the exploitative and benevolent approaches. Under the exploitative approach, the leader makes all decisions and communicates to followers for information and execution purposes only (Shaw, Tang and Liao, 2020). Benevolent autocrats on the other hand employ a paternalistic approach to leadership where they may use rewards and punishment to drive compliance. Kiplangat (2017) and Ojelade et. al (2020) noted that as a consequence of the foregoing, autocratic leadership style is characterized by an "I tell" philosophy. Leaders instruct their followers on what should be done and the rules thereof. This approach is praised since it gives business a clear direction but is criticized since it has the potential of leading managers into under valuing and ignoring input from their teams. Communication is also mainly top-down in nature unless an employee or follower is clarifying instructions or passing on information in regard to task accomplishment. The one-way communication negatively affects follower performance and leader-member exchange is also another weakness of this style (Wang, Liu, and Liu, 2019).

From the foregoing, it is safe to conclude that positive aspects of autocratic leadership include its suitability in emeretgency situations and those where employees require clear and concise instructions. In addition, the style is suitable for small groups and those handling sensitive matters where personal discretion could derail objectives such as military or security operations. On the other hand, the style's main weaknesses include potential for lowering employee morale especially if their input is disregarded, tendency to kill teamwork especially if the leader is considered a lone ranger as well as hinder creativity and innovation, change and creativity through the top-down

nature of the communication and task allocation. In addition, the style may also destroy leader-follower trust in circumstances where employees' feel undervalued through disregard of their contribution.

Democratic leadership is practiced by leaders who prefer giving guidance to team members, participate in team activities and allow member input in decision making in order to motivate followers (Yukl, 2013). They use decision participation as a method of follower empowerment and though they are participative in decision making, they still retain the final say in decision making. Democratic leadership is applicable in organizational settings with the leaders' main characteristic being their preference for employee participation and involvement in decision making, a form of power sharing by the leaders (Yukl, 2013) Employee involvement in decision making is done either through delegation, joint decision or consultation. Under consultation, the leader seeks opinions and ideas from followers but makes the decision alone after carefully taking employee input into consideration. Under joint decision making, the manager meets all employees for deliberation and evaluation of alternatives but has more control over the final decision than other group members. Under delegation, leaders give individuals and groups decision making responsibility and authority albeit within specified limits. The leader may require the delegates to seek prior approval before implementation of the decision.

From the foregoing, it is clear that democratic leadership style is beenficial since has the capacity to promote strong leader follower relationship and trust due to leaders' willingness to involve followers in decision making and implementation. It also has the capacity to generate high quality decisions and ideas due to member participation and involvement as well as empoer employees through coaching and delegation. In addition, through coaching and delegation, democratic leadership can serve as a good tool for succession planning. Through coaching, delegation, participation and involvement, democratic leadership also enhances employee motivation and builds teamwork. The foregoing literature also highlights some weaknesses of democratic leadership especially its unsuitability, unlike autocratic leadership, for situations that require prompt and urgent action such as emergency situations. In addition, the style may derail decision making and implementation especilally in large and complex organizations which may in turn derail organizational objectives.

Laissez-faire leaders are considered as laid back and as preferring offering minimal or no guidance to group members. Consequently, decision making is largely left to members (Northouse, 2015). These leaders frequently employ a hands off approach which could lead to poorly defined roles and/or poor staff motivation. The style is considered as suitable in situations where group members are highly skilled and hold high qualifications in their areas of expertise. Albejaidi, Kundi and Mughalm (2020) observed that laissez-faire leaders are laid back, offer minimal and only essential guidance, resources and information to followers. Generally, employees learn about job requirements, policies, and procedures through individual effort as well as peer to peer assistance. In addition, minimal guidance and direction are offered in regard to team goals and objectives with employee agreement or commitment being assumed. Gadirajurrett et. al (2018) as well as Norris, Ghahremani and Lemoine (2021) made similar conclusions when they observed that laissez-faire leadership, which they also referred to as delegated leadership, is described as a leadership style in which leaders being hands-off and generally uninvolved, allow group members to make decisions, fail to directly supervise employees or provide direct feedback to those under their supervision. Ahmed-Iqbal, et al. (2021) on the other hand observe that through delegation, laissez faire leaders empower employees and allow creativity which in turn leads to enhanced motivation. This is however only possible if the employees are experienced, have the right skills and are self-driven. Proponenets of laissez-faire leadership suggest that it is appropriate for highly experienced and trained employees who requires little supervision (Northouse, 2015). They also argue that employees who work in creative industries such as advertising and creative arts perform best under laissez-faire leadership (Lundmark et al. 2021). Critics have however pointed out that laissez-faire leadership style generally leads to the lowest productivity among team members (Gadirajurrett et. al., 2018). The above literature also highlights the fact that laissez-faire leadership may demotivate employees through lack of guidance and direction as well as slow decision making and implementation through leader inaction. In addition, the style may promote unhealthy conflict especially if leaders fail to address conflict situations.

Behavioural theory of leadership has been hailed for shifting studies on leadership from a focus on leaders' personal characteristics to their behaviours. In addition, the theory focussed leaders on the fact that their leadership must strive to balance both task and relationship factors and that leadership can also be learnt. The theory is however criticized for not showing how leadership style relate to group performance (Bryman, 1992; Yukl, 1994; Northouse, 2015), a question this

study will endeavour to answer through evaluation of how leadership behaviour influences financial performance. The theory is also faulted for a failure to establish a consistent link between task or relationship behaviours and staff morale, job satisfaction, and productivity. The theory has also failed to find a style that can be universally applied in all situations.

2.1.2 Diffusion of Innovation Theory

Rogers (1962) conceptualized the diffusion of innovation theory and defined an innovation as a new idea, behavior, product or message. The term innovation can also be used to describe a practice, project, initiative or idea that is perceived as new by an individual, organization, community or other unit of adoption (Rogers, 2003). This applies to anything that is new to a person, community or institution regardless of its history with other people. He defined diffusion as a process through which innovations are communicated over time to members of a social system using using certain media or channels. The four main elements of the theory are the innovation, communication channels, time and the social system (Sahin, 2006). People may perceive an idea, concept or product that was developed a long time ago as new to them thereby qualifying it as an innovation. The newness can be broken down into three components namely knowledge, persuasion and decision. Under knowledge, a person learns about a product or idea and seeks more information about it. The information sought will relate to the features of the innovation, how, when and how to use it as well as how the innovation functions.

The persuasion stage under diffusssion of innovation theory refers to the process through which an individual forms a positive or negative opinion about an innovation. This stage is more affective or emotional compared to the knowledge stage which is considered cognitive or rational. Reinforcement from the person's social system is important at this stage since positive reinforcement may lead to adoption while negative reinforcements may lead to rejection. In addition, any uncertainty about the functions, benefits or value of an innovation may prolong the knowledge phase or lead to rejection altogether (Dearing and Cox, 2018). Under the decision stage, Rogers (2003) states that a person makes a passive or active decision to accept the innovation. In regard to passive decisions, the individual does not consider adoption at all. In other words, the innovation is not evaluated or subjected to the decision making process. On the other hand, active decision occurs when the innovation is evaluated and a conscious decision to either accept or reject the innovation is made. Active persuasion by members of the person's social system and

communication from the innovator helps hasten the decision stage and can also help turn a reject to an accept decision (Wisdom et al. 2013).

The diffusion of Innovation theory is applicable to this study because banks in Kenya have witnessed ongoing innovation initiatives for several decades starting with introduction of automation of processes in the 1990s all the way to emergence of the latest digital channels such as agent banking in the 2010s. Its however clear that banks are at different levels of adoption of innovations especially in regard to banking channels for example with only twenty-two out of thirty-eight banks establishing agents and 3 banks yet to issue card and internet based channels. There is also the possibility that innovation levels within banks may have been influenced by personal experiences of their staff members. For example, a bank that experiences fraud or financial losses under digitization may not be as ethusisatic with digital channls as one that experiences improved financial performance. With Central Bank of Kenya (2020) stating that banks in Kenya have been innovating with a view to enhancing revenue generation, reduce costs and meet customer needs, its is imperative that a study be conducted to establish how financial innovation or level of innovation impacts financial performance of commercial banks.

Diffussion of innovation is influenced by communication, time and complexity. Communication refers to transmission of messages about innovation while communication channels refers to the means through which the message or information is transmitted from one unit of adoption to another (Rogers, 2003; Sahin, 2006). Each communication has a source and is transmitted through a channel. A source refers to an institution, individual or group of persons responsible for origination of the message while a channel refers to the means by which a message is transmitted from the source to the receiver. Diffusion of an innovation is therefore a special kind of communication that that includes the innovation, at least two individuals or institutions and a communication channel (Wisdom et al. 2013). Communication is done through either mass media or interpersonal channels with interpersonal channels proving to be more effective (Beck and Black, 2012). Mass media channels include but are not limited to television, radio and newspapers while interpersonal communication channels entail of a two-way messsaging between two or more individuals through personal selling, interaction during social forums as well as informal work settings amongst others. Interpersonal communication is regarded more powerful since the individuals involved usually have similar attributes such as beliefs, education, social economic status, common upbringing, and religion amongst others (Rogers, 2003). Commercial banks in

Kenya have used various communication channels including but not limited to social media, print media, out door advertising, text messaging to communicate about new channels, products, processes and services.

Time refers to the period taken by a unit of adoption to accept the innovation (Rogers, 2003). It covers the process by which an individual or other unit of adoption passes through from first knowledge about an innovation through to adoption or rejection, the timeliness, that is earliness or lateness of the adoption or rejection of an innovation by an individual compared to other members of a system and the rate of adoption in a system, usually measured as the number of members of the social system who have adopted an innovation over a given time period. The time element is affected by several factors including its relative advantage which refers to the extent to which an innovation is perceived by users to be better than or an improvement on other innovations or existing products and services. It is also affected by compatibility which refers to the extent to which an innovation is recognized as consistent with the potential adopters' existing needs, values, past experiences. Incompatibility can slow down the rate of adoption of an innovation since adopters may not perceive added benefits or may view it just as an unnecessary cost (Singhal and Quinlan, 2019). In Kenya, there are banks that are yet to adopt agent banking probably due issues relating to compatibility with bank or client values or lack of perceived benefits. Amongst customers, there is a slow process of adoption of credit cards compared to debit cards or agent banking with less than six hundred thousand credit cards being issued by 31st December 2021 compared to over 13 million debit cards and over 8 million internet banking subscriptions (Central Bank of Kenya, 2021). This phenomenon could emanate from product complexity in regard to credit card appraisal process or lack of perceived benefits by clients. They may also emante from perceived risk of default on credit card debt amongst banks.

Complexity, triability and observability are other factors that impact the time factor in adoption of an innovation (Rogers, 2003; Rogers, Singhal and Quinlan, 2019). Complexity relates to how difficult to understand or use an innovation is perceived to be which could emanate from technical features as well as how well instructions on usage are given. Triability refers to the extent to which potential adopters can experiment with an innovation as well as how easy to experiment with the innovation. The easier it is to experiment with an innovation, the higher the rate of adoption. Observability on the other hand refers to how easily the results of an adoption are visible to others people who are in contact with an adopter. Easily observable innovations have a high chance of

being adopted compared to invisible ones. The foregoing could account for another reason why credit card adoption is slow compared to mobile banking since a person can easily download a mobile banking application, register and test the same while one can only test a credit card after going through a credit appraisal process.

In Europe, the rate of diffusion of innovation amongst institutional adopters is affected by inter-organizational, legislative, political, economic and social factors (Nasi et, al, 2017). Inter-organizational factors relate to issues such as proximity of organizations to each other, ease of sharing information and competition amongst others. Legislative factors relate to the laws and regulations in a country that prescribe how corporate decisions are made, how goods and services are procured and new products and services can be introduced and marketed amongst others. Political factors relate to extent of government support for innovations which may be reflected in the legal and regulatory restrictions that may be imposed in various sectors as well as approval processes and taxation policies in each country. Economic factors relate to income levels, employment, economic growth and inflation amongst other factors. High rates of economic growth and employment coupled with low inflation are conducive to adoption of innovation. Social factors relate to issues such as education levels of decision makers, attitudes of public opinion leaders and the depth of relationships between key stakeholders. Social systems on the other hand refer to a set of interrelated units that engage in joint problem solving with a view to accomplishing a common goal (Rogers, 2003). Some of the foregoing factors could also be inferred within the Kenyan context since banks in Kenya have had to comply with regulations relating to new product development and credit information sharing, an aspect of legislation. There has also been a number of open innovations such as shared ATM machines, pesalink payment system and real time gross settlement which suggests conducive inter-organizational environment.

Adopters of innovation are classified into innovators, early majority, late majority and laggards (Barnett and Vishwanath, 2017). Innovators, who comprise approximately 2.5% of the population are people who are keen on trying out new things and will almost always be the ones to test a new innovation. They are considered as having a high appetite for risk and interested in new ideas (LaJeunesse et al. 2019). Little effort in needed to convince this section of the population to develop or adopt new ideas, products and concepts. Early adopters comprise approximately 13.5% and are almost always opinion leaders and shapers. They hold leadership positions or play informal leadership roles and often embrace change faster than the average member of a social system. They

are comfortable adopting new ideas since they already have a desire for change. They need little if any information to convince them to change which can be provided using user manuals, demonstrations and information sheets.

The early majority comprise 34% of the population and rarely lead in innovation, idea generation or change but will often adopt new ideas before the average person (Schwabe et al., 2020). Their appetite for risk is moderate and they usually seek more information that early adopters and will ask for evidence about how an innovation works before committing themselves. Success stories and evidence of innovation effectiveness appeal to this group. The late majority, just like the early majority, comprise 34% of the population and comprise of persons who are skeptical about change, and usually adopt an innovation after it has been tried and tested by the majority. They have a very low appetite to risk and may be convinced through information about a high number of other people who have used the innovation successfully. Laggards, comprising 16% of the population refers to people who are bound by tradition, very conservative and prefer the status quo. They fear change, have a very low appetite to risk and are the hardest people to convince in regard to adoption of an innovation. Fear appeals, statistics and pressure from persons in the other categories of adopters are some of the approaches that can be used to bring lagards on board (Wenslaw, 2019).

Kogabayev and Maziliauskas (2017) assert that individuals and organizations engage in innovation due to perceived benefits which include reduced costs, time savings as well as profitability. Increased adoption of mobile and internet banking could be explained through reduced travel time and costs for the customers who no longer have to visit the bank to access services offered under the channels as well as reduced staff costs for the banks. Peng, Qin and Tang, (2021) however argued that profitability and price are not the most critical factors in adoption of an innovation, an assertion supported by Central Bank of Kenya (2020) who report that innovation is driven by customer centricity. Kerr, Kerr and Xu, (2017) support this view by stating that entrepreneurs, as innovators and risk takers are willing to accept a certain level of unsuccessful and unprofitable innovations. The willingness to accept a certain level unsuccessful innovations could be illustrated by Equity Bank's investment in mobile banking through a virtual mobile network operator license despite the collapse of its M-Kesho partnership with Safaricom PLC.

Innovations and the diffusion of innovations theory are applicable in banking and financial services in areas such as mortgage securitization (Fligstein, 2021; Fligstein, 2021b), innovative trading in

bonds and other capital market instruments (Quinn, 2019), digitization of processes and procedures (Kitsios, Giatsidis and Kamariotou, 2021) as well as launch of new products, modification of existing products, new market entry, application of new methods, and introduction of new organizational structures in the sector (Zaleska and Kondraciuk, 2019). This study therefore sought to establish the extent to which financial innovation has influenced financial performance of commercial banks in Kenya as exhibited through growth in assets, growth in profitability, return on equity and return on assets. Innovation was conceptualized as a mediating variable since it is driven by leadership decision making and may have either a positive or negative influence on financial performance.

Supporters of the theory point out that its emphasis on communication about innovations helps marketers in targeting their communication as well as select persons and groups to use for initial pilot testing (Makovhololo et al., 2021). They also point out that the indicators of the theory are positively and significantly related with adoption of new banking products and services (Iluba and Phiri, 2021). Critics of the theory point out that it is not a single theory but a paradigm, framework or filled with information that supports other theories persuasions, interpersonal communication, social learning and influence, utilization of knowledge and social change (Dearing and Singhal, 2020; Balas and Chapman, 2018). Others point out that the theory describes organizations as social systems, it fails to explain how departments in organizations, as social systems in their own right, affect diffusion of innovation within the organization especially since intra organizational boundaries affect information flow (Dearing and Cox, 2018; Singhal and Svenkerud, 2019).

2.1.3 Stakeholder Theory

Freeman (1984) conceptualized the stakeholder theory where he argued that successful firms have to create value for their stakeholders namely customers, suppliers, employees, communities and financiers. He further argued that the success of a firm cannot be accurately assessed by studying one type of stakeholder separate from others but that a wider approach which must include a full range of all its stakeholders should be adopted. While expounding on this theory, Philips, Freeman and Wicks (2003) stated that the reasons for existence of a firm, also known as its purpose, is measured through the firm's ability to create overall value for all its stakeholders. Consequently, the role of management is safeguarding the welfare of all stakeholders through understanding, pursuing and balancing numerous stakeholder interests (Freeman 1984). To address the concept

of externalizing costs and internalizing profits which acts to the detriment of societal interests, (Freeman, 1984) argued that a firm must internalize both cost and profits thereby aligning its interests with those of its stakeholders,

The stakeholder theory, as an approach to organizational management and business ethics aims at addressing values and morals in organizational management. It identifies models, groups and institutions that are considered as having an interest in an organization and makes recommendations about how leaders and managers can address the interest of each stakeholder group and ensure that each group feels part and parcel of the organization (Freeman, 1984; Freeman et al, 2010). The theory is considered practical, efficient and useful (Harrisson, Freeman and Abreu, 2015). It is practical because all organizations are duty bound to manage their stakeholders and efficient since stakeholders who are treated well are likely to reciprocate with positive behaviors, actions and attitudes towards the organization. For example, all stakeholders could share valuable information about themselves and others within the organization as well as share good information about the organization within their social systems. Satisfied clients could, on the other hand, purchase more goods and services as well as refer other clients while the government could give tax incentives with financiers providing better terms. In addition, shareholders could end up buying additional shares or providing additional capital while employees could exert additional effort towards organizational goals and increase their loyalty even during difficult times. The theory is effective since it galvanizes the energy of all stakeholders towards achievement of organization mission, vision and objectives which produces synergy. The resultant synergy brings about higher quality information and decisions which offers stability during turbulent times, makes the organization attractive to market participants as well as offering strategic competitive advantage.

Prior to emergence of the stakeholder theory, a traditional view that focused on property rights was used to justify dominance of shareholders over all other parties with interests in an organization with the opinion that shareholders were the most important interest group (Donaldson and Preston, 1995). Stakeholder theory has however challenged this notion and focused managers towards identifying the connection or lack of connection between the interests of non-shareholder stakeholders with traditional corporate objectives such as profitability, growth, liquidity and growth in share prices amongst others Donaldson et al. (1995). The stakeholder view seeks to define specific categories of interest groups and examine ways in which managers should treat

them as stakeholders (Freeman, Dmytriyev and Phillips, 2021). In this regard, the theory emphasizes establishment and maintenance of sustainable stakeholder relationships a foundation to organizational performance.

Parmar et. al (2010) explained that stakeholder theory was conceptualized with a view to addressing three organizational problems namely value creation, ethics of capitalism and managerial mindset. In regard to value creation, the theory set to explain how value can be created and traded in a rapidly changing and global business context while under capitalism and ethics, it sought to address the connection between ethics and capitalism. On managerial mindset, the theory set to address how managers think about management with a view to improving value creation as well as explicitly connecting business with ethics. The authors suggest that the problems can be resolved through an analysis and understanding of the relationships that exist between owners, employees, clients, suppliers, communities and financiers with a view to establishing ways in which they can work together in order to create and trade value. In addition, Keremidchiev, (2021) suggests that though businesses thrive in a capitalist system, managers and directors pursue moral and ethical ways with a view to ensuring that values, choices and rights of all groups are addressed, potential harm minimized and benefits maximized. This will also ensure that moral failures are prevented hence satisfying all stakeholder groups.

Donaldson and Preston (1995) asserted that initially, there was fear that a shift from the traditional shareowner focus to a stakeholder orientation would make it more difficult to monitor, identify and punish self-serving behavior by managers who had the intention of increasing their powers and emoluments in the guise of serving broad stakeholder interests. There were also fears to the effect that the theory had the potential to make clients and other stakeholders as partners in the production process thus damaging competitive advantages, whether it was realistic to assume that all stakeholders could be treated well as the same time or if the theory was advocating creation of value for all stakeholders or just shareholders (Freeman, Phillips and Sisodia, 2018). The concerns raised by Donaldson et al (1995) were addressed by the fact that the conventional typical prototype or model of acorporation, in legal as well as managerial forms, had already failed to discipline self-serving managerial behavior with multi-million dollar executive packages being in existence even before the theory was developed. In addition, application of the theory would restrict such self-serving behavior by insisting that all stakeholder groups be treated fairly Donaldson et al (1995). On the other hand, the fact that the theory advanced collaboration did not make

stakeholders partners to shareholders but just recognized that collaboration and competitiveness can co-exist. In this regard, value for all stakeholders was a reasonable target (Freeman, Phillips and Sisodia, 2018).

Stakeholder theory is relevant to this study since it is applicable to both financial reporting and banking regulation. For example, Jones (1995) asserted that stakeholders are critical in ensuring high financial returns for a firm. Subrahmanyam and Titman (2001) stated that small changes in stock prices cause significant changes in the value of a firm's assets due to complementarities across different stakeholder groups since decisions by customers, employees, and suppliers, are partly influenced by information related to stock price. Freeman et al., (2010) also found a positive correlation between stakeholder management and a firm's financial performance since suppliers and clients have an indirect impact on a company's debt structure. Ramachandran (2019) noted that companies that act responsibly toward their stakeholders may experience increased business, higher profitability and improved reputation. Improved employee satisfaction may also be experienced and result in improved financial performance. Stakeholder theory has also been used to explain regulations relating to financial reporting, disclosure and requirements for use of conservative accounting policies (Meutia, Yaacob and Kartasari, 2019). In this regard, managers are prohibited from using profit maximization accounting methods that would increase their earnings in terms of bonus payouts and salary increments while jeopardizing shareholder interests in terms of growth. Regulations relating to disclosure of quality of assets and earnings, ensure that managers and directors as maintain adequate provisions to cover for loan losses and can also be seen in the same light.

Critics of the theory however point out that external stakeholders such as suppliers and customers have a limited influence on the finance policy of a firm (Cornell and Shapiro, 1987). Smith (2003) also argues that attempts to balance stakeholder interests is basically a zero-sum game where decision makers take away from one group in order to give to another and thus increasing satisfaction in one group while decreasing another group's satisfaction. Proponents such as Post, Preston, and Sachs (2002) argue that a firm's financial performance is enhanced if stakeholder interests are catered for since stakeholder relationships are a mutually reinforcing, interactive network. Zingales (2000) in support of the theory also points out that stakeholder theory is the way of the future since the time for a firm which concentrates on shareholder welfare alone is long gone with the emergence of the information age. Application of the stakeholder theory in banking

regulation specifically on prevention of moral hazard, bridging information asymmetry, influence on finance policy and prevention of adverse selection among other aspects is discussed in more details under the empirical literature review section of the study.

This study looked into how banking regulation in Kenya has attempted to ensure that stakeholder interests are catered for and how this process may affect financial performance. Specifically, the study looked into regulations relating to asset classification and loan provisioning, foreign currency exposure limits, risk weighting of assets, financial reporting and disclosures, liquidity and capital requirements and their effects on profitability, return on assets, growth in assets as well as return on capital employed.

2.1.4 Agency Theory

An agent refers to a person or group of persons who carry out a task or perform duties on behalf of another person or group of persons. The foregoing creates an agent-principal relationship which gives rise to the agency problem, a situation where an agent could act in his or her own interest and at the expense of the principal's interests. Studies on the agency problem dates back to Smith (1937) who opined that if an organization is run by a person or group of persons other than its beneficial or real owners, there is always a possibility that the agent or agents may not necessarily act in ways that promote the best interests of the owners. Berle and Means (1932), while analyzing the structure of large firms operating in the United States of America opined that there is always a risk that agents, comprising of managers and directors who are appointed by owners to run large companies may use the firm's resources for their own benefit at the expense of owners' interests thereby creating a conflict between the agents and the owners who act as the principals. Arrow (1971) on the other hand conceptualized the agency problem in terms of different levels of risk tolerance between the principals or owners who are risk takers and therefore invest capital with the objective of realizing economic benefits and the agents namely the directors and managers who manage the firm, are risk averse and are only concerned about their personal benefits. They opined that the difference in risk appetite creates and agent-principal conflict. However, the assertion that managers are risk averse while owners are inclined to risk taking may not be entirely true especially going by the fact that corporate managers and directors have been accused of excessive risk taking thus leading to the collapse of firms (Kaur, Kunjana and Sakshi, 2021).

Ross (1973) and Mitnick (1975) conceptualized the agency theory but came up with two different approaches. Ross (1973) considered the agency problem as being founded on a conflict about incentives and compensation. He also opined that the agency problem is not confined to firms alone but is also prevalent in society. On the other hand, Mitnick (1975) opined that the agency problem as occurring due to institutional structure. He stated that formation of institutions revolve around agency while the institutions evolve to deal with agency issues in response to the imperfection inherent in agency relationships. Though the two approaches are similar in that they acknowledge that there are conflicts in the agency relationship as well as in the view that the agency problem arises out of conflicts about incentives and coordination problems that arise within multiparty relationships (Rono and Kimutai, 2022), it is the work of Mitnick (1975) that forms the bedrock for the modern agency theory (Panda and Leepsa, 2017).

There are three aspects of agency theory namely behavioral agency theory, principal-principal agency theory and classic agency theory ((Emuron et al., 2022). The behavioral agency theory focusses on agent motivation, time preference, fair compensation and level of averseness to risk (Pepper and Gore, 2012). It also focusses on the relationship between agent performance and agency, whereas the classic agency theory emphasizes dimensions of the relationship between principals and agents as well as the costs incurred within the relationship. The classic agency theory looks at the principal-agent relationship as a form of contract between principal and agent with both parties working for their own benefit, which will eventually lead to confrontation. Consequently, the principal is bears the obligation of performing monitoring activities in order to restrain the agent behavior and manage costs relating to the agency. Within the agency theory, there therefore seems to be an underlying assumption that risk averse managers may not be motivated to act in the best interests of the owners which is primarily wealth maximization. For example, Payne and Petrenko (2019) argue that agents are self-interested and differ with their principals in regard to risk preferences with costs arising out of the need to monitor agent actions with a view to minimizing possible conflict of interest.

Some scholars seem inclined to the belief that the agency problem arises out of the shortcomings of the agent's and not those of the principal. For example, Emuron, Yixiang and Coffie, (2022) states that whenever one party, known as a principal, engages another person, known as an agent, there usually arises problems since agents are inherently self-seeking, limited rationally and have different goals and risk appetites compared to the owners. On the other hand, Kaur et al. (2021)

state that Within the agency theory, managers and employees are considered as inherently self-interested and are therefore treated as some economic beings. These scholars however ignore the fact that principals also contribute to the agency problem through offering poor incentives, offering poorly structured contracts or terms of engagement, agent betrayal, avoiding responsibilities as well as exploiting the agents (Panda et al, 2017). Theses scholars also ignored the fact that principals also possess an ability to act opportunistically and place agents in dangerous situations (El-Chaarani, Abraham and Skaf, 2022).

The agency problem therefore arises when the goals of a principal and those of an agent are in conflict. It also occurs whenever a principal finds difficulty in verifying the actions and intentions of an agent or when an agent may not be certain about the motives of the principal (Panda et al. 2017). This problem can be inferred in banking because of the information asymmetry problem where depositors are not able to ascertain the intentions of bank managers in regard to on-lending or investment of the monies entrusted with them. In addition, since ownership and management of banks is largely separated, shareholders also face the information asymmetry problem in regard to establishing the true intentions of the managers and directors. Past cases of bank failures such as Chase Bank in 2016, Imperial Bank in 2015 and Charterhouse Bank in 2006 amongst others where directors were accused of insider lending, money laundering and violation of regulatory requirements are some example of how the agency problem has played out in the Kenyan banking sector. The actions of the Chase, Imperial and Charterhouse bank managers and directors further support the assertion by Kaur et al. (2021) that managers and directors are prone to excessive risk taking.

Proponents of the theory assert that it sheds light on the substance of human values such as spirituality, taste, mutual trust, intuition, honesty and mutual respect (Agustin, Rahman and Jamil, 2020). In this regard, it helps stakeholders focus on organizational controls and important aspects such as corporate governance, risk management and management of conflict of interest amongst others. Opponents of the agency theory argue that it concentrates on the agent side of the 'principal and agent problem' and ignores the principals who have the potential to deceive, exploit and shirk the agents (Panda et al, 2017). In addition, the principals have the capacity to become opportunistic and drag agents into perilous working environments. The theory is also faulted for emphasizing agency cost and the realignment of both the parties' interest with a view to minimizing the agency problem (El-Chaarani, Abraham and Skaf, 2022).

Agency theory is applicable in banking regulation since regulations are meant to mitigate information asymmetry and reduce moral hazard (Rono et al, 2022). It is also applied with regard to corporate governance requirements, risk monitoring and reporting as well as financial and non-financial reporting disclosures (El-Chaarani et al, 2022). The Central Bank of Kenya has applied the agency theory model through its prudential guidelines such as corporate governance, financial reporting and disclosures, consolidated supervision as well as appointment, duties and responsibilities of external auditors (Central Bank of Kenya, 2013). Corporate governance guideline prohibits conflict of interest, require vetting of directors by Central Bank, requires ethical conduct as well as requires boards of directors to implement policies, processes and controls. These can be viewed as attempts to mitigate the agency problem through limiting self-interest and ensuring that directors are persons of good morals. In addition, the guideline requires a clear separation of the roles of shareholders, directors and managers with shareholders oversighting directors through annual general meetings while directors oversight management by use of management information and audit reports. Risk based audit requirements with directors reporting directly to the board as well as the Central Bank can also be construed as measures to mitigate agency problem by ensuring that board members and the regulators are informed of any possible excessive risk taking or conflict of interest amongst members of management.

2.2 Empirical Literature Review

This section covers recent academic literature regarding leadership style, banking regulation and financial innovation and their influence on the financial performance of commercial banks either positively or negatively. Recent literature on factors affecting financial performance of commercial banks in Kenya is also discussed in this section. It commences with leadership style in business in general and then proceeds to its application in banking. Thereafter, recent literature on banking supervision, financial innovation and factors affecting bank financial performance are discussed.

2.2.1 Leadership style and Financial Performance

Researchers have attempted to link leadership to business financial performance with mixed results. For example, Ullah (2019) asserted that effective leadership was responsible for improved organizational performance amongst public universities in Nigeria. Katsaros and Tsirikas (2020) found out that within Greek shipping firms, leaders who employed styles that encourage employee

participation in decision making and problem solving had better financial performance due to employees' readiness for change. They also found out that democratic, laisezz-faire and transformational leadership styles had a positive correlation with firm financial performance while autocratic leadership style was negatively correlated with firm financial performance. This was attributed to the fact that transformational, democratic and laissez faire styles encouraged employee creativity and innovation. These findings concur with Amin, Durmaz and Demir (2021) who found out that leaders exhibiting transformational, ethical, and spiritual leadership were effective in improving the performance of their employees while at the same time restoring the public's faith in government owned institutions in Kurdistan, Iraq. The fcoregoing findings covering countries in three different continents as well as three different sectors suggest that leadership has an impact on financial performance with different styles having different kinds of impact. It is therefore important to find out if the same findings are applicable in a fourth sector in adifferent country as well as during a different time period.

Meraku (2017) found out that leadership honesty and integrity coupled with effective leadership contribution promoted financial stability at Plus Communication Company in Albania. Walters and Rodriguez (2017) on the other hand asserted that organizations managed by leaders who invest in and develop their employees through training and development, set challenging goals and use objective performance evaluation metrics achieve sustainable financial growth. This happens primarily because these leaders focus employee efforts towards the tasks and projects that are critical to the institution's mission and vision. The characteristics of the leaders in this study mirrored closely with those of transformational leaders through the leaders' willingness to motivate and inspire followers as well as direct the followers towards organizational goals. This finding is consistent with Dergel (2014) who asserts that Chief Finance Officers who develop their team members, institute and monitor measures of team member and collective performance, lead by example and are focused on aligning financial performance with organizational strategic direction have a high chance of helping their employers achieve financial success. In addition, Anderson and Adams (2016) also established that leaders who set high performance targets, closely monitor performance with a view to ensuring that employees remain on track, reward good performers, develop their followers consistently achieve high levels of both financial and non-financial performance. These leaders achieve high levels of performance since they are also able

to maintain high levels of staff morale, build good relationships with clients and other stakeholders as well as focus employee efforts on issues that matter.

The foregoing studies assess leadership contribution to overall financial performance but did not analyze indicators of financial performance discussed in this study namely growth in profitability, return on assets, return on capital employed and growth in assets. In addition, none of the studies is based on the Kentyan market or the banking sector, two aspects of the scope of this study. The studies were also conducted prior to the emergence of COVID-19 pandemic and may therefore not explain if the said leadership style was still as effective in the midst of the pandemic.

Collins (2001) conceptualized a type of leadership known as level 5 leadership that was found to be predominant amongst leaders of companies listed at the New York Stock Exchange and had grown from good companies into great ones and had consistently outgrown their competition. These leaders were found to possess a paradoxical blend of personal humility and professional will, possessed a fierce determination to do what was required to make the company succeed and had the tendency take personal responsibility over failures and give credit to followers whenever there was success in the company. The leaders were also good in team building and empowerment since they did not see themselves as having answers to all questions and challenges facing their companies. These leaders placed the interests of their companies ahead of their own and were also willing to setup their successors for success. They also set high performance targets known as big-hairy-audacious goals. Level five leadership seems to have a lot of similarities with transformational leadership. For example, in both types of leadership, the leaders are keen on developing their followers, involve them in decision making and instill a sense of commitment to the organization's vision. Both types of leaders are also selfless and committed to the growth and greatness of the institution they are leading. They both also exhibit humility and professionalism all directed towards organizational goals. In addition, Level 5 leaders share the desire to involve employees in decision making with democratic leadership but has nothing in common with autocratic and laissez-faire leadership.

Collins and Porras (2002) shattered the myth that leaders of successful companies have to be charismatic. They in fact found out that charisma, if not checked and directed towards the good of the company, can have detrimental effects on a company's long-term performance. Leaders of companies which had consistently outperformed their competition financially for over 10 years

were visionary, focused on the company's mission and had built a company whose purpose was greater than profitability. To them, exceptional financial performance was simply a trailing indicator of the enduring vision and unwavering commitment towards fulfilling a noble reason for existence. These leaders also built enduring organizational cultures anchored around the company's core ideology with the cultures being described as cult-like in nature while at the same time building structures and systems geared towards ensuring that the company could move forward in the absence of the leader. They also made effort to ensure that employees believed in the core ideology and were a good fit for the culture. These leaders were also committed to developing successors from within the company and were also aware of the fact that they were not indispensable. They therefore had a clear succession plan as well as a structure to support it.

Collins and Hansen (2011) established that companies headed by leaders who were more empirical, more disciplined and more paranoid in regard to creativity, innovation, risk taking and vision setting than their peers attained higher levels of financial and non-financial performance during periods of economic uncertainty. These leaders observed what worked, figured out why it worked and then built on that proven foundation. They also had the courage to scale and slow down innovation in order to blend creativity with discipline as well as know when to move fast with projects and initiatives or slow down the same. These leaders did not implement change just because the outside world was perceived to be changing fast. They therefore only implemented change if there was empirical evidence that the change was aligned with the company's core ideology. Surprisingly, leaders of the companies that thrived in chaos were not necessarily more visionary, creative, ambitious, charismatic or bold compared to the ones who did not. This is a good indicator of the fact that leaders influence innovation which in turn influences financial performance and therefore lends further credence to the assessment of innovation as a mediating variable.

Leadership has also had negative impact on financial performance as illustrated by Collins (2009) who found out that some leaders who had led their companies into success and even through chaos later undid the good they had accomplished. Some got blinded by success, became arrogant and considered success as an entitlement and lost sight of the factors that led to the success. Some become undisciplined in their pursuit of growth and greatness. While doing this, they lose sight of the importance of remaining within their core ideology so as to blend creativity with discipline and managing risks within an environment of constructive paranoia. They also get into denial when

the company gets into decline and dismiss any problems as temporary with some even taking refuge in their past success. These leaders provide evidence to the fact that good leadership is not permanent and that good leaders can actually descend into mediocrity with catastrophic results for their organizations. The positive aspect in the foregoing is that the authors noted that some of the leaders later realized their mistakes and took action in order to take performance back on track which lends credence to the belief that leadership can be learnt as expressed under behavioral theory of leadership. The findings by Collins (2009), Collins and Hansen (2011) and Collins and Porras (2002) were based on longitudinal studies conducted in mid 1990s and early 2000s in the United States of America. The studies were also conducted on companies listed on New York Stock exchange and made comparisons between companies who were considered industry leaders with those that were not. The results of this study may therefore not apply to a Kenyan context. In addition, though some of the institutions studied were banks, only banks listed on the stock exchange were studied. In this regard, this study differs from the foregoing in that it looks at all commercial banks in the Kenyan market and examines 2017 – 2021 period using a cross-sectional survey method.

Kittikunchotiwut (2020) established that transformational leadership style positively contributed towards the innovativeness and financial performance of small and medium enterprises in Indonesia. This contribution was attributed to transformational leaders' ability to influence a learning orientation and promote innovativeness which in turn raised employee morale and productivity. Transformational leadership style was also found to have led employees towards new products development, more profitability, and improved performance within the manufacturing companies in Iran (Ebrahimi, Moosavi and Chirani, 2016). These findings again concur with those of Onagh and Azimi (2018) who concluded that transformational leadership had a significant effect on financial performance of software companies in Iran due to the leaders' ability to inspire followers to pursue transcendental purposes as well as inspire creativity and innovation.

Further literature emphasizing importance of transformational leadership include Jaroliya and Gyanchandani, (2020) as well as Khan, Rehmat, Butt, and Asim, (2020) who asserted that persons exhibiting transformational leadership were perceived as more effective leaders with better results than those exhibiting transactional leadership alone while Hamed, (2021), Feranita, Nugraha and Sukoco, (2020) as well as Manzoor et al. (2019). found out that transformational leadership improved the impact of transactional leadership on performance of employees and company

profitability. Bass and Riggio (2008) on the other hand argue that transformational leadership represents the most appealing approach to leadership due to its focus on intrinsic motivation and positive development of followers. The style represents a good fit for the modern complex organizations and work groups since employees and followers are constantly looking for inspirational leaders who can guide them through uncertain times and volatile operating environments as well as challenge, trust and empower them (Alqatawenah, 2018). Transformational leaders are also perceived as able to appeal to followers due to their ability to challenge followers to exceed performance expectations, to stimulate them into creativity and innovation, and developing their collective leadership capacity (Hussain et al,.2021). Consequently, it can be concluded that transformational laeders focus on both people and results and are therefore capable of driving innovation as well as influencing financial performance.

In Croatia, Miloloza (2018) concluded that authoritarian leadership style had a negative impact on the financial performance of large enterprises in the growth and maturity phase, a neutral impact amongst small and medium enterprises who were in the stagnation phase, as well as amongst enterprises oriented towards foreign and international markets. Democratic leadership style on the other hand had a neutral impact on the financial performance in large enterprises and enterprises oriented towards domestic market, a positive impact in small sized enterprises, enterprises in the stagnation phase of growth and those enterprises that weres oriented towards international markets. Laissez-faire leadership style had a negative impact on the financial performance of enterprises in the growth and maturity phase, neutral impact on large enterprises and those in the stagnation phase as well as in enterprises serving both domestic and international markets. These findings imply that suitability of leadership style may differ depending on the firm size as well as its starge in the corporate growth phase. These findings therefore lend credence to Ajibade, Ajayi and Shobowale (2017) who found a positive correlation between autocratic, bureaucratic, and charismatic as well as laisez-faire leadership style and staff performance amongst staff in Nigerian Polytechnics as long as the leader applied each style in the right context.

Rowold and Heinitz (2007) established that transformational leadership style improved on the impact of transactional leadership on performance of employees and company profitability. Zeb, et al., (2015) found a positive correlation between transactional leadership style as exhibited under democratic, autocratic and laisez-faire styles and transformational leadership style on one hand and financial performance of public sector organizations in Pakistan. Khan and Adnan (2014)

found out that both transactional and transformational leadership styles have a positive impact on financial performance while laisez-faire style had a negative impact. In banking, Schaubroeck et al., (2007) stated that team potency measured through power distance and collectivism as practised by transformational leaders was responsible for improved financial performance by banks in the United States of America and Hong Kong. On the other hand, Jaussi and Dionne (2003) as well as Wang and Rode (2010) did not find any significant relationship between transformational leadership on one hand and employee creativity and organizational performance on the other hand, Obiwuru, Okwu, Akpa and Nwankwere, (2011) found insignificant correlation between leadership style and performance of selected small and medium enterprises in Nigeria. Considering that behavioural theory largely ignores the context whrere leadership is applied, the foregoing findings therefore raises questions regarding whether the contradicting conclusions by different researchers emanated from the context that each style was applied. It would therefore be interesting to find out which findings will agree with those of a banking context in Kenya.

Dike and Madubueze (2019) observe that democratic leadership style improves employee satisfaction, performance commitment and cooperation as well as organizational efficiency while at the same time reducing employee turnover. This finding was consistent with Khajeh et al. (2018) who also found out that democratic leadership had a positive impact on organizational performance measured in terms of return on investments and profitability shareholder returns measured in terms of economic value added and total shareholder value and the product or service market performance measured in terms of market share and sales sales. In addition to democratic leadership, Khajeh et al. (2018) also found out that transformational and autocratic styles had a positive influence on performance, while transactional, charismatic and bureaucratic leadership styles had a negative impact on organizational performance. Puni, Ofei and Okoe (2014) however found no significant relationship between financial performance of firms in Ghana and aspects of transactional leadership style namely democratic, autocratic and laissez-faire. They however found that democratic leadership style contributed more to profitability compared to each of autocratic and laissez faire style. The foregoing findings, none of which were on the banking sector may or may not be applicable to commercial banks operating in Kenya. They also may or may not be applicable to the Kenyan market since all of them were conducted outside Kenya. This study therefore compares its findings with the foregoing and establish similarities or differences with them and make appropriate conclusions that would aid future research.

Maina and Waithaka (2018) established a positive relationship between organizational financial performance and leaders who emphasized change, employee competence, creativity and innovation amongst other factors amongst commercial banks operating in Nyeri County, Kenya. Njue, Waiganjo and Kihoro (2018) on the other hand discovered that poor leadership practices were responsible for poor financial performance while leadership empowerment was responsible for stability amongst microfinance institutions in Kenya. These findings do not address the indiactors of leadership style being analysed in this study namely transformational, democratic, laissez-faire and autotractic neither the financial indicators analysed by the study namely return on assets, growth in profitability, return on capital employed and growth in assets. In addition, they were done in different contexts anmely microfinance institutions and commercial banks in Nyeri County.

Walela and Okwemba (2015) found a positive correlation between democratic and transformational leadership and the financial performance of microfinance institutions operating in Kakamega County, Kenya. Ojokuku, Odetayo and Sajuyigbe (2012) observed that democratic and transformational leadership - under which leaders allow employees to have sense of belonging, help staff members to pursue their personal visions and needs, empower them as well as allow them higher responsibility with little supervision, enhances organizational efficiency and therefore improve financial performance. They also established that autocratic leadership style had a positive though statistically insignificant effect on the financial performance of the commercial banks. In this regard, the authors recommended transformational and domestic leadership style be adopted with a view to enhancing the global competiveness of the Nigerian banks. This study is based on commercial banks in Kenya and will therefore seek to establish if the findings by Ojokuku et al. (2012) are applicable in Kenya after 2013 as well as if findings related to microfinance institutions in Kenya can also be replicated in the banking industry.

Ngetich and Muchemi (2018) found out that transformational, democratic, bureaucratic and transactional leadership had a positive and significant impact on performance of savings and credit cooperative societies operating in Kirinyaga County, Kenya. Performance was evaluated on the basis of corporate image, customer satisfaction and employee development. Chege and Gakobu (2017) also found out a positive and significant relationship between transformational, transactional and laissez-faire leadership and organizational performance - profitability, market share and the attitude and motivation of employees – at Safaricom PLC, a telecommunication

company in Kenya. The findings of Kariuki and Wachira (2017) are also consistent with the foregoing since they found a positive and significant correlation between transformational leadership and democratic on one hand and sales performance of employees of microfinance institutions operating in Nairobi, Kenya. Among the same employees, they also found a positive but insignificant relationship between laissez-faire leadership and sales performance as well as a negative and insignificant relationship between autocratic leadership and sales performance. Leaders who exhibited transformational, democratic and laissez faire were preferred by employees since they gave them freedom to make decisions and express themselves.

Poor financial performance by banks has been attributed to poor management of bank's reputation and ethical malpractices by leaders (Tian et, al 2017). In the United States of America, the collapse of Washington Mutual Bank in 2008 was blamed on the unorthodox leadership style of the Chief Executive as well as the incompetence of other leaders (Grind et, al. 2012). For example, the leaders were found to been taking excessive risk through growth of sub-prime mortgage book despite prudential advice from experienced employees. They were also poor at building and sustaining team cohesion especially when they acquired another bank where they resorted into laying off any manager they disagreed with. In Kenya, Waweru and Kalani (2019) pointed amongst other factors, to inappropriate lending methodologies, excessive risk taking, unchecked loan book growth and lack of staff development as some of the reasons that led to bank failures in Kenya in the 1990s and early 2000s. Though the authors do not delve into leadership, the actions of the bank managers could fall under misguided leadership as espoused by Smith (2011). This study introduces a different dimension to the foregoing studies by discussing commercial banks as opposed to Savings and Credit Cooperatives as studied by Ngetich and Muchemi (2018) or microfinance institutions as studied by Kariuki and Wachira (2017). It also studies all banks in Kenya and is not based on a case study as was the case for Chege and Gakobu (2017). Lastly, it differs from the study by (Grind et al., 2012) since it looks at banks in Kenya and not United States of America in addition to beinb based on a different time period.

Smith (2011) identified the concept of mis-leadership as the main reason behind the 2008 global financial crisis which culminated in the collapse of financial institutions. He defines mis-leadership as any action or omission that leads to less that optimum results. It is reflected under missing, misguided, misinformed or Machiavellian leadership. Missing leadership exists where appropriate and essential leadership fails to take place. This would for example happen where leaders fail to

act out of fear or ignorance. Misguided leadership occurs when leadership appears to be effective, but is targeted at the wrong objectives which in turn brings about having undesirable results. This could be experienced for example when leaders are focused on profitability and sales growth but ignore non-financial drivers of performance such as customer and employee satisfaction. In other words, leaders could have focused too much on the needs of one category of stakeholders in the belief that the needs of the said category of stakeholders are all that matter. Elements of misguided leadership are found under Collins (2009) who found out that some leaders had amongst other things been blinded by success, became arrogant and considered success an entitlement and lost sight of the factors that led to the success.

Misinformed leadership exists where leaders are unaware of important information, attributes, skills, techniques or consequences, or misunderstands their importance or how to use them. The unorthodox management style of the Chief Executive of Washington Mutual Bank described by Grind et al. (2012) would fall under this category since as a leader, amongst other things, the Chief Executive downplayed the importance of management reporting, risk management and matching of staff skills with their roles. Machiavellian leadership, the only deliberate form of mis-leadership, exists when a leader who has a hidden personal agenda deliberately misinforms and deludes followers with the objective of achieving self-serving ends. The leader achieves this by exploiting the friendship, trust, ignorance, friendship and loyalty of followers. They can achieve this by manipulating facts and figures with a view to misleading followers about the organizational performance as has been witnessed under manipulated books of accounts. The concept of misleadership can be traced back to Bass (1998) who developed the concept of manipulative leadership, also known as pseudo-leadership under which transformational leaders have the capacity to use their charisma in pursuit of self-interest and eventually slide into unethical behavior. In pursuit of evil ends, these leaders would seduce and manipulate followers in order to have their way. They may use stories to conceal their intentions and indoctrinate followers who in most cases may not be aware of the intention to wield power over them.

Hamza and Hassan (2019) found a strong and positive correlation between missing, misinformed and misguided leadership and poor performance of financial institutions in Pakistan. They however found a moderate, positive correlation between Machiavellian leadership and poor performance within the institutions. Poor performance was measured in terms of one financial parameter namely loss of revenue and profits and six non-financial parameters namely high labor turnover, high

employee dissatisfaction, employees' intention to leave, negative word of mouth communication, poof customer satisfaction and high employee absenteeism. This concurs with Gonfa (2019) who also found out that poor leadership skills caused by managers' lack of appropriate skills, loss of qualified and experienced staff led to decline in organizational performance and productivity through loss of revenue, employee turnover, decline in customer satisfaction and increase in customer attrition amongst businesses in Ethiopia. The concept of mis-leadership as reviewed by the foregoing authors looks purely on the negative contributions that leaders make. Consequently, this study considers this approach prescriptive and therefore outside its scope since this study is looking at the extent to which – positive, negative – and level of significance that leadership impacts financial performance.

Kenyan banks have won awards at the global and regional levels. For example, KCB Bank won the 2021 global award for leadership in sustainable finance awarded by the Global Finance Magazine (Mitinda, 2021). National Bank of Kenya has also won the 2021 Best Bank in Customer Service Kenya, Best Islamic and Best SME Bank awards from the International Business Magazine (News Trends Kenya, 2021) while First Community Bank was recognized as the 2014 Best Islamic Bank in Africa by the Global Finance Magazine (Jamah, 2014). The sector has also witnessed phenomenal growth by some of the players. For example, a review of Central Bank of Kenya Annual Supervision Reports shows that Equity Bank grew from a building society with less than KES 1 Billion in total assets to a tier one bank with over 500 billion in total assets operating in five countries between years 2000 and 2015. During the same period, I&M Bank grew from a bank with less than KES 500 million in total assets to a tier one bank with excess of KES 200 Billion in total assets and operating in 4 countries. The growth rate and global awards are indicators that there could be positive leadership attributes and actions that need to be investigated. The industry has however not been short of setbacks. For example, the collapse of Chase Bank in 2016 and Imperial Bank in 2015 were blamed on amongst other things, reckless insider lending by the directors and senior managers coupled with falsification of financial statements. When scrutinized, these actions equate to machiavellian and misguided leadership under Smith (2011).

There is no clear consensus amongst researchers in regard to the effect of each leadership style on financial performance. It is however clear that leadership style can have a positive, negative, significant or insignificant impact on organizational financial and non-financial performance. However, the literature generally portrays a positive impact of transformational and democratic

styles but negative effect of laissez-faire style in both banking and business general. However, there exists limited literature relating to commercial banks operating in Kenya. In addition, success stories and failures amongst commercial banks in Kenya indicate that there is need to investigate the extent to which leadership style contributed to the success or failure stories. In this regard, this study sought to establish the extent to which leadership style have impacted financial performance of commercial banks in Kenya.

2.2.2 Leadership Style, Financial Innovation and Financial Performance

Financial innovations can involve entirely new solutions or adjustments to existing solutions, can involve substitutes of existing products and services, may not always be easily assigned to one market segment, can be simple or complex and can also involve new or modified processes and procedures (Zaleska and Kondraciuk, 2019). The level of financial innovation in a country's financial system is greatly influenced by both regulation and liberalization (Moshirian, Tian, Zhang and Zang,. 2021). Banking regulators influence innovations through their policies and restrictions on new products, channels as well as communication while the higher the level of liberalization, the more intense the communication and consequently the pressure to be creative. Leaders on the other hand influence innovation through staff motivation, team cohesion and creativing and environment that encourages creativity and innovation (Ruzger, 2018)

Vanhaverbeke, Agoralaan-Building, and Roijakkers (2018) differentiated between open and closed innovations with closed innovations being research and development activities undertaken by an organization without input from other market players with open innovation involving those undertaken jointly by one or more organizations. Advocates of closed innovation believe that their organizations have the best of talents, that research and development is profitable only when an organization discovers, develops and sells its innovative products, that the first in the markets and those with best ideas in the market are always the winners as well as that competitors should not profit from their ideas. Advocates of open innovations on the other hand believe that sharing of knowledge and expertise is the key to success, external research and development is more profitable than the internal one, that origination of ideas is not necessarily the winning strategy and that internal and external ideas are equally valuable. It may therefore be concluded that banks engaged in closed innovations when they develop and launch products independently. On the other hand, Pesapoint and Kenswitch shared Automated Teller Machine networks as well as Kenya

Bankers Associations' cheque truncation and Pesalink money transfer service are examples of open innovation amongst commercial banks in Kenya.

Financial innovation has been greatly influenced by technology and is a critical factor in commercial banks' financial performance (Huang, Li and Chang, 2021). Motwani and Vora 2021), found out that private and public sector banks in India who adopt technology and technology based products are more profitable, more operationally efficient, had higher asset quality, are better at managing costs compared to those that were lagging behind in technology adoption. Mabrouk and Mamoghli (2010) on the other hand found out that in Tunisia, first mover innovation amongst banks was positively correlated with improved profitability while imitators were both less profitable and less efficient than first mover innovators. These findings are of great relevance to this study since they are both based on commercial banks and technological innovations. However, this study will add to both since it is based on a different market context while also treating innovation as a mediating variable instead of the independent variable as was the case in the foregoing studies.

Cherotich, Sang, Shisia and Mutung'u (2015) found out that the value of electronic payments by Kenyan banks was positively correlated with bank profitability. Nkem and Akujinma (2017) also found out that the value of Automated Teller Machine and Point of Sale transactions amongst banks in Nigeria have a negative correlation to efficiency ratios while web, internet and mobile banking have a positive correlation. Ocvirk (2018) also asserted that innovations bestow only temporary competitive advantage to firms with the effect diminishing in the long run. Financial innovation was also associated with financial losses and market instability as was the case in the 2007/2008 financial crisis (Fligstein, 2021). It therefore need to be monitored closely with a view to ensuring that it has positive social and economic impact (Kitsios, Giatsidis and Kamariotou, 2021). This study will improve on the foregoing since it looks at financial innovation as a mediating factor between the relationship between leadership style and financial performance rather than the independent variable. This study also looks at return on assets, return on capital employed and growth in assets, ratios that were not analyzed under the foregoing studies.

Financial innovation is also motivated by regulation with new regulations acting as a catalyst for innovation while innovations may necessitate the need for new regulations. In addition, competition, globalization and market needs also act as drivers of innovation (Rajapathirana and

Hui, 2018). Blach (2020) established that financial innovation is often hindered by financial, knowledge market, institutional regulations and psychological factors. Financial factors include but are not limited to high costs of innovative activity, lack of sources of financing, transaction fees and other costs. Knowledge barriers include lack of qualified employees, inability to use technology and lack of knowledge on financial innovation amongst others. Market barriers include lack of information on the market offer of financial innovation, low demand for innovative products and lack of matching offer amongst others. Institutional regulations include taxation, approval and accounting regulations amongst others while psychological factors include but is not limited to negative attitude towards innovation and innovative processes, lack of need to create innovations and resistance to change. The foregoing studies did not evaluate the impact of IFRS 9 and interest rate capping law in Kenya on financial innovation, two aspects included in this study.

Phan, Narayan and Hutabarat (2018) observed that growth in financial technology companies had a negative and significant effect on the performance of commercial banks in Pakistan. Performance was measured in terms of net interest income to total assets ratio, net income to total assets ratio, net income to total equities ratio and yield on earning assets ratio. The impact was higher is small compared to large banks primarily due to the fact that smaller banks had less ability to innovate and compete with financial technology firms. This study will assess the impact of innovation on retun on net assets, growth in assets and growth in profitability, ratios that were not assesed under the foregoing study. In addition, it looks at innovation as a mediating variable, not as an independent variable as look at under the foregoing studies.

Akani and Tony – Obiosa (2020) established mixed results about the relationship between financial innovation and financial performance of banks in Nigeria. They Fouad out that growth in electronic funds transfers had a negative but insignificant impact on the banks' return on equity. There was however a positive but still insignificant relationship between internet banking and return on equity but a positive and significant relationship between investment in information and communication technology and return on assets. These findings partly agree with Gundogdu and Taskin (2017) who asserted that growth in credit card usage had a positive and significant relationship with return on assets, eturn on equity and net interest margin amongst banks in Turkey while automated teller machines and internet banking had a positive but insignificant relationship with the said ratios. The significant impact of credit card usage was attributed to higher interest charged on the cards compared to other lending products. Zouari-Hadiji. (2021) however noted that the impact of

financial innovation on a bank's overall financial performance depended mostly on its ability to manage and mitigate the risks inherent in the innovation. This study will be looking at agent banking and automated teller machines, two products not analyzed in the fore going studies, in addition the study will enrich the foregoing findings by advising if they are applicable in the Kenyan context. In addition, the foregoing studies do not examine how leadership may have impacted innovation.

Muiruri and Ngari (2014) concluded that commercial banks in Kenya used financial innovations with the primary motive of increasing revenue through cost reduction and efficiency. This was driven by the need to survive in a competitive environment. In this regard, banks had resulted to technology based innovations such as electronic funds transfers, automation in clearing, debit cards, credit cards and cheque truncation amongst others. Credit cards were adopted by banks with a view to increasing income, profits, and to reduce liquidity and credit risks. Internet banking was adopted so as to improve accuracy and efficiency and to increase speed and reliability of the banking system. Agent banking on the other hand was adopted with the intention of increasing transaction numbers and related income. The study concluded that adoption of electronic products and channels had a positive impact on the financial performance of commercial banks – income, cost reduction and profitability. This finding is collaborated by Otieno and Muia (2020) who established a strong and positive correlation between growth in value of cheques cleared, growth and volume and value of electronic funds transfers as well as growth in volume of Real Time Gross Settlement transactions and the return on assets at Equity Bank, Kenya between 2010 and 2013. In addition to reviewing a different time period, this study will treat innovation as a mediating variable and not as an independent variable, thereby adding value to the body of research about the impact of innovation in banking.

Chipeta and Muthinja (2017) observed a positive and significant relationship between branchless banking models namely automated teller machines, agent banking and mobile banking and the financial performance of commercial banks in Kenya measured in terms of both return on equity and return on assets. These innovations improved financial performance due to cost reduction, increasing access to banking products as well as increasing banks' market visibility. This study will add to this body of knowledge by analyzing additional financial ratios as well as looking at the mediating effect of financial innovation. Adunda and Kingoo (2012) also found out a positive and significant relationship between electronic banking products such as debit cards, automated

teller machines and mobile banking and financial performance of Kenyan Commercial Banks measured in terms of return on assets. They concluded that the positive impact of e-banking emanated from increased efficiency in service delivery emanating from client self-service using the electronic channels. Kathuo, Rotich and Onyango (2015) also observed a positive correlation between growth in automated teller machine related transactions and services – cash deposits and withdrawals, money transfer, utility bill payments, cheque book ordering amongst others – and improved financial performance of commercial banks. This again was attributed to increased operating efficiency. This study will look at how banking innovation impacts the relationship between leadership style and financial performance, an aspect not analyzed in both the foregoing studies.

Mugane and Odingo (2016) found out that product innovations such as introduction of new products and enhancement of existing ones had a negative and significant relationship with the return on assets of commercial banks in Kenya. They also found a positive and significant relationship between service innovations such as new processes, customer support among others and organizational innovation such as new structures, removal of structural barriers and return on assets. Hillowle and Warui (2021) partly supports these finding when they assert that growth in real time gross settlement payments and electronic funds transfer transactions, investment in mobile banking systems coupled with growth in related transactions and growth in number of bank agents and transactions had a positive influence on the bank working capital and cash ratios. Mobile banking and agency banking were however contributing higher income and more to growth in customer numbers and market share compared to real time gross settlement and electronic funds transfers. This emanated from the fact that mobile banking and agency banking channels were offering more services and were therefore contributing to higher customer satisfaction in addition to helping increase sales volumes and lower operational costs.

Kiptui, Bitange and Wanza (2017) found a positive correlation between product innovation strategies, measured in terms of the number of products and channels offered, and the performance – growth in deposits, market share and number of clients – amongst bank branches operating in Eldoret, Kenya. These findings were partly contradicted by Mwiti (2021) who established that despite a predominant belief amongst bank employees that financial innovations improved bank performance, its impact was not significant. In this study, financial innovation was measured in terms of number of prepaid card customers, introduction of automated clearing house,

simplification of account opening processes and introduction of new products, Financial performance was measured in terms of return on equity, return on capital employed, and return on investment.

Wanalo, Mande and Ng'ang'a (2020) also partly contradicted majority of other findings by stating that agency banking had a positive but non-significant relationship with financial performance and that automated teller machines had a positive, minimal and significant relationship with financial performance. Financial performance was measured in terms of return on assets and profitability. They concluded that the aforementioned electronic banking channels improved financial performance due to the fact that they improve service delivery and customer experience as well as reducing operating costs. Tahir et. al (2018) also supports the view that financial innovation does not have a significant influence on commercial banks' financial performance when they stated that growth in use of automated teller machines, internet and mobile banking had an insignificant impact on the efficiency rations of commercial banks in Pakistan.

Though Mugane and Odingo (2016) reviewed product innovations which forms the basis of this study, they treated innovations as an independent variable. Hillowle and Warui (2021) on the other hand evaluated impact of Real Time Gross Settlement and Electronic Funds Transfer transactions while Kiptui, Bitange and Wanza (2017) focused on one town namely Eldoret. Mwiti (2021) limited the study to employee perceptions while Tahir et. al (2018) based the study on Turkey. In this regard, this study will add to these findings by looking at all banks in Kenya, adding agent baking as part of the product innovations and treating financial innovation as a mediating, not independent variable.

The findings in the banking sector seems largely consistent with those in other financial institutions. For example, Moki, Nding'u and Kinyua (2019) established that financial innovation as a tool for financial inclusion had a positive and significant influence on the performance of deposit taking savings and credit cooperative societies in Nairobi, Kenya. They established that mobile banking helped in cost reduction, improved efficiency and enhanced customer satisfaction. Omwanza and Jagongo (2019) on the other hand established a positive and strong correlation between process, product and institutional innovations and financial performance of microfinance institutions in Kenya. Kimotho and Muturi (2019) established a positive and significant correlation between financial innovation and financial performance of deposit taking microfinance institutions

in Kenya. Financial performance was measured in terms profitability and return on assets while product innovation was measured in terms of new deposit accounts, debit cards and credit cards. Process innovation was measured in terms of office automation and computerization.

Kibugo and Maina (2016) agreed with Kimotho and Muturi (2019) as well as Omwanza and Jagongo (2019) when they posited that process, institutional and product innovations had a positive impact on the financial performance of microfinance institutions operating in Nakuru County, Kenya. Process innovation was measured in terms of automation, design, change and cost effectiveness of the delivery process. Product innovation was measured in terms of improvement, performance, quality and performance of existing products and number of new products. Institutional innovation was measured in terms of business structure, technology, legal framework and supervisory framework. Kahindi and Nzioka (2020) found a positive and significant influence between bancassurance, mobile banking, internet banking and agency banking products and the revenue egenerating capacity and profitability of savings and credit cooperatives in Mombasa County, Kemya. This was attributed to the fact that these product innovations, in addition to introducing new revenue streams, also brought about cost savings. The question of whether these findings are applicable to the banking sector will be answered by this study.

Banks have incurred financial loses as they innovate especially due to increased cybercrime. For example, the Banking sector has been a victim of cybercrimes ranging from phishing, denial of service attacks, identity theft, hacking and web jacking with global annual losses estimated as USD 114 billion while the cost of combating cybercrime within global banking sector estimated at USD 274 billion (Raghavan and Parthiban, 2020). Other forms of cybercrime include virus attacks using spam E-mails, inflation of account balances followed by transfer of the amounts, programming of automated teller machines to dispense cash and hacking resulting in unauthorized electronic transfer of funds (Hasham, Joshi, and Mikkelsen, 2019). Cybercime has resulted in fraud, money laundering, compromise on data integrity, regulatory fines, customer refunds, loss of revenue as well as other direct and indirect costs amounting in excess of USD 525 billion globally every year (Hasham et, al, 2019). Cybercrime targeting financial institutions has increased since the emergence of COVID-19 especially due to work from home arrangements - a form of process innovation, - increased use of digital banking channels and general increase in use of internet (Aldasoro, Frost, Gambacorta and Whyte, 2021).

Increased internet penetration, competition, growing acceptance of mobile phone and app-based products amongst other factors has increased exposure of Kenyan banks to cybercrime (Business Daily Africa, 2020). In the fourth quarter of the year 2020, cyber threats rose from 35.1 million to over 56.2 million incidences, a growth rate of over 50% as reported in the previous quarter (Obura, 2021). Recent reported incidences include attempts to defraud KCB Bank of KES 2 Billion (Business Daily Africa, 2021), loss of KES 14 million through hacking of Barclays Bank's automated teller machines (Citizen Television, 2019) and hacking of the Pesa-Link inter-bank money transfer system that resulted in the loss of siphon KES 6.9 million during the first week of January 2019 (Standard Media Team, 2019). These incidences are proof to the fact that technology based innovations has resulted in actual financial losses in the banking sector. There is however no data to indicate if the overall impact, based on revenue generated less actual losses, has been positive or negative neither is there literature indicating if the overall impact is significant or insignificant. This study focusses on the impact of product innovations and not cybercrime, a by-product of technological innovation. However, this subject cannot be wished away and was addressed under the section on recommendations.

The findings of the scholars on financial innovation are consistent with those of writers in other fields such as Collins (2001) who asserted that to ensure success, use of technology needed to be aligned with a company's core ideology. Collins (2009) on the other hand discovered that successful companies that abandoned their core ideology in pursuit of innovation deteriorated financially in the long term, an assertion supported by Collins and Hansen (2011) who asserted that creativity without disciplined adherence to a company's core values was a recipe for financial failure. Financial innovation could therefore have a positive or negative effect on the financial performance of a commercial bank or any other enterprise. It has also been established that financial innovation can have both significant and insignificant impact as well as cause direct losses through cybercrime. This study therefore sought to establish the impact financial innovation, as a mediating variable, has on the financial performance of commercial banks in Kenya with an emphasis on mobile banking, agent banking, internet banking and credit cards.

2.2.3 Leadership Style, Banking Regulation and Financial Performance

Bank financial performance attracts considerable attention from regulators and monetary authorities since any bank's failure has negative implications on public confidence in the banking

system which may lead to spillover effects to the rest of the economy (Li, 2018). Regulators, in line with protecting the interests of various stakeholders have adopted regulations in regard to consumer protection, prevention of banks from excessive risk taking, capital adequacy, risk weighting of assets and liquidity requirements (Goddard et al. 2017), Other regulations relate to permitted and prohibited business, loan loss provisioning, accounting practices and publication of financial statements (Tian et al, 2017). The Bank of International Settlements (2019) requires national regulators to rate banks on three financial performance parameters namely quality of earnings, capital adequacy and liquidity. Pursuant to this requirement, Central Bank of Kenya (2013) has established regulations regarding capital adequacy, risk weighting of assets, loan classification and provisioning, financial reporting and publication of financial statements and liquidity standards.

Regulations have been found to be having mixed effects on bank financial performance. Li, (2018) established that strengthening capital restrictions and official supervisory powers has a positive effect on banks' operating efficiency, cost management and profitability. The author also found out that interventionist supervisory and regulatory practices which include private sector monitoring and restrictions on banking activities increases inefficiency. Ben Naceur and Omran (2011) on the other hand found out that regulatory variables such as capital adequacy, asset quality regulations and regulations on prohibited business decreases banks' cost efficiency without affecting performance. In addition, regulations such as liquidity ratio and capital adequacy requirements have been perceived to be an indirect tax on financial institutions and thus increases costs which could negatively affect profitability (Goddard et al. 2017). Duraj and Moci (2015) also established that additional liquidity requirements in Albania negatively impacted the profitability of commercial banks in the country.

Gavalas and Syriopoulos (2014) predicted that the impact of Basel III requirements would vary from country to country depending on how banks and their regulators respond. The impact would also vary based on net cost of raising capital and elasticity of demand for loans considering the changes in levels of interest rates that would emanate from the increased cost of doing business. In addition, bank size and business model would also lead to variation in full impact of Basel III requirements. These findings are supported by Al-Hares, AbuGhazaleh and El-Galfy (2013) who asserted that upon commencement of implementation of Basel III requirements amongst nations within the Gulf Cooperation Council region, performance of commercial banks would improve.

There were differences in regard to the impact of the regulations in regard to Islamic and conventional banks. For example, between 2011 and 2013, Islamic Banks within the region reported higher profitability ratios such as return on equity, return on capital employed and net interest margin as well as liquidity ratios such as loans to deposits, loans to assets, Cash and Bank Balances to Deposits and Cash and Portfolio Investment to Deposits compared to conventional banks. However, conventional banks reported higher efficiency rations namely assets turnover and operating efficiency. In the European Union,

Bank of International Settlements (2021) established that implementation of Basel III liquidity requirements had a negative impact on banks' short-term profitability and a positive impact on solvency and stability. In addition, by increasing capital ratios, Basel III regulations were reducing banks' funding costs thereby improving long term profitability. These findings were consistent with Salim and Bilal (2019) who found out that in Oman, increased capital adequacy ratios had a positive and strong correlation with banks' return on assets and return on equity ratios. This was attributed to the possibility that increased capital reduced overall cost of funds since equity is cheaper than debt capital. In addition, the fact that the new regulations raised the risk weighting of assets and removed goodwill from capital calculation ratios meant that bank owners had to inject additional funds thus increasing funds available to fund operations.

Mashamba (2018) asserted that an increase in regulatory pressure does not lead to a decline in bank profitability within emerging markets. The study established that a positive and statistically significant relationship exists between changes in bank capital and changes in bank profitability with a 10% rise in capital leading to 18% rise in profitability. These findings are consisted with Singh and Bagga (2019) who found out that increase in capital had a positive impact in profitability while increase in debt had the opposite effect. Bank size had a positive but insignificant relationship with profitability. This can be explained by the fact that Basel III requires banks to shift their funding sources from short-term unstable to long-term stable sources which in turn negated the advantage that large banks had in having the ability to obtain funds cheaply in short-term money markets due to the "too big to fail" perception. This however contradicted Qayyum and Noreen (2021) who asserted that bank size was positively correlated with profitability ratios. Management efficiency, measured in terms of the cost to income ratio had a negative and insignificant relationship with bank profitability, a paradoxical finding since, an improving cost to income ratio means that income is rising higher than expenses. However, this could also suggest

that banks in emerging markets may not be managing their costs effectively. Credit risk, measured in terms of percentage of non-performing loans, has a negative and significant impact. This implies that a rise in non-performing loans reduces profitability, which can be ascertained through the fact that an increase in non-performing loans leads to increase in loan provisioning and write-off expenses (Singh, Basuki and Setiawan, 2021).

Onyekwelu, Chukwuani and Onyeka (2018) found a positive and strong relationship between liquidity requirements and the financial performance measured in terms of Return on Assets and Return on Capital Employed amongst deposit money banks in Nigeria. This outcome was attributed mainly to strategic liquidity management practices as outlined under the requirements of the Federal Reserve Bank of Nigeria. In Botswana, Sathyamoorthi, Mapharing and Dzimiri (2020) established mixed findings about the impact of liquidity ratio requirements and financial performance of banks. Liquid assets to total assets and loans to total assets ratios had a positive and significant relationship with the financial performance of commercial banks. This implied that a rise in loans to total assets ratio and liquid assets to total assets ratio led to improved performance of commercial banks. Loans to deposits and liquid assets to deposit ratios had a negative significant relationship with financial performance as measured by return on assets and return on equity ratios. Consequently, an increase in loans to deposit ratio and liquid assets to deposit ratio contributed to a decline in return on equity and return on assets ratios. Cash to deposits ratio had a negative and insignificant relationship with the financial performance of commercial banks. Cash and cash equivalents to total assets ratio was established as having a positive and insignificant relationship with commercial banks' financial performance. In this regard, an increase in the cash to deposits ratio and cash and cash equivalents to total assets ratio led to a decline, albeit insignificant, on banks' return on assets and return on capital employed.

Golubeva, Duljic and Keminen (2019) found out that amongst Swedish Banks, Basel III liquidity measure of loan cover ratio had an insignificant impact on return on assets, return on equity and profitability. They attributed this to the possibility that banks may have had different formulas of calculating the ratio based on the fact that the measure had been recently introduced. The funding gap ratio, which measures if a bank has enough funds to finance loan disbursement, had a negative and significant relationship with return on assets ratio. Consequently, banks that violated the regulatory ratio by reporting higher funding gaps were reporting lower than optimal financial results. This was attributed to the fact that banks with large financing gap ratios had the tendency

to use expensive external funding due to lack of cheap and stable sources of funding to meet demand for loans and deposit withdrawals which in turn had a negative impact on profitability. Surprisingly, the funding ratio had a positive though insignificant impact on earnings before interest and tax margin since most banks have a high level of interest income which forms part of the ratio's denominator. This finding therefore supported the general assumption that banks that maintain high levels of illiquid assets in loans are able to generate higher interest income than banks that maintain less illiquid assets thereby reporting a high level of income before deduction of interest and tax. Lastly, Loan to Deposit ratio was found to have a positive relationship with earnings before interest and tax margin and return on equity ratio but an insignificant relationship with return on assets, net profit margin and funding gap ratio.

Basel III requirements are implemented by national regulators who issue guidelines and circulars as appropriate. In Kenya, the regulations are outlined under Central Bank of Kenya's prudential and risk management guidelines. Scholars have attempted to establish the impact of domestic regulations on bank financial performance with mixed results though a majority of findings point towards a positive and significant correlation. Musengimana and Mulyungi (2017) established a significant positive relationship between implementation of prudential regulations and financial performance of commercial banks in Rwanda. They noted that banks that had poorly implemented prudential regulations imposed by National Bank of Rwanda exhibited poor financial results compared to those that had fully implemented the regulations. This observation is supported by Ajayi et al. (2019) who established that implementation of capital adequacy ratio requirements had a positive and strong correlation with financial performance of deposit taking money banks in Nigeria, a finding consistent with Abdul (2017) who established a positive and strong relationship between asset quality, capital adequacy and bank size with the profitability of international banks operating in Nigera.

In Sri Lanka, Chandrasegaran (2020) established that capital adequacy ratio had a significant and positive impact on non-interest income to average assets ratio while core capital ratio had a negative significant relationship with non-interest income to average assets ratio. Asset quality ratios had a negative significant impact on Net Interest Margin. Agbeja, Adelakun and Olufemi (2015) had also established a positive and strong relationship between capital adequacy and profitability of banks in Nigeria. This was attributed to the fact that highly capitalized banks had enough resources to lend and invest without resorting to debt capital. In addition, the fact that they

were considered low risk enabled them to obtain deposits and short-term debt funds at a low cost. On the other hand, Mathuva (2009) had established mixed findings about the relationship between capital adequacy and profitability amongst banks operating in Kenya. He concluded that the non-risk weighted capital adequacy ratio was negatively related with return on assets and return on equity. He however found out a positive relationship between risk adjusted capital ratios with return on equity and return on assets. All relationships were found to be significant. Cost to income ratio was found to be negatively related to both return on equity and return on assets, a finding justified by the fact that a rising cost to income ratio means that costs grow at a higher rate than revenue thus negatively impacting profitability.

Haris, et al. (2020) established an inverted U relationship between cash ratio and capital adequacy ratios on one hand and profitability of banks in Pakistan on the other. Consequently, an increase in cash ratio and capital adequacy ratios was established to be improving profitability up to a certain level after which further increase in the ratios would lead to a decrease in profitability. This phenomenon could be explained by the fact that increase in capital and liquid assets may not be driven by demand for loans and such funds may therefore not generate optimal interest income. Dao and Nguyen (2020) on the other hand established a negative relationship between capital adequacy ratios and profitability rations of commercial banks in Vietnam. They however established a positive relationship between liquidity and profitability. The findings were attributed to the fact that some banks were maintaining high capital reserves without deploying the capital into profitable assets while those high levels of liquidity were partly reflected in holdings of income generating investments.

Musabi and Mbithi (2018) established a negative and significant relationship between credit management prudential guidelines – loan to value and debt to income ratios - and the financial performance of commercial banks in Kenya – return on assets and return on equity. This was attributed to the possibility that banks could have been struggling with loan book growth as they tried to comply with the stringent lending regulations. The resultant decrease in lending could lead to reduced interest income thus negatively impacting profitability ratios. These findings are collaborated by Mugo and Mutswenje (2020) who found out that capital adequacy, liquidity and credit risk regulations were significant predictors of the financial performance of commercial banks in Kenya with liquidity and capital adequacy having a positive and significant effect while credit risk had a negative and significant effect. Muriithi, Waweru and Muturi (2016), also

established a positive and significant relationship between implementation of credit risk management regulations and profitability of Kenyan commercial banks.

Banking business involves risk taking since banks need to take risks in order to generate revenue and generate value to shareholders. However, regulators must limit the amount of risk taken by banks since excessive risk taking can lead to institutional as well as industry instability (Bojinov., 2018). Banking risks are classified into credit, operational, systemic market, information and communication technology, county, compliance or regulatory, strategic and liquidity risks (Central Bank of Kenya, 2013). The risks can also be classified into financial also known as balance sheet and income statement structure, credit, currency, interest rate and market risks (Van Greuning and Bratanovic, 2020). Ebenezer and Omar (2016) observe that poor risk management practices and inadequate risk oversight by boards of directors and regulators have been responsible for poor financial performance and collapse of banks in Nigeria. They recommended that risk management must be given top priority and that risk management practices must be bank specific and customized to match the bank's size and quality of the balance sheet, complexity of functions, the status of Management Information System as well as technical or professional manpower in place in that bank.

Scholars have published mixed findings about the impact of risk management regulations on bank financial performance. Adeusi et al. (2014) established a positive relationship between implementation of credit risk management regulations – measured in terms of bad debt provisioning requirements – and systemic risk management regulations – managed through capital adequacy provisions – and the profitability of banks in Nigeria. This was attributed to reduced loan losses and availability of sufficient capital for lending and investment. These findings concurred with Mardiana Puji and Ayyu (2018) who established that effective management of compliance through capital adequacy ratio, strategic risk through cost to income ratio and credit risks through non-performing loans ratio had a positive and significance relationship with the return on assets and return on equity amongst banks in Indonesia.

Ahmed, Shakoor, Khan and Ullah (2021) established a negative, strong relationship between credit risk measured in terms of total assets to total loans and non-performing loans. This negative relationship suggests that an increase in credit risk exposure leads to a decrease in the growth rate of a bank's future earnings and investment potential. Interest rate risk was also found to have a

negative and significant relationship with financial performance with both net loans to total assets and net interest income to total assets ratios indicating a negative relationship with profitability ratios. Liquidity risk, measured in terms of total liquid assets and total assets also had a strong and negative relationship with financial performance. The key finding in the case of liquidity risk was that decline in bank deposits, a key contributor to liquid assets since deposit withdrawals leads to reduction in cash and cash equivalents, would almost always lead to a decline in a banks' earning capacity. This agrees with the findings of Abu-Rummana, et al. (2021) who found a positive and strong relationship between credit, market and operational risk management practices and the financial performance of banks in Pakistan. They concluded that reduction in exposure under each of the risk categories had a positive and significant influence on earnings and profitability.

Kafidipe et al. (2021) established a negative relationship between sophisticated risk management practices and financial performance of deposit taking money banks in Nigeria as measured in terms of return on equity and return on assets. Risk management was measured in terms of size of board risk committee, number of meetings held by board risk committee annually, number of independent directors in board risk committees and the banks' enterprise risk management index. This finding contradicts Maruhun et. al (2018) who had asserted that enterprise risk management is a tool that improves firm performance. It also contradicts Ndyagyenda (2020) who found a positive and significant relationship between credit risk management practices namely loan appraisal, credit risk control and credit risk diversification and profitability of commercial banks in Uganda.

Wanjohi, Wanjohi and Ndambiri (2017) established a strong and positive relationship between financial risk management practices and financial performance of commercial banks operating in Kenya. Particularly, a strong positive correlation was found between return on assets ratio and risk mitigation and risk and measurement practices. There were moderate correlations between return on assets and risk management environment, internal control practicesand risk monitoring practices. Consequently, the higher the return on assets of a Kenyan commercial bank, the better its risk mitigation and mitigation practices. These findings were consistent with Mohamed and Onyiego (2018) who found a positive and strong relationship between credit, operational, liquidity and interest rate risk management practices and financial performance of commercial banks operating in Mombasa County, Kenya. Credit risk management was assessed in terms of counterparty credit quality, credit policies and non-performing loanks while financial performance

was measured in terms of profitability, liquidity and shareholder value. Liquidity risk was measured in terms of planning and controlling cash flows, management of current assets and management policy assets. Interest rate risk management was assessed in terms of loan repayment rate, interest rate risk exposure and nominal interest rates. Operational risk was measured in terms of operational risk exposure, management techniques and internal audit controls.

Findings amongst commercial banks were also consistent with those in microfinance banks. For example, Bundi, Ngali and Maina (2021) established that microfinance banks operating in Kenya that were using well-defined credit scoring mechanism, had a stringent debt collection mechanism, had elaborate credit policies and procedures, had robust liquidity risk management practices and also had robust cyber security controls were found to be performing better financially compared to their counterparts who were lagging behind in the said risk management practices. This phenomenon exists because these risk management practices, derived from Central Bank of Kenya's regulatory guidelines for microfinance banks are meant to ensure stability of microfinance banks through reduced loan losses exhibited through prudent lending, prompt collection, ability to meet financial obligations as and when they fall due for example loan disbursement which improves customer satisfaction and interest income and mitigate losses emanating from cyber fraud.

There are mixed results about the impact of risk management regulations and practices on financial performance of commercial banks from different parts of the world as well as in regard to different types of risks. However, majority of the research findings indicate that regulations have a positive and strong relationship with financial performance. However, literature on the impact of regulation as a moderating variable on bank financial performance of commercial banks is limited. In this regard, it is imperative that the effect of bank regulation on the performance of commercial banks in Kenya is established. This study therefore focused on the Kenyan market with a special emphasis on Central Bank of Kenya's prudential guidelines.

Interest rate capping had a significant impact on return on assets, profitability and return on equity of commercial banks in Kericho County, Kenya (Musyimi et al., 2019). They established that an increase in maximum lending interest rate had a positive impact on bank financial performance while an increase in minimum deposit rate having a negative impact. Mutemi and Makori. (2019) found that interest rate capping had a positive impact on quality of assets measured in terms of

gross non-performing loans and advances but a negative impact on the growth of the loans. The foregoing findings could be attributed to the fact that low rates of interest discourage bank lending due to the resultant decline in risk return balance (Casu et al. 2015). Central Bank of Kenya (2018) also found that interest rate capping law had slowed down lending, raised average loan sizes after banks shunned micro-lending and reduced proportion of income generated from interest income.

Central Bank of Kenya (2020) reported that repeal of interest rate capping law had no significant impact on level of non-performing loans and level of lending to small and medium sized enterprises. The report however noted that implementation of financial reporting standard number 9 had a negative impact on banks' capital adequacy due to increased loan provisioning which in turn led to efforts to raise additional capital. In addition, implementation of financial reporting standard number 16 led to increased risk weighting of bank assets thus requiring additional capital injection. However, none of the new financial reporting standards had a significant impact on bank liquidity. The findings are consistent with Ntaikou, Vousinas and Kenourgios, (2018) who asserted that implementation of IFRS 9 in Greece was expected to raise the coverage of non-performing loans, while additional provisions would have a negative regulatory capital effect. The findings also concur with Magli, Nobolo and Ogliari (2018) who predicted that IFRS 16 could lead to an increase in lease assets, an increase in financial liabilities and a decrease in owners' equity and an increase finance costs as well as earnings before interest, tax and depreciation allowance.

Central Bank of Kenya (2013) set foreign currency exposure limit at 10% of a bank's core capital. This regulation is meant to mitigate losses emanating from exchange rate fluctuations which include transaction risk such as losses incurred while buying and selling foreign currency, translation risk that is losses incurred while converting foreign currency denominated assets and liabilities into local currency for purposes of financial reporting and economic risk which refers to erosion of a bank's market value due to currency fluctuations. Ahmed (2015) asserted that exchange risk has a significant impact on banks' financial performance due to potential gains and losses in both the spot and forward exchange markets. This assertion is supported by Isaac (2015) who established that exchange rate fluctuations had a significant impact on the profitability of commercial banks in Nigeria.

Since enactment of the Proceeds of Crime and Anti-Money Laundering Act (2009) and Proceeds of Crime, Anti-Money Laundering Regulations (2013), Prevention of Terrorism Act (2012) and

Prevention of Terrorism Regulations (2013), there is limited published literature on the impact of money laundering and terrorism financing laws and regulations on banking performance. The foregoing law and regulations were reinforced under CBK Prudential Guideline Number 8 that named Proceeds of Crime, Anti-Money Laundering and Combating Financing of Terrorism. Michugu (2016) established both positive and negative impact of money laundering regulations on performance of commercial banks in Kenya with impact emanating from reduced operational risk and fraud as well as enhanced confidence in the bank while negative emanating from increased compliance costs for the bank. Nobanee and Ellili (2017) found an insignificant relationship between money laundering disclosure index and performance of commercial banks in United Arab Emirates. However, this contradicts Idowu and Obasan (2015) who had found a significant and positive relationship between money laundering policy implementation and performance of banks in Nigeria.

In 2019, Central Bank of Kenya fined five commercial banks an aggregate amount of USD 3.75 million (Mohammed, 2021). The total fines, amounting to 320 million Kenya Shillings, was 20 times more than the previous fine imposed on a bank in 2016 (Business Daily Africa, 2020). The rise in fines was witnessed worldwide with global annual anti-money laundering related fines exceeding 10 billion US Dollars for the first time in history (Roberts, 2020). The rise in fines could point to a possible negative impact of anti-money laundering regulations on bank performance. However, whether this impact will be positive or negative may need to be established through empirical studies.

Existing published research findings have also concentrated on the direct impact of banking regulation on financial performance of commercial banks with no findings in regard to the moderating role of banking regulation on the relationship between leadership style and financial performance of commercial banks. This study therefore sought to introduce a new dimension – moderation - in regard to the role of regulation in influencing financial performance thereby filling this conceptual gap within studies on banking, leadership and regulation

2.2.4 Leadership Style, Financial Innovation, Banking Regulation and Financial Performance

Tian et al. (2017) asserts that conduct of business regulations which include regulations on product development and by extension financial innovation is motivated by need for consumer protection

and instilling confidence in the financial sector though it also amounts to indirect taxation which in turn negatively affects financial performance. However, literature on the impact of banking regulation on the relationship between financial innovation and financial performance of commercial banks' financial performance is limited. For example, Loizos (2014) argued that banks in the United States of America had used financial innovation in the interbank market to circumvent banking regulations on capital adequacy. This study however failed to examine the correlation between banking regulation and innovation and advise if the relationship was positive, negative, significant or insignificant. It also did not examine the moderated mediation relationship between banking regulation and banking innovation. On the other hand, without examining the moderated mediation relationship and without a correlation analysis, Bos, Kolari and Lamoen (2009) found out that banks pursued financial innovation with a view to increasing efficiency but regulators had an obligation to set standards that ensured customer protection, financial sector stability and public confidence.

Delimatsis (2012) noted that financial innovation was responsible for banking crisis in the 1930s as well as in the 2000s which led to a weakened financial system due to financial losses and eventual bankruptcy of some institutions. In both instances, policy makers resorted to additional and more stringent regulations on commercial banks largely focusing on risk management, capital adequacy and liquidity. The foregoing seems to have been based on the belief that tighter regulations would lead to more prudent innovation, reduced risk and reduced negative impact on bank financial performance. This study was however examining the possible impact of the then newly introduced Basel III regulatory recommendations and could therefore not examine the actual impact of these regulations leave alone conduct a correlation analysis since the regulations had just been introduced. The study also focused on a possible direct impact of regulation on innovation not the influence both factors would have on financial performance.

Scholars have sought to establish how financial innovation and regulation impact each other. Blind (2012) identified economic, social and institutional regulations that impact innovation. Economic regulations relate to market entry, competition, public utility and price related regulations. Competition related regulations usually act as a catalyst for innovation whenever they are geared towards increasing competition which forces companies to innovate in order to survive in the marketplace, Market entry regulations may act as a catalyst to innovation if they restrict ability of existing firms to enter new market segments thus forcing them to think about new and creative

ways of circumventing the regulations. Market entry barriers may however hinder innovation if they restrict new firms' entry into new markets which in turn restrict competition. Price regulations on the other hand may hinder or enhance innovation depending on whether the regulations enhance or restrict profitability of firms.

Social regulation entails environmental protection, workers' health and safety protection and product and consumer safety (Resti et al. 2021; Becher, 2021). Environmental protection incentivizes innovations in terms of new eco-friendly processes, products and environmental technologies but restricts innovations through increased compliance costs. Workers' safety and health rules has the ability to create incentives for development of processes that improve the safety of workers but also restricts innovation through compliance costs. Product safety rules enhance the acceptance of new products by consumers and also promote their diffusion while at the same time increasing compliance costs. Institutional regulations involve employee protection, immigration laws, bankruptcy and insolvency laws as well as intellectual property regulations (Blind, 2012; Golecki, 2021). Employee protection laws enhance job security thus encouraging innovation but increases costs of doing business. Bankruptcy and insolvency laws create investor and creditor confidence but may restrict ability to raise money to finance risky investments. Intellectual property laws create incentives to invest in research and development through assignment of temporary monopoly rights as well as increasing efficiency in research and development through disclosure of technological knowhow they however restrict innovation through prevention of imitation.

The foregoing studies on social, economic and institutional regulations examine how the regulations directly impact financial performance as well as market dynamics such as competition and market entry. In regard to finances, they examine ability to raise funds and costs. This study however looks at the role regulation plays as a moderating variable within the relationship between leadership style and the independent variable, financial innovation as a mediating variable and financial performance as the independent variable. The study is also based on a European context while this study is based on a Kentan context.

Zouari and Abdelmalek (2020) established that operational risk management regulations had a partial mediating effect on the relationship between financial innovation and the stock market performance and return on assets of commercial banks in Tunisia. They however established no

mediating effect of credit risk regulations on the financial performance of the same banks. Both risks were evaluated on the basis of the Basel II and Basel III regulations. This partially validates the findings of Guermazi (2017) who found out that improvement in the quality of insurance and banking services in Tunisia through innovation depends on the mediating role of risk management. It also validates Halim et al. (2017) who found out that risk management committees' size, independence, frequency of meetings mediates between the relationship between corporate governance practices namely auditor reputation, the independence of the audit committee, board size, frequency of board meetings and the financial performance of a firm measured in terms of profitability, growth, quality of reporting. In addition to treating regulation as a moderating variable and looking at how both innovation and regulation jointly impact financial performance, this study adds to the foregoing body of knowledge by being specific to the Kenyan market as well as looking at regulations relating to financial reporting and foreign exchange exposure limits amongst others not covered by the foregoing studies.

Momanyi (2018) established that financial stability, expressed as the inter-play between financial stability and financial regulation in regard to assessing threats to market stability emanating from risks within the banking industry had a mediating effect on the relationship between prudential as well as conduct of business regulatory requirements in banking and financial inclusion expressed as access to financial services, quality and usage of financial services. The study also observed that financial regulation had a positive and strong relationship with financial inclusion, a key aspect of financial innovation. Central Bank of Kenya (2020) also established that enactment of interest rate capping law in 2016 had led to creativity by banks in terms of getting new ways of generating fee and commission income though the study failed to conduct a correlation analysis. All the foregoing studies however treat innovation as an independent variable and regulation as an independent variable.

Authors have also sought to establish how leadership impacts innovation. Afsar et al. (2017) asserted leaders play a crucial role in supporting and encouraging individual employees' initiatives in regard to exploration of new opportunities, development of new products and improvement of work procedures for the benefit of organizations. Kamel, Abdeljalil, Abdelhakim (2021) on the other hand found no statistical significant on the relationship between autocratic leadership style and innovation but a statistically significant relationship between democratic and laissez-faire leadership style and innovation. However, the foregoing looked at the direct impact of leadership

on innovation but not on how innovation impacts the influence of leadership on financial performance or how a combination of innovation and regulation impacts the relationship between financial performance and leadership style, two objectives of this study.

Central Bank of Kenya (2013) introduced the risk based supervision framework under which it assesses the different business lines, quality of risk management systems and the internal control with a view to identifying risks and other major areas of concern. It is a structured approach focusing on identification of potential risks faced by banks and the financial and operational factors in place to manage and mitigate those risks. The framework requires banks to establish risk management frameworks and conduct market surveys and research on new products as well as implement management information systems that provide data on the performance and changing risk profiles inherent in both new and existing products. The regulation is likely to have had positive impact on banking innovation and financial performance since market research is positively correlated with organizational performance especially in regard to bringing about positive customer response and reducing marketing costs (Ayuba and Kazeem, 2015).

The foregoing studies and regulations have not sought to establish how a combination of financial innovation and banking regulation through moderated mediation affects bank financial performance. This study therefore sought to commence the process of filling this research gap by explaining how the effect of financial innovation and banking regulation affects growth in profitability, growth in assets, return on equity and return on assets.

2.3 Research Gaps

The theoretical and empirical literature review explains various influences on bank and business financial performance. However, limited literature is available on how leadership style, financial innovation and banking regulation influence commercial bank financial performance in Kenya. In addition, literature on the combined effect of financial innovation and banking regulation through moderated mediation is limited. It was therefore necessary that this study informed stakeholders in the commercial banking sector in Kenya on whether leadership style positively or negatively influence financial performance of commercial banks in Kenya, whether banking regulation moderates the relationship between leadership style and financial performance of commercial banks in Kenya in a positive or negative way and whether financial innovation has a positive or negative mediation effect on the relationship between leadership style and financial performance

of commercial banks in Kenya. In addition, this study conceptualized that it is imperative that stakeholders in Kenya's commercial banking sector are informed of whether banking regulation has a positive or negative impact on the relationship between banking innovation and the financial performance of commercial banks.

To address these gaps, this study sought to explore the relationship between leadership style, financial innovation, financial performance and regulatory requirements. The research gaps identified in previous studies are outlined under Table 2.1 below.

Table 2.1: Research Gaps

Scholar	**Research**	**Methodology**	**Findings**	**Gap**	**Addressing the Gap**
Cherotich ,Sang, Shisia and Mutung'u (2015)	Financial Innovations and Performance of Commercial Banks in Kenya	Descriptive design using the whole population (44 banks)	Electronic payments by Kenyan banks was positively correlated with bank profitability	Conceptual Gaps: Study focussed on volume of transactions and profitability alone. Study also conceptualize d financial innovation as an idependent variable	In addition to profitability, this study looked at return on assets, return on capital employed and growth in assets. This study also conceptualized financial innovation as a mediating variable which impacts relationship between leadership style and financial performance
Frederick (2014)	Factors Affecting Performance	Cross sectional study using	Managemen t decisions	Conceptual gap	To fill the conceptual and contextual gaps this

Scholar	Research	Methodology	Findings	Gap	Addressing the Gap
	of Commercial Banks in Uganda.	content analysis, descriptive design and purposeful sampling	affect profitability	Study focussed on decisions relating to financial management alone. Contextual gap Study limited to local banks operating in Uganda. Methodological gap The study used purposeful sampling alone	study incorporated leadership style, financial innovation and banking regulation and studied both local and foreign banks. To fill the methodological gap, this study uses random, multi-stage and stratified respondent selection methods.
Trujillo-Ponce (2013)	What determines the profitability of banks? Evidence from Spain.	Cross sectional study using purposeful sampling and inferential statistics	Management decision making affect profitability	Conceptual gap Study focussed on decisions relating to	To address the conceptual gap, this study incorporated leadership style, financial innovation and banking regulation. Toa

Scholar	Research	Methodology	Findings	Gap	Addressing the Gap
				financial management and response to economic factors but not staff and board members Contextual gap The study is based on banks in Spain Methodological gap The study uses purposeful sampling and inferential statistics	ddress contextual gap, this study is based on banks in Kenya. In addition, the use of descriptivive statistics in addition to inferential statistics as well as use of random, multi-stage and stratified respondent selection methods addresses the methodological gaps.
Naceur and Omran (2011)	The effects of bank regulations, competition, and financial reforms on	Cross sectional study using content analysis and descriptive statistics	capital adequacy, asset quality regulations and regulations on	**Contextual gap:** Study focussed on banks in the Middle East. **Conceptual gap:**	To address contextual gap, this study focused on Kenyan Banks. To address conceptual gap, this study conceptualized

Scholar	Research	Methodology	Findings	Gap	Addressing the Gap
	banks' performance		prohibited business decreases banks' cost efficiency without affecting performance	Regulation was an independent variable and did not include impact of financial innovation **Methodological gap:** Study used content analysis and descriptive statistics.	regulation was a moderating variable and also examined the moderated mediation role of banking regulation. The sgtudy also conceptualized financial innovation as a mediating variable. To address methodological gaps, this study used primary data collected using questionnaires and also used inferential statistics in addition to descriptive statistics
Schaubroeck, Lam and Cha (2007)	Embracing Transformational Leadership: Team Values and the Impact of Leader	Cross sectional study using random sampling and descriptive statistics	Team potency measured through power distance and collectivism was	Contextual gap: Study covered the offices of one bank in 2 countries. Conceptual gap: Study	To address contextual gap, this study looked at 43 commercial banks. To addres conceptual gap, this study looked into individualized

Scholar	Research	Methodology	Findings	Gap	Addressing the Gap
	Behavior on Team Performance		responsible for improved financial performance	failed to look at the effects of inspirational motivation, idealized influence and intellectual stimulation. Methodological gap: Study did not use inferential statistics	influence, inspirational motivation, idealized influence and intellectual stimulation. To address methodological gap, this study used inferential statistics as well as descriptive statistics
Zouari and Abdelmalek (2020)	Financial innovation characteristics and banking performance: The mediating effect of risk management	Cross sectional study using random sampling, inferential and descriptive statistics	Operational risk management had a partial mediating effect on the relationship between financial innovation and the stock market performance	**Conceptual gaps:** Failed to established the moderated mediation effect of banking regulation on relationship between leadership style and on bank financial performance.	To address conceptual gap, this study looks at the moderated mediation effect of banking regulation on relationship between leadership style and on bank financial performance. It also examines all aspects of regulation not just risk

Scholar	Research	Methodology	Findings	Gap	Addressing the Gap
			and return on assets of commercial banks in Tunisia	Also Focusses only on risk management aspects of regulation **Contextual gap:** Focusses on Tunisian Banks	management with a highlight on liquidity, capital adequacy, foreign exchange exposure and financial reporting regulations To address contextual gap, this study focussed on Commercial Banks operating in Kenya
Momanyi (2018)	Influence of Financial Regulation in Kenya on Financial Inclusion: A Case Study of the Banking Industry in Kenya	Cross sectional census using inferential and descriptive statistics	financial stability has a mediating effect on the relationship between baking regulation and financial inclusion initiatives	**Methodological gap**: Study surveyed heads of credit and heads of compliance alone **Conceptual gaps:** Study conceptualized financial regulation as an independent variable and	To address methodological gaps, this study surveyed Chief Executives, Departmental Heads and Branch Maangers. To address conceoptual gaps, this study conceptualized financial regulation as a moderating variable, innovation

Scholar	Research	Methodology	Findings	Gap	Addressing the Gap
				did not address the moderated mediation effect of banking regulation on the relationship between leadership style and performance. Also focusses on safety and soundness, monetary policy, entry and chartering, price, consumer protection, investor protection and credit Allocation regulations	as a mediating variable. The study also examines the moderated mediation effect of banking regulation on the relationship between leadership style and performance This study also examines Foreign currency exposure limits capital adequacy, liquidity, financial reporting regulations negatively, International Financial Reporting Standard number 9 (IFRS 9) as well as loan classification and provisioning requirements

Scholar	Research	Methodology	Findings	Gap	Addressing the Gap
Zouari-Hadiji, R. (2021)	Financial innovation characteristics and banking performance	Cross sectional survey using inferential and descriptive statistics and purposive sampling	Risk management committees mediates between corporate governance practices and the financial performance of a firm	**Conceptual gaps**: Focusses on risk management committees alone. Also conceptualizes financial innovation as a mediating variable and fails to examine the rolr of banking regulation. **Contextual gap:** Covers firms listed on Malaysian Stock Exchange	To address conceptual gaps, this study focusses on all aspects of regulation not just risk management and role of risk management committees. It also conceptualizes financial innovation as a mediating variable and includes regulation as a moderating variable the proceeds to examine the moderated mediation effect of banking regulation on the relationship between leadership style and performance. To address the contextual gap, this scope of this study extends to all banks

Scholar	Research	Methodology	Findings	Gap	Addressing the Gap
					whether listed or not listed on the Nairobi Securities Exchange
Blind (2012)	The Impact of Regulation on Innovation	Empirical review using content analysis	Economic, social and institutional regulations have both positive and negative impacts on innovation	**Conceptual gap:** Study conceptualizes regulation as an independent variable and innovation as an independent variable. Does not Methodological gap: The study does not conduct correlation analysis using inferential and descriptive statistics	To addrss conceptual gap, this study conceptualizes financial innovation as a mediating variable and includes regulation as a moderating variable the proceeds to examine the moderated mediation effect of banking regulation on the relationship between leadership style and performance. To address methodological gap, this study uses both inferential and descriptive statistics in examining the relationship

Scholar	Research	Methodology	Findings	Gap	Addressing the Gap
					between the variables

2.4 Research Hypotheses

Research hypothesis refers to a statement regarding a researcher's prediction or expectation about the relationship that exists between study variables (Dayanand, 2018). It can also be expressed as an assumption, about the phenomenon, problem or subject of the research (Tancic and Elezovic, 2021). It helps in explaining relationships between vatiables, provides proof that a researcher has sufficient knowledge about the subject matter and provides direction during investigations (Binoy, 2019). The hypothesis for this study are:

H_{01}**:** Leadership style has no significant influence on financial performance of commercial banks in Kenya.

H02: Financial innovation has no significant mediating effect on the relationship between leadership style and financial performance of commercial banks in Kenya.

H03: Banking regulation has no significant moderating influence on the relationship between leadership style and financial performance of commercial banks in Kenya.

H04: The moderating effect of banking regulation has no significant effect on the mediating role of financial innovation on the relationship between leadership style and financial performance of commercial banks in Kenya.

2.5 Conceptual Framework

The conceptual framework explains how a researcher conceptualizes the relationship between the variables (Adom, Hussein and Adu-Agyem, 2018). It is the end result of effort to bring together a number of related concepts with a view to explaining and giving a broader understanding of the phenomenon under research and is therefore a synopsis of the various sources reviewed for the purpose of the study (Yamauchi, et al. 2017). This study conceptualized that leadership styles have an influence on bank financial performance. However, this influence is moderated by banking regulation with the extent of financial innovativeness interfering with the effect of leadership style.

The study also conceptualized that the mediation effect of financial innovation on the relationship between leadership style and financial performance of commercial banks is moreated by banking regulation.

Bank financial performance, measured in terms of profitability, growth in assets, return on assets and return on capital employed can be influenced by enhancing organizational performance through emphasis on effective leadership style (House and Dessler, 1974)). However, since banking regulation influence the types of businesses a bank can engage in as well as its level of capitalization and liquidity levels through its prudential guidelines, the Central Bank of Kenya's regulatory requirements therefore influence financial performance. On the other hand, bank financial innovations have had both positive and negative influences on financial performance. Kenyan banks cannot therefore ignore financial innovation if they want to influence financial performance. The relationship between the variables is illustrated by Figure 2.1.

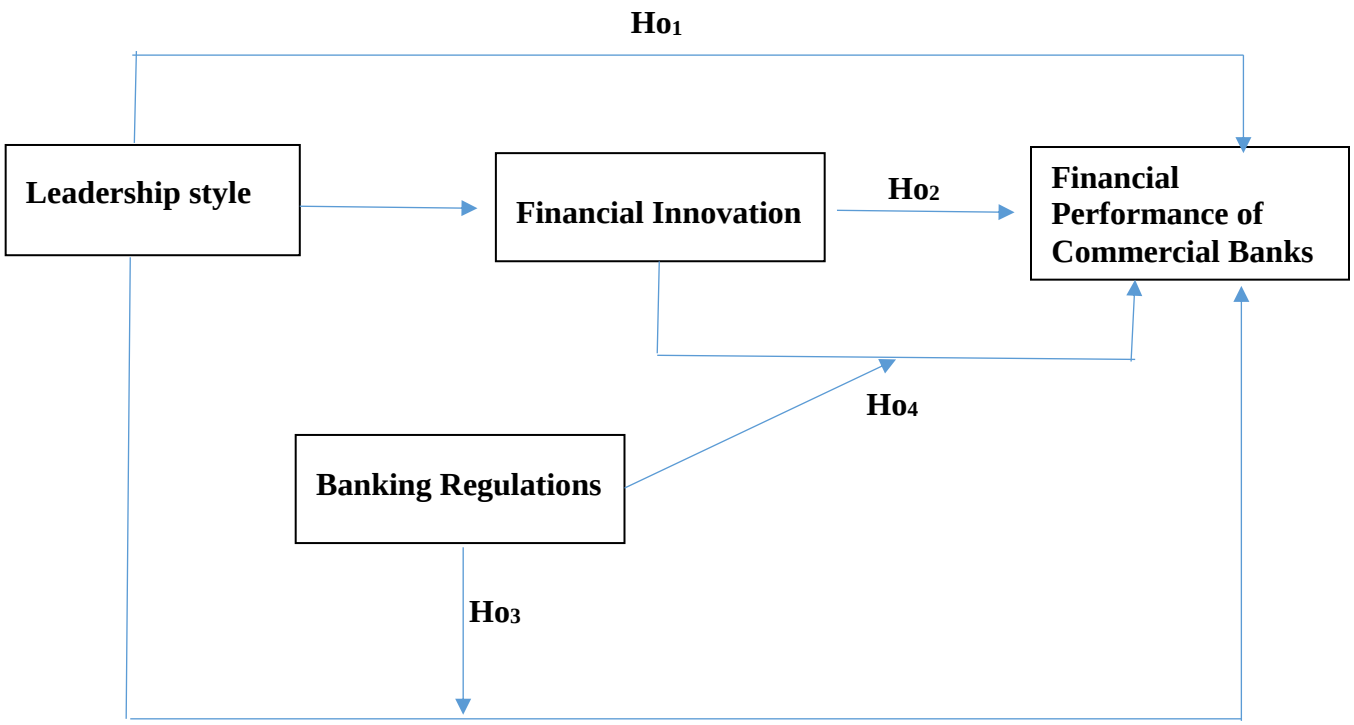

Figure 2.1: Conceptual framework

2.6 Operationalization of Research Variables

Operationalization of a variable involves finding a valid, measurable and quantifiable index for each research variable including independent as well as dependent variables that can be used for manipulating variables at two or more levels (Tariq, 2021). Operationalization allows a researcher to give meaning to a concept, construct or term by specifying the activities or operations to measure it (Abiodun-Oyebanji, 2017). The operationalization of the variablles is detailed under table 2.2 below.

Table 2.2: Operationalization of research variables

Research Variable	**Variables indicator and measurement**	**Type of scale**	**Questionnaire Page**
Leadership Style	• Democratic leadership • laisez faire leadership • autocratic leadership • transformational leadership	Ordinal	1 & 2
Financial innovation	• Internet Banking • Mobile lending • Mobile Banking • Agent Banking	Ordinal	2 & 3
Banking Regulation	• Application of International Financial Reporting Standard number 9 (IFRS 9) • Application of International Financial Reporting Standard number 16 (IFRS 16) • New product development regulations • Risk management regulations	Ordinal	3 & 4

Research Variable	**Variables indicator and measurement**	**Type of scale**	**Questionnaire Page**
Financial performance	• Growth in Profitability • Growth in assets • Return on assets • Return on Equity	Ordinal	4 & 5

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

Research methodology refers to the procedures, and techniques used by researchers for identification, selection, processing and analysis of information and data relating to a topic. It aims at ensuring that the study obtains objective responses in an effective way. It also guides the collection of relevant evidence and gathering empirical evidence with optimal expenditure of time, money and effort and allows a reader to critically evaluate the reliability and validity of a study. In addition, the methodology outlines how data was collected or generated and how it was analyzed.

This chapter details how the study was carried out, the design used, the target population, respondent identification and selection procedures, data collection, analysis and presentation procedures. Other areas covered include how ethical issues and how data analysis was handled.

3.1 Research Philosophy

Research philosophy represents a researcher's belief in regard to the approach towards collection, analysis and use of data regarding phenomena (Creswell and Creswell, 2017). It can also be viewed as the way a researchers' assumptions and beliefs about the development of knowledge are structured (Saunders 2016). The assumptions include those relating to human knowledge namely epistemological assumptions the realities that a researcher encounters during the research journey also known as ontological assumptions as well as the extent and ways in which a researcher's personal values influence the research process also reffered to as axiological assumptions. The assumptions shape how a researcher understands and frames the research questions, the methods used and how the findings are interpreted (Cassell, Cunliffe and Grandy 2018). A clearly-thought-out and coherent and well organized set of assumptions constitutes a credible research philosophy, which in turn underpins choice of methodology, research strategy, data collection techniques and data analysis procedures.

Research philosophies can be classified into positivism, phenomenology, critical realism, interpretivism, post-modernism and pragmatism (Creswell et al. 2017). The focus of critical realism is on explaining what people see and experience, in terms of underlying structures of reality

that shape events that are observed in daily life. In this regard, reality is the most important philosophical consideration, a structured and layered ontology being crucial (Edmonds and Kennedy, 2017). Interpretivism on the other hand places emphasis on the perspective that human beingss are different from physical phenomena since they have the ability to create meanings which are supposed to be studied and understood by researchers. It also assumes that there are multiple meanings, interpretations and realities that researchers should seek to understand. Postmodernism seeks to question accepted beliefs and ways of thinking through and emphasis on the power of relations and language. The approach seeks to act as a voice to alternative, marginalized views (Ryan, 2018). Pragmatism on the other hand argues that concepts are only relevant where they support action (Kaushik and Walsh, 2019).). In this regard, research commences once a problem is identified, and is geared towards offering practical solutions that inform future practice.

Positivism and phenomenology are the main philosophies which influence approaches for extraction, analysis and use of data about a research phenomenon (Chege and Otieno, 2020). Phenomenological approach aims at studying of experience from the perspective of an individual and explores human behavior, what they say and do and is aimed at establishing how people arrive at an interpretation of the world (Umanailo, 2019). Phenomenological research is aimed at description and not explanation of phenomena. Park, Konge, and Artino Jr, (2020) state that positivism relies on the hypothetical deductive method to verify predefined hypotheses that are often stated quantitatively, where functional relationships can be derived between causal and independent variables also known as exploratory factors and dependent variables, the causal factors. The primary goal of a positivist inquiry can therefore be regarded as generation of causal relationships or explanatory associations that ultimately lead to prediction and control of the phenomena in question (Alakwe, 2017).

Positivists believe that the world is external and objective, that a researcher is independent, that science is value free and researchers should therefore focus on facts. They therefore formulate hypothesis, test them as well as operationalize concepts in order to measure them. This is contrary to phenomenological approach where the predominant belief is that the world is socially constructed, that the researcher, as an observer is part and parcel of what is being observed and that science is motivated by human interests and therefore focus on meanings. The main aim of this study is to establish the relationship that exists between leadership style, financial innovation,

banking regulation and the financial performance of commercial banks in Kenya. In this regard, a positivist approach is the most suitable since it is used to explain relationships between variables as well as explaining, predicting and controlling phenomena (Park, Konge and Artino, 2019). Positivism asserts that reality can be observed empirically and explained with logical analysis and is the most suitable way to either confirm or disprove a research hypothesis (Kivunja, 2017). This approach also ensures independence of the researcher thereby helping in objective measurement of variables with a view to generalizing the findings to the whole banking industry. A positivist approach is also the most suitable where a researcher intends to control the variables in order to establish verifiable relationships (Kivunja, 2017). In this regard since data collection focused purely on the variables identified in Chapter 2 of the study, a positivist philosophy was most suitable.

3.2 Research Design

Research design refers to a plan for a study that provides the overall framework for collecting data with a view to answering the research question (Lune and Berg, 2017). The aim of research design is to ensure that research results are credible. Longitudinal survey design assesses phenomena over a long period of time while a cross-sectional design deals with a specific point in time (Kendall, Lai and May, 2017).

This study used both cross-sectional and correlational research designs. This reseach design involves scrutinizing two or more variables with aview to establishing the nature of the relationship between the variables from a statistical viewpoint (Edmonds and Kennedy, 2017). Correlational research aims at identifying variables that exhibit some sort of relationship to the extent that a change in one variable can lead to some changes in another variable. This design was suitable for this study since it would help in establishing the nature and strength of relationship between the variables. In addition, since the researcher did not intend to manipulate the variables, this research design was also suitable. Lastly, this design would facilitate regression analysis.

Cross sectional survey design is suitable for estimating prevalence of behavior in a population, information is obtained once from each respondent and helps avoid biased responses brought about by respondent familiarity with a study or research tools (Sedgwick, 2014). It therefore was appropriate for this study because the study sought to establish prevalence of leadership style - form of behavior - and explain relationships between different variables over a specified period of

time namely 2017 to 2021. The study also sought to establish the extent to which the presence, absence or variation of one variable affects other variables over the specified period (Olson and George, 2014). This design is also appropriate since it helped establish the extent to which bank financial performance is affected by level of financial innovation, transformational leadership style as well as banking regulation.

3.3 Target Population

The target population in this study comprised of all the 38 commercial banks licensed by the Central Bank of Kenya under the Banking Act and operating in Kenya as at 31st December 2017. Banks under receivership or liquidation namely Chase Bank, Imperial Bank, Charterhouse Bank and Dubai Bank (Kenya) Limited were excluded from the study since they do not offer a full range of banking services and their audited financial statements are not published. In addition, banks that were taken over by other entities in 2017 namely Fidelity Commercial Bank, Giro Bank and Habib Bank Limited were excluded from the study since their financial statements for years 2017 to 2022 were unavailable.

Study unit of analysis was the commercial banks while management cadre staff of commercial banks both at the headquarter and branch level were the respondents. Management cadre staff members were chosen as they form part of bank leadership and therefore provided reliable information regarding research questions on leadership style. According to bank supervisory Report 2021, there were a total of 10, 396 management staff in Commercial Banks operating in Kenya (Central Bank of Kenya, 2021). The list of banks and their classifications is outlined under Appendix 2.

3.4 Respondent Selection

Study's respondents were drawn from the target population. The number of respondents required in order to ensure representativeness calculated using Fisher's formula for populations exceeding 10,000 persons as illustrated by Mugenda and Mugenda (2009) based on prevalence of 5 per cent, desired precision of 5 percent and 95 percent confidence interval is as follows:

$$N = \frac{Z^2 * pq}{d^2}, \qquad q = 1 - p$$

Where,

N= sample Size

Z = Standard deviate = 1.96 at 5 per cent *alpha*

p = Proportion able provide information being gathered (assumed to be 0.5 i.e. 50% since it is unknown)

q = Proportion to unable provide information being gathered = 1-0.5 = 0.50

d = level of precision = 5 per cent = 0.05

Therefore **$N = (1.96)^2 \times 0.5 \times 0.5 / (0.05)^2$** = 384.16

This gives the number required for the study as 385 i.e. 384.16 persons rounded up to a whole number. Taherdoost (2017) also assert that a sample size of 370 is required for a population above 10,000 where a precision level of 5% and a confidence interval of 95% while Adam (2020) asserts that a sample size of 377 is required for the same size of population, precision level and confidence interval. In addition, The Cochran equation illustrated by Sanjerehei and Rundel (2019) arrives at the a sample size of 385 persons as follows:

$$n_0 = \frac{Z^2 pq}{e^2}$$

Where:

n_0 is the sample size,

Z^2 is the abscissa of the normal curve that cuts off an area α at the tails;

(1 – α) equals the desired confidence level, e.g., 95%);

e is the desired level of precision,

p is the estimated proportion of an attribute that is present in the population, and q is 1-p.

The value for Z is found in statistical tables which contain the area under the normal curve. i.e. Z = 1.96 for 95 % level of confidence

$((1.96)^2 (0.5) (0.5)) / (0.05)^2 = 385$

The number of respondents per bank was determined as a proportion of the bank size with stratified random selection being used to select the 385 management cadre staff from the banks.

3.5 Respondent Selection Procedure

The study involved a study of all units in the population. In this regard, the banks were not sampled. However, since data collected from a representative part of the population is considered representative (Oribhabor and Anyanwu, 2020; Allen, 2017)), the study did not survey all the 10,310 management staff working in the 38 commercial banks in Kenya. Probability, stratified, proportional, purposive and multi-level methods were used to identify the respondents. To ensure that the respondents had an equal opportunity of being surveyed, probability method was used. However, since the respondents belong to different geographic locations and management levels, the study ensured that all banks were represented using stratified random methods.

Chief Executives and Heads of Departments responsible for Finance and Digital Banking departments were identified using purposive sampling where Head of Human Resources were approached and requested to introduce the researcher to the Chief Executive and departmental heads. Where number of respondents required exceeded the Chief Executive and departmental heads, Branch Managers were identified using stratified random methods.

The bank management staff were stratified into two categories namely branch and head office management. The number of respondents was distributed proportionately according to the number of employees per bank. The distribution of respondents was based on each bank's 2020 composite market index as outlined under appendix 3. Stratification ensured that the sample consists of the characteristics of the larger total population while random selection of branches ensured that each branch manager has an equal chance of being selected (Abdul, 2021). The respondent selection methodology is summarized under table 3.1.

Table 3.1: Respondent Selection Method

Strata	Manager	Sampling Technique
Head office	Chief Executive	Purposive Sampling
Head Office	Head of Human Resources	Purposive Sampling
Head Office	Finance Manager	Purposive Sampling
Head Office	Head of Digital Banking or Alternate Banking Channels	Purposive Sampling
Branch	Branch Managers	Stratified Random Sampling

3.6 Data Collection

The study was based on primary data collected using questionnaires. The questionnaire consisted of questions regarding leadership style, financial innovation, banking regulation and financial performance. Questions evaluating transformational leadership style were adapted from the Multi Factor Leadership Questionnaire developed by Bass (1985) as revised by Boamah and Tremblay (2018) while those relating to democratic, autocratic and laisez faire leadership style were adapted from the leadership style questionnaire developed by Sage Publications (2018). Questions relating to banking regulation, financial innovation and financial performance were developed by the researcher. Questionnaires were administered to bank management staff. Two research assistants were engaged mainly for the purpose of making follow-up on the administered questionnaires. The entry point to the banks was mainly through the human resource departments. The research assistants were trained on questionnaire administration on the field mentoring and coaching by the researcher. The questionnaire is attached under appendix 2.

Introductory letters were sent to respondents together with the questionnaires via email or by hand delivery depending on the respondent's preference. Follow-up telephone calls and personal visits to respondents were made to ensure that they received the questionnaires. Upon confirmation of receipt, respondents were supported with any clarifications needed to enhance their understanding. Respondents were given five days to interact with and complete the questionnaires. The researcher or the research assistant then met with the respondents for a face to face discussion with a view to ensuring that the respondents understood the questions and responded accurately.

3.7 Pilot Study

The study carried out a pilot test to ascertain the questionnaires' validity and reliability in regard to gathering the data required for the study. Junyong (2017) describes a pilot test as a rehearsal and replica of the main survey. Pilot testing assisted the researcher in establishing if the questionnaire obtained the required results (Wong and Yamat, 2020). The questionnaire was discussed with the supervisors appointed by the Management University of Africa and 5 randomly selected managers from two banks that did not form part of the sampling frame. Their views were evaluated and incorporated with a view to enhancing the content and construct validity of the questionnaire.

3.7.1 Validity

Internal and external validity of research design are crucial elements for data integrity and the basis upon which tangible research conclusions can be derived (Architha and Sreeramana, 2020). They essentially look at the possibility of replicability or repeatability of results (Sürücü and Maşlakçı, 2020). To avoid biased responses, the study applied unobtrusive measures by ensuring that only the minimum essential information was provided to respondents.

Expert opinion was sought from the advisors assigned by The Management University of Africa during the design of the data collection instruments. Input was also sought from the advisors and a qualified statistician during the analysis stage. The analyzed data, findings, conclusions and recommendations was reviewed by the advisors as well as defended in a postgraduate thesis committee of the Management University of Africa.

3.7.2 Reliability

Reliability was tested by using 30 questionnaires that were piloted with randomly selected managers working in banks that did not form part of the final sample for the study. This was meant to ensure that response bias that would occur if a respondent completes the same questionnaire twice was avoided. Bell, Whitehead and Julious (2020) asserted that the pilot test should be composed of 5% to 10% of the target sample. The Cronbach's alpha correlation test was run on the 30 questionnaires which were coded and input into Statistical Package for Social Sciences [SPSS] version 20. To establish data reliability, a Cronbach's alpha correlation coefficient of 0.7 generated under the SPSS software was used as the measure of data validity since the closer the coefficient is to 1, the more reliable the tool.

3.8 Data Analysis and Presentations

The data was analyzed using both descriptive and inferential statistics. Inferential statistics are applied in explanations of situations and phenomena thus allowing people to draw conclusions based on extrapolations while descriptive statistics merely summarize the data that has actually been measured (Henk, 2019). Inferential and descriptive statistics were used to analyze the findings using Statistical Package for Social Sciences (SPSS) version 26 that analyzes data statistics and generate descriptive statistics such as frequency, percentages, means and standard deviations.

Pearson correlation was adopted to establish the relationship between variables of analysis while regression was adopted to explain the interdependency between leadership style and financial performance. In addition, the study performed Conditional Process Modelling (PROCESS) to establish the intervening effect of financial innovation and moderating effect of banking regulation on the relationship between leadership style and financial performance; and their moderated-mediated effects on the same relationship as proposed by Hayes (2012).

Regression analysis refers to a statistical tool used to investigate relationships between variables where a researcher sought to ascertain the causative effect of one variable on another. Regression analysis is also valuable in quantifying the impact of various simultaneous effects on or influences upon a single dependent variable The researcher collected data on the variables for the study and employed regression to estimate the quantitative effect of the independent and the moderating variables on the dependent variables. Regression analysis was used to establish the statistical significance of the estimated relationships as an indicator of the degree of confidence that the true relationship is close to the estimated relationship.

3.8.1 Objective One

To test the relationship between leadership style on financial performance, the following model equation 1was used;

$Y= \beta o + \beta 1LS1+ \varepsilon$ ……. Equation 1

Where Y represents bank's financial performance

βo representing the constant,

β1 representing the regression coefficient,

X1=Leadership Style

ε representing the error term

In addition, the study tested the various indicators of leadership style to ascertain their impact on financial performance using the equation 2 shown below.

$Y = \beta o + \beta 1TL + \beta 2AL + \beta 3DL + \beta 4LF + \varepsilon$ ……. Equation 2

Where Y represents bank's financial performance

βo representing the constant,

β1 representing the regression coefficient,

TL=Transformational leadership

AL=Autocratic leadership

DL=Democratic leadership

LF=Laisez-Faire leadership

ε representing the error term

3.8.2 Objective Two (Mediating Effect)

The second objective sought to examine the intervening effect of financial innovation on the relationship between leadership style and the financial performance of commercial banks operating in Kenya. Four Step Mediation Methodology (Model 4) was used to establish the intervening effect as proposed by Baron and Kenny (1986) as well as Preacher and Hayes (2004). The direct and indirect effects of leadership style (LS) were derived for two models, one estimating the mediator financial innovation (FI) from Leadership style (LS) and the second estimating the financial performance from both leadership style (LS) and financial innovation (FI) as as shown in equations 3 and 4 respectively.

$FI = \beta o + B1LS + \varepsilon$ ……. Equation 3

$FP = \beta o + B1LS + B2FI + \varepsilon$ ……. Equation 4

Where;

FP – represents Financial Performance

LS – Represents Leadership Style

FI – represents Financial Innovation

βo – represents the constant,

β1, β2, – represents the regression coefficient,

ε – represents the error term

The study estimated direct and indirect effects will be test to establish the presence of mediation using bootstrapping method as proposed Preacher and Hayes (2004). As proposed by MacKinnon and Fairchild (2009) the strength of direct and indirect effect were used to determine the effect of mediation such that, if the indirect effect is significant and direct effect is insignificant or disappear, then there is complete mediation, however if direct effect remain and significant then there is partial mediation. Lastly, to test for this hypothesis the study will employ bootstrapping inferential method and the hypothesis rejection was based on resultant effect differential from zero both for lower and upper class limits.

3.8.3 Objective Three (Moderation Effect)

Regression analysis, also reffered to as, PROCESS Analysis method, as suggested by Baron and Kenny (1986) was used to evaluate the moderating effect of banking regulation on the relationship between leadership style and financial performance of commercial banks in Kenya. The model checks the prediction of the dependent variable, "FP", differs across levels of independent variable "LS" as may be interacted by the third moderator variable "BR". Since the moderating variable affects the strength as well as the direction between the independent and dependent variable, the process analysis test involves determination of the statistical significance of the interaction term (Whisman & McClelland, 2005). The model questions were as follows;

$FP = \beta o + \beta 1LS + \varepsilon$ ……. Equation 5

$FP = \beta o + B1LS + B2BR + \varepsilon$ ……. Equation 6

$FP = \beta o + B1LS + B2BR + B3LS*BR + \varepsilon$ ……. Equation 7

Where;

FP= Financial Performance

LS= Leadership Style

BR= Banking Regulation

LS*BR= Product of LS and BR

βo – represents the constant,

β1, β2, – represents the regression coefficient

ε = Error term

The moderating effect of banking regulation was assessed using PROCESS Analysis Model 1, and results explained using change in coefficient of determination (R-Square) of the product of independent variable (leadership style) and the moderator (Banking Regulations). The change in Coefficient of determination (R^2) indicated the present of mediation, with the conditional effect LS when BR is equal to mean with plus and minus one from mean was used to determine if the moderation is relatively high or low respectively.

3.8.4 Objective Four (Moderation Mediation)

This objective focus on the estimation of the extent to which an indirect effect of Leadership style on financial performance trough Financial innovation work be moderated by the banking regulations. The fourth objective, therefore, was developed to determine if the moderating effect of banking regulation would affect the mediation effect of Banking regulations on the relationship between leadership style and financial performance of commercial banks in Kenya

Hayes and Rockwood (2020) model for moderated mediation was adopted. The moderated-mediated effect was assessed by estimating the indirect effect of predictor of LS and BR on FP through the mediator FI. Model 8 of PROCESS analysis was adopted with a two-way interaction between LS and BR on FI. The presence of moderated mediation effect was probed through conditional indirect effect of the moderator on mediation effect. The effect was assessed and results explained using coefficient of determination (R-Square), coefficients of interactions, and conditional effects for both direct and indirect effects. The model equations were;

$FI= \alpha+ \beta_1 LS+ \beta_2 BR+ \beta_3 BR*FI + \varepsilon$ ……. Equation 8

$FP= \alpha+ \beta_1 LS+ \beta_2 BR+ \beta_3 FI + \beta_4 BR*FI + \varepsilon$ ……. Equation 9

Where;

FP = Financial performance

LS = Leadership Style

BR = Banking Regulation

FI = Financial Innovation

βo – represents the constant,

β1, β2 … β4 - represents the regression coefficients,

ε = Error term

Table 3.2: Summary of Research Objectives, Hypothesis and Empirical Models

Objective	**Hypothesis**	**Type of Analysis**	**Interpretation of Results**
Objective 1: To establish the influence of leadership style on the financial performance of commercial banks in Kenya	Hypothesis 1: H01: Leadership style has no significant influence on financial performance of commercial banks in Kenya.	Linear Regression Analysis $Y = \beta o + \beta_1 LS + \varepsilon$ Where Y - Bank's financial performance LS - Leadership Style βo - the constant, β1 - regression coefficient, ε - the error term	R^2 Coefficient of 1 indicates a perfect predictability of the model P-value <0.05 shows a significant correlation between the variables. ANOVA with F-value greater than 3 and p-value of <0.05 shows that the model has predictive ability.
Objective 2: To examine the intervening effect of financial innovation on the relationship between leadership style and financial performance of	Hypothesis 2: H02: Financial innovation has no significant intervening effect on the relationship between leadership style and financial performance of	Stepwise regression analysis (PROCESS Model 4) FI = βo + B1LS + ε FP= βo + B1LS+ B2FI + ε Where	Strength of direct and direct effect was used to determine present of mediator effect: if indirect effect is significant and direct effect is insignificant there is complete mediation; if both are

Objective	**Hypothesis**	**Type of Analysis**	**Interpretation of Results**
commercial banks in Kenya	commercial banks in Kenya.	Y - Bank's Financial performance LS - Leadership Style FI – Financial Innovation βo - the constant, β1, β2 - regression coefficients, ε - the error term	significant then there is partial mediation. P-value <0.05 shows a significant correlation between the variables. ANOVA with F-value greater than 3 and p-value of <0.05 shows that the model has predictive ability..
Objective 3: To determine the moderating effect of banking regulation on the relationship between leadership style and financial performance of commercial banks in Kenya.	Hypothesis 3: H03: Banking regulation has no significant moderating influence on the relationship between leadership style and financial performance of commercial banks in Kenya	Stepwise regression analysis (PROCESS Model 1) FP= βo + β1LS + ε FP= βo + B1LS + B2BR + ε FP = βo + B1LS + B2BR + B3LS*BR + ε Where Y - Bank's Financial performance LS - Leadership Style	Change in Coefficient of determination (R^2) would indicates present of moderation. The conditional effect LS when BR is equal μ or ± 1 to determine if the moderation is relatively high or low respectively. P-value <0.05 shows a significant effect of the mediation

Objective	**Hypothesis**	**Type of Analysis**	**Interpretation of Results**
		BR - Banking Regulations βo - the constant, β1, β2 - regression coefficients, ε - the error term	
Objective 4: To determine the moderating effect of banking regulation on the mediating role of financial innovation on the relationship between leadership style and financial performance of commercial banks in Kenya.	Hypothesis 4: H04: The moderating effect of banking regulation has no significant effect on the mediating role of financial innovation on the relationship between leadership style and financial performance of commercial banks in Kenya.	$FP= \alpha + \beta_1 LS + \varepsilon$ $FP= \alpha + \beta_1 LS + \beta_2 BR + \beta_3 FI + \beta_3 BR*FI + \varepsilon$ Where; FP = Financial performance BR = Banking Regulation LS = Leadership Style FI = Financial Innovation βo - the constant, β1, β2 - regression coefficients, ε = Error term	Coefficient of determination (R^2) was used to estimate the conditional indirect effect of moderator on mediated effect. Coefficints, conditional direct and indirect effects. P-value <0.05 shows a significant effect of the moderated-mediation effect. .

3.9 Ethical Considerations

Since researchers are people who are genuinely concerned about the quality of life of other people, they are required to be people of integrity and must not undertake research that had negative impacts on others or their lives (Mugenda & Mugenda, 2009; Fleming and Zegwaard, 2019; Arifin, 2018). Respondents were invited to fill questionnaires voluntarily and with informed consent on what the study objectives are. The researcher and his assistants ensured confidentiality and privacy of respondents and their institutions are respected. The researcher and all research assistants acted honestly towards the respondents.

CHAPTER FOUR

DATA ANALYSIS

4.0 Introduction

This chapter presents preliminary analysis, descriptive statistics as well as interpretation of the analysis. The preliminary analysis shows the characteristics of the population in terms of years of operation, number of employees, peer group and branch network. It also indicates respondent characteristics in terms of length of years worked, number of direct reports, current and previous departments worked in as well as official designation. Descriptive statistics on the four variables indicating the distribution, central tendency and dispersion of each variance are also presented in this chapter. The chapter also includes an interpretation of the nature of the statistics in the context of leadership style, financial innovation, banking regulation and the financial performance of commercial banks in Kenya. Lastly, the chapter has presented tests on each hypothesis and concluded with a summary.

4.1 Response Rate

The response rate was analyzed with a view to showing the representativeness of the selected respondents. A response rate is critical and important in regard to the credibility of the research findings. A low response rate may reduce the statistical power of the data collected in addition to undermining the reliability of the results. In addition, a low response rate can undermine the generalizability of the results to the larger target audience. This is further componded by the fact that a low response rate could be an indicator of a non -response bias within the sample. A low response rate may also give rise to bias if the non-response is unequal among the participants regarding exposure and/or outcome. The study administered 385 questionaries' to the respondents and the results were as shown in Table 4.1.

Table 4.1: Response Rate

Category	Number of Questionnaires	Response Rate
Retuned	294	76.36%
Not returned	91	23.64%
Total	385	100%

Results in Table 4.1 show that 385 respondents were administered with the questionnaire. A total of 294 respondents successfully filled and returned their questionnaires translating to a 76.36% response rate. According to Mugenda and Mugenda (2009), a response rate above 50% is adequate for a descriptive study. Sataloff and Vontela (2021) on the other hand asserted that in order to maintain a sufficient precision of the variables in a survey, a minimum response rate of 60% is required. Smith, Witte, Rocha and Basner (2019) also asserted that a return rate above 50% is acceptable for analysis and publication while 60% is good and 70% is very good. Thus, 76.36% was considered very good good for the study.

4.2 Results of the Pilot Survey

Pilot testing is the initial evaluation of the interview guide to find out its feasibility before embarking on the research project. Pilot testing the research instrument helps provide feedback as to the clarity of the respondents' understanding of the interview questions, and indeed also aids in determining whether the instrument responds, as envisaged, to the research questions. The questionnaires for this study were subjected to a pilot test of randomly selected managers from Bank numbers 5, 10 and 15 in alphabetic order. Respondents that represent 8.3% of the study population. The pilot tests are included validity and reliability tests.

4.2.1 Validity

Validity is defined as the accuracy with which an instrument measures what it claims to measure and represents truthfulness of the findings. Validity test is conducted to ensure that the measurement scale indeed measures the unobservable construct that it intended to measure. It can be assessed using theoretical or empirical approaches as pointed out by Mohajan (2017). Theoretical assessment of validity, which is also referred to as translational or content validity consists of two sub-types namely face and content validity. It focuses on how satisfactorily the

idea within a theoretical construct is translated into or represented in an operational measure. For construct validity, the study used Keyser Meyer Olkin (KMO) and Sphericity.

4.2.1.1 Content Validity

To achieve content validity, procedures recommended by Yusoff (2019) were used. Precisely, identification of the existing scales from the literature, developing data collection instrument and administering it to conveniently selected two experts in each field of leadership, financial innovation and banking were used. Modifications arising from these experts were in-cooperated in the survey tool for clarity, comprehensiveness, relevance, meaning and requisite depth. The instrument was further reviewed by peers who are PhD in management and leadership candidates at MUA University and their comments considered. A final review of the data collection instrument was done by supervisors and their valuable recommendation used to finalize the instrument. This procedure was done to ensure that the measurement scales items had adequately translated from theory, therefore measuring the constructs of the study adequately. Since it appeared evident to the experts that the measure showed adequate coverage of the concept, the measure was considered to have achieved face validity as asserted by (Chiwaridzo et al., 2017; Yudiana, Hidayat, Hambali and Slamat, 2017).

4.2.1.2 Construct Validity

Construct validity refers to the degree to which a particular test measures what it claims, alleges or purports, to be measure. It is therefore the degree to which inferences can be made from operationalization – connection of concepts to observations - within a study to the constructs on which the operationalizations are based. Construct validity is considered a subjective form of measurement since it still relies on people's perception in regard to measurement of constructs that would otherwise be difficult to measure. For construct validity, the study used Keyser Meyer Olkin (KMO) and test of Sphericity as used by Shrestha, (2021) as well as Wang and Xu (2021).

Kaiser-Meyer-Olkin (KMO) Test refers to a measure regarding how suitable particular data is for Factor Analysis. The test measures sampling adequacy for each variable within the model as well as for the complete model. The statistic is a quantification or measure of the amount or proportion of variance among variables that might be common variance. The lower the proportion of the variance, the more suited data is to factor analysis. The average response rate for each variable was used in the test. The rule of thumb is that if KMO value is more than 0.5 and the P-value of

Sphericity is less than 0.05, then the statements are valid / it measures what its purports to measure (Chan and Idris, 2017). Results are presented in Table 4.2.

Table 4.2: Construct Validity

Variable	KMO Value	Sphericity
Leadership Style	0.760	0.014
Financial Innovation	0.790	0.007
Banking Regulation	0.913	0.006

Results in table 4.2 show that Leadership Style had a KMO value of 0.760 and Barlette's test of sphericity of 0.014<0.05 and thus the statements are valid/it measures what its purports to measure. Financial Innovation had a KMO value of 0.790 and Barlette's test of sphericity of 0.007<0.05 and thus the statements are valid/it measures what its purports to measure. Banking Regulation had a KMO value of 0.913 and Barlette's test of sphericity of 0.006<0.05 and thus the statements are valid/it measures what its purports to measure. In conclusion, all the variables met the minimum KMO value of 0.5 and Barlette's test of sphericity of <0.05 and thus they were valid.

4.2.2 Reliability Test

The reliability of an instrument can be defied as its ability to produce stable and consistent measurements. It estimates the accuracy with which the data obtained in the study represents a given variable or construct in the study (Chan & Idris, 2017). Reliability aims at minimizing the errors and biases within a study (Sunde and Dror, 2021). To ensure the reliability of the study instrument, a pilot survey was carried out in order to test and improve the clarity and flow of the questionnaire before the actual data collection (Majid et al., 2017).

Cronbach's Alpha (Cronbach, 1951) is known for its stability and flexibility and was therefore used to test the reliability of the proposed constructs in this study. Cronbach's alpha is a function of internal interrelatedness or consistency of items (Nawi et al. 2020) and thus was used in the study. The alpha can take any value between zero and one with a value of zero indicating no internal consistency and one indicating complete internal consistency. Taber (2017) states that a Cronbach alpha value of 0.7 should be the minimum acceptable with values of 0.8 and above adding little to the scales reliability.

Consequently, for this research, in line with the arguments put forth by the foregoing authors, the minimum acceptable value of alpha was set at 0.7 for a measurement scale to be considered

reliable, while a measurement scale with an alpha value greater than 0.9 was considered very good (Chan & Idris, 2017). The results for reliability are as shown in Table 4.3.

Table 4.3: Reliability Analysis

No	Variables	Items	Cronbach Alpha	Remark
1	Leadership Style	12	0.851	Reliable
2	Financial Innovation	12	0.931	Reliable
3	Banking Regulation	12	0.814	Reliable
4	Financial Performance	12	0.835	Reliable

The findings in table 4.3 indicate that cronbach's alpha for all the items were above 0.7 which was an indication that the data collection instrument was adequately reliable in regard to measurement and were therefore acceptable. The test results established that all variables measured were had a cronbach's alpha above 0.7, thereby concluding that they were all reliable and were acceptable.

4.2.3 Diagnostics Tests

The study carried out different diagnostic tests with a view to ensuring that the postulations of Classical Linear Regression Model (CLRM) were not contravened as well as selecting the appropriate models for investigation in the event (CLRM) postulations were violated. In this regard, pre-estimation and post estimation tests were conducted prior to running a regression model. The pre-estimation tests conducted in this case included the normality test, heteroscedasticity, multicollinearity and linearity tests. Each of the tests is discussed under sections 4.2.3.1 to 4.2.3.4.

4.2.3.1 Normality Test

Normality tests is run in order to determine if the data is well modelled and normally distributed, that is, linear (Khatun, 2021). Mishra et al., (2019) asserted that descriptive, normality, and verification tests can be assessed using normal distribution. Taewoong and Seongbaek (2021) on the other hand posit that whenever these tests indicate non-normality, the data either has outliers, incorrect measuring tools, multiple modes, zero or infinite limits, incorrect distributions, or scanty collections. The dependent variable must be normally distributed if a linear model is to be fitted. The normality tests are many and include Shapiro-Wilk test, Anderson-Darling test and Kolmogorov-Smirnov test.

Shapiro–Wilk test was used to est the normality of the variables, since it has the highest power among all tests for normality. The hypothesis was tested at a critical value at 0.05, where the rule is that H_0 should be rejected if the probability (P) value is less than 0.05 or else it should not be rejected. The dependent variable should be normally distributed because the study was analyzed using a multiple regression model where the condition of normality must be satisfied (Ernst, and Albers, 2017). The hypothesis was that;

H_1: The data is normal in distribution

The results for normality are as shown in Table 4.4.

Table 4.4: Test for Normality

	Shapiro-Wilk		
	Statistic	**Df**	**Sig.**
Leadership Style	0.945	294	0.086
Financial Innovation	0.950	294	0.888
Banking Regulation	0.958	294	0.630
Financial Performance	0.857	294	0.738

Table 4.4 indicates that the data is normally distributed since using the Shapiro-Wilk test of normality, the p-values for all variables are above 0.05. In this regard, the null hypothesis (H_0) should not be rejected. The study concluded that the data for leadership style, financial innovation, banking regulation and financial performance are normal in distribution and hence subsequent analysis can be carried out.

4.2.3.2 Test for Multicollinearity

Multicollinearity refers to a situation where a high degree of association between independent variables and dependent variable exists. Using the independent average for each of the variables, multicollinearity test was conducted using variance inflation factor VIF in all the analysis where it ranged from 1 to 4. Consequently, there was no cause of concern since according to Marcoulides and Raykov (2019) as well as Senaviratna and Cooray, (2019), VIF $\geq$ 10 indicate presence of Multicollinearity.

Multicollinearity test was done where tolerance of the variable and the VIF value were used. Values more than 0.2 for Tolerance and values less than 10 for VIF means that there is no multicollinearity. Results for multicollinearity are as shown in Table 4.5.

Table 4.5: Multicollinearity Test Using Tolerance and VIF

	Collinearity Statistics	
	Tolerance	**VIF**
Leadership Style	0.421	2.373
Financial Innovation	0.409	2.443
Banking Regulation	0.408	2.453
Financial Performance	0.417	2.399

From the findings above all the variables had tolerance values >0.2 and VIF values <10 as shown in Table 4.5 and thus according to Marcoulides and Raykov (2019) as well as Senaviratna and Cooray, (2019) who indicate that where VIF ≥ 10 indicate presence of Multicollinearity, there was no multicollinearity among the independent variables.

4.2.3.3 Test for Heteroscedasticity

Heteroscedasticity is the circumstance in which the variability of a variable is unequal across the range of values of a second variable that predicts it. Running a regression model without accounting for heteroscedasticity would lead to biased parameter estimates. To test for heteroscedasticity, the Breusch-Pagan/Godfrey test was used. Heteroscedasticity test was run using Breusch-Pagan / Cook-Weisberg test in order to test whether the error terms are correlated across observations in the cross sectional of the data (Babashova, 2020; Senarathne and Jianguo, 2020). The hypothesis was that;

H_1: Data is Homoscedastic.

If the p-value is less than 0.05, the null hypothesis is rejected. Results are presented in Table 4.6.

Table 4.6: Heteroscedasticity Results

Breusch-Pagan / Cook-Weisberg test for heteroscedasticity		
Ho: Constant variance		
Variable: fitted values of Financial Performance		
chi2(1)	=	6.37
Prob > chi2	=	0.161

Results in Table 4.6 show that the p-value is greater than the 5%. Then the null hypothesis was not rejected at a critical p value of 0.05 since the reported value was 0.161>0.05 and thus the data did not suffer from heteroscedasticity.

4.2.3.4 Test for Linearity

Linearity assumes a straight-line relationship between the predictor variables and the criterion variable since a unit change in the independent variable causes a uniform change in the independent variable (Ouafae et al., 2020). This was assessed by examination of a scatter plot of all the independent variables against the dependent variable to measure if there is a straight-line relationship. All the independent variables depicted a straight-line relationship with the dependent variable as shown in Figure 4.1

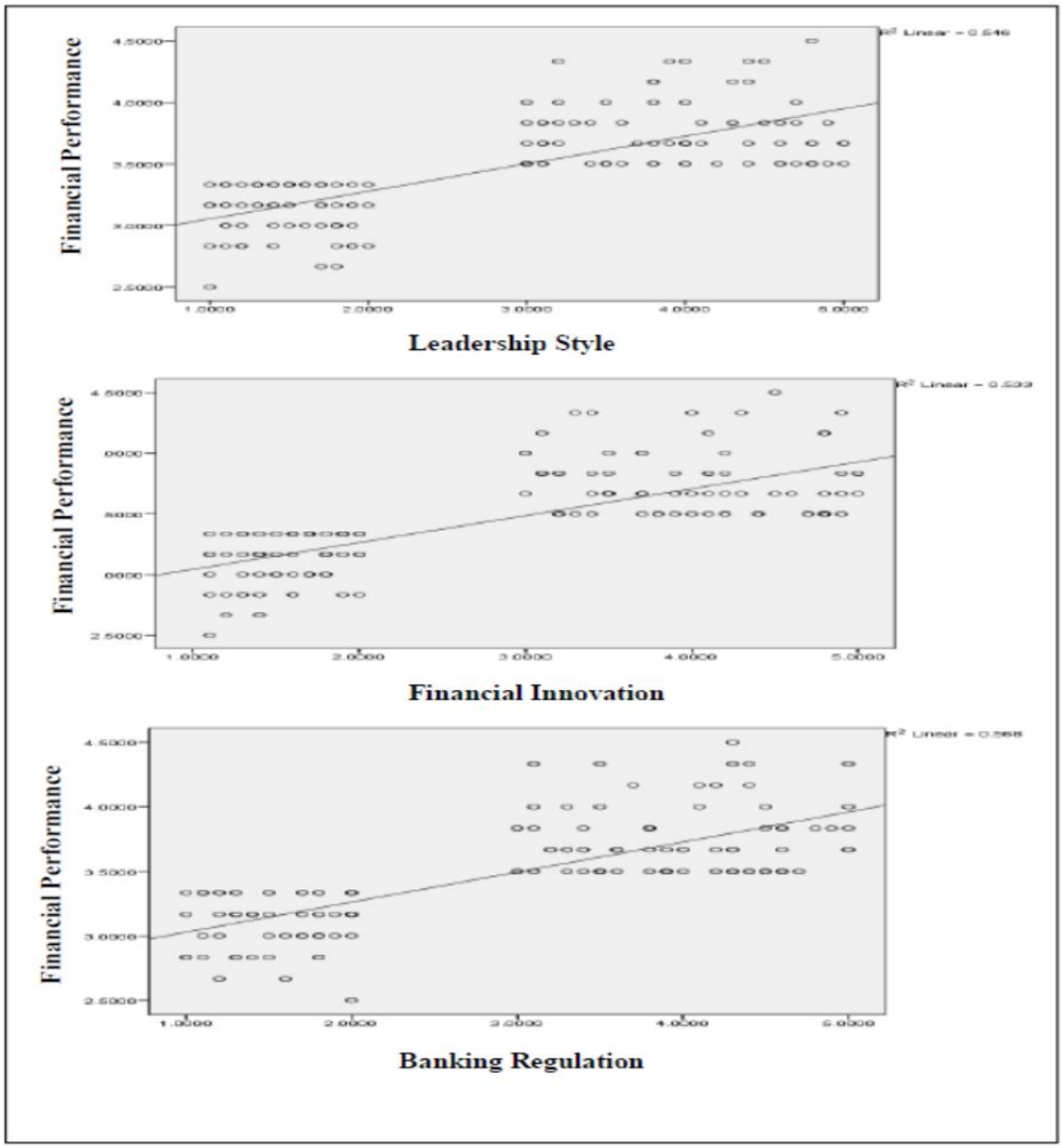

Figure 4.1: Scatter Diagrams

Figure 4.1 shows that the independent variables leadership style, financial innovation, banking regulation depicted a straight-line relationship with the dependent variable Financial Performance. In addition, the R-squared showed the percentage of the dependent variable variation that a linear model explains where all the variables were above 50%.

4.3 Demographic Characteristics Results

4.3.1 Bank Demographic Results

Demographics refer to characteristics of a population. Demographic information provides data regarding research participants and is necessary for the determination of whether the individuals in a particular study are representative of the target population for generalization purposes. 36 banks were contacted where the characteristics of the 31 banks that responded were classified in terms of years of operation, staffing levels and size of business as classified under Central Bank of Kenya's composite market index which takes into account total assets, total deposit accounts, total deposits and total loan book.

Charterhouse Bank had been placed under statutory management in 2006 while Chase Bank, Dubai Bank Kenya and Imperial Bank were placed under receivership in 2015 and 2016 respectively and were therefore excluded from the study. Fidelity Commercial Bank, Giro Bank and Habib Bank Limited were excluded from the study since they were taken over by SBM Bank, I&M Bank and Diamond Trust Bank respectively during the period of the study. In addition, Mayfair Bank, SBM Bank and DIB Bank Kenya which commenced operations in 2017 were excluded since they did not publish full year audited accounts in 2017. The demographic characteristics included the years of operation, size of business of the banks. Each of the demographic characteristic is discussed on the subsequent sections.

a) Years of Operation

The number of years in operation is presented in under Table 4.7.

Table 4.7: Banks' Years of Operation in Kenya

Years in Operation	Number of Banks
10 years or less	3
11 - 20 Years	6
21 - 30 Years	8
31 - 40 Years	6
41 - 50 Years	4
51 - 60 Years	4
61 - 70 Years	2
71 - 80 Years	1
91 - 100 Years	1
Over 100 Years	1

Table 4.7 shows that the 36 banks under study had operated in Kenya for periods ranging between 7 and 106 years. Only 3 banks had operated 10 years or less, 6 banks for between 11 and 20 years and 8 for between 21 and 30 years. 6 Banks had operated between 31 and 40 years, 4 between 41 and 50 years, 4 between 51 and 60 years while 2 had operated for between 61 and 70 years. 2 banks had operated in Kenya for over 70 years with one each operating for 91 – 100 years and over 100 years respectively. Though there is no boom season in terms of years of formation, 2000s and 1980s jointly top the list followed by 1960s while only 2 were formed before 1940. In addition, over 79.31% were formed before the millennium while 77% were formed after Kenya's independence in 1963. Since the period of operation of the banks ranged from 6 to 106 years, the findings of this study should therefore be generalized for banks in operation for periods ranging between 6 and 106 years. A full list of commercial banks with years of formation is attached as Appendix 4.

b) Size of Business

The banks that responded had staff compliments ranging from 60 – 4400 employees. The banks are categorized in terms of number of employees grouped in 500s with the smallest group employing less than 500 persons and the largest category employing over 4000 persons as outlined under Table 4.8.

Table 4.8: Size of Bank by Number of Employees

Total Employees	Number of Banks	Percentage
Less than 500	19	53%
501 – 1000	3	17%
1001 – 1500	6	14%
2001 – 2500	2	6%
Above 4000	2	6%

The results under table 4.8 indicate that 19 (53%) of the respondent banks had less than 500 employees with 3 (17%) and 6 (14%) employing between 501 and 1000 persons as well as between 1001 and 1500 respectively. 2 banks (6.90%) had employed between 2001 and 2500 persons while a similar number had employed more than 4000 persons.

Table 4.9: Respondent Banks by Peer Group

Peer Group	Number of Banks	Percentage
Large	9	25.0%
Medium	10	27.8%
Small	17	47.2%

The results indicated that 9 (25%) of the respondent banks are classified as large banks being those that individually control 5% or more of the market share with a similar number belonging to the medium peer group in which the banks individually control a market share equal to 1% but less than 5%. 17 banks (47.2%) belong to the small peer group where individual banks control less than 1% of the market share. Overall, all the 9 banks in the large peer group responded while 7 out of 10 in medium peer group responded with 16 out of 20 in the small peer group responding. Overall, since 100%, 70% and 80% of commercial banks in the large, medium and small peer group gave responses; the results of the study can be generalized to all commercial banks in Kenya

4.3.2 Respondent Staff Members' Demographics Results

The study sought to survey staff members in management and leadership positions within the commercial banks with a view to ensuring representativeness in terms of levels of management as well as variety of leadership style. The study also sought to ensure that different bank functions,

business units and departments were represented. The respondent demographics are presented in tables 4.10, 4.11 and 4.12.

Table 4.10: Respondent Staff Members' Length of Experience

Number of Years	Number of Respondents	Percentage
0 – 5years	47	16.0%
5 – 11 years	103	34.8%
12 - 17years	88	29.9%
18 - 23years	43	14.6%
24 and above	13	4.4%

The respondent staff members' length of experience ranged between those with less than 5 years to those who had over 24 years. 16% had 5 years or less while 34.8%, 29.9%, 14.6% and 4.4% had five to eleven years, twelve to seventeen years, eighteen to twenty-three years and above twenty-four years of experience respectively. This shows that there was a wide variety of leadership experiences amongst the staff members who completed and returned the questionnaires.

Table 4.11: Respondents Staff Members by Number of Reportees

Number of Reportees	Number of Respondents	Percentage
One	9	3.6%
Two	20	8.0%
Three	21	8.4%
4 and above	138	55.2%
Not disclosed	25	10.0%

Table 4.11 shows that the respondent staff members were exercising leadership responsibilities within the banks since 55.2% had four or more direct reportees while 8.4%, 8.0% and 3.6% had three, two and one direct reportees respectively. However, 10% of respondents did not disclose number of direct reportees. 10% of the respondents however failed to disclose the number of staff who report to them.

Table 4.12: Respondents Staff Members by Designation

Designation	Number of Respondents	Percentage
Chief Executive	30	10.2%
Heads of Departments and General Managers	35	11.9%
Heads of Finance	32	10.88%
Heads of Human Resource	36	12.24%
Branch Managers	93	31.63%
Heads of Digital Banking and Alternate Delivery Channels	34	11.56%
Assistant Managers and Senior Officers	34	11.56%

Table 4.12 shows that respondents were well distributed across departments and managerial roles. In this regard, of the respondents who returned questionaires, 10.2% were Chief Executive Officers, 11.9% were Heads of Departments or General Managers, 10.88% were Heads of Finance, 12.24% were Heads of Human Resource, 31.63% were Branch Managers, 11.56% were Heads of Digital Banking and Alternate Business Channels while 11.56% were Assistant Maanagers and Senior Officers.

4.4. Descriptive Analysis Results

Factor analysis is an approach that involves condensing information contained in a number of variables into a smaller set of dimensions (factors) with a minimum loss of information (Backhaus et al., 2021). Using dimension reduction in SPSS, factor analysis was used to measure variables that cannot be measured directly, and to summarize large amounts of data. Zeynivandnezhad, Rashed, and Kaooni, (2019) stated that factor loading with Eigen values (total variance) greater than 0.5 should be extracted and coefficients below 0.49 deleted from matrix since they are not important. It is conducted in order to reduce the data to a meaningful and manageable set of factors (Damio, 2018). Eigen values are important as they allow us to reduce a linear operation to separate, simpler, problems. It also helps to analyze the structure of the interrelationships (correlations) by defining the factors. The factor analysis assumptions are that there are no outliers in data, no perfect multicollinearity, linearity and the data is in interval (Zeynivandnezhad et al., 2019) which were all met under diagnostic tests.

4.4.4.1 Factor Analysis for Leadership Style

Factor analysis was carried out on the statements of Leadership Style. This was done by subjecting the statement to dimension reduction in SPSS where any sub variable with a value less than 0.5 was removed. The results are as shown in Table 4.13.

Table 4.13: Factor Loading for Leadership Style

Leadership Style	Extraction
Transformational leadership	
Good leaders make other people feel good around them	0.604
Leaders express with a few simple words what can be done and should be done	0.616
Good leaders enable others develop themselves	0.572
Autocratic leadership	
It is fair to say that most employees in the general population are lazy.	0.590
Employees need to be supervised closely, or they are not likely to do their work.	0.546
The leader is the chief judge of the achievements of the members of the group	0.707
Democratic leadership	
Providing guidance without pressure is the key to being a good leader.	0.586
Leaders need to help subordinates accept responsibility for completing their work.	0.531
Employees want to be a part of the decision-making process.	0.529
Laisez-Faire leadership	
Leadership requires staying out of the way of subordinates as they do their work.	0.643
In complex situations, leaders should let subordinates work problems out on their own	0.680
As a rule, leaders should allow subordinates to appraise their own work.	0.532

According to Zeynivandnezhad et al., (2019), factor loading with Eigen values greater than 0.5 should be extracted and below 0.5 not considered. Leadership Style, all the sub variables were adopted as they had values greater than 0.5.

4.4.4.2 Factor Analysis for Financial Innovation

Factor analysis was carried out on the statements of Financial Innovation. This was done by subjecting the statement to dimension reduction in SPSS where any sub variable with a value less than 0.5 was removed. Table 4.14 shows the factor loading for Financial Innovation.

Table 4.14: Factor Loading for Financial Innovation

Financial Innovation	Extraction
Bank's internet banking subscriptions have grown over the past FIVE years	0.724
Transactions from the bank's internet banking have grown over the past FIVE years	0.686
Internet banking has helped in reduction of the bank's operating expenses over the past FIVE years	0.584
Bank's agent banking has grown over the past FIVE years	0.504
Transactions from the bank's agent banking network have grown has generally grown over the past FIVE years	0.618
Agent banking has helped in reduction of the bank's operating expenses over the past FIVE years	0.591
Bank's mobile banking has grown over the past FIVE years	0.896
Transactions from the bank's mobile banking products have grown has generally grown over the past FIVE years	0.697
Mobile banking has helped in reduction of the bank's operating expenses over the past FIVE years	0.534
Bank's mobile lending has grown over the past FIVE years	0.668
Transactions from the bank's mobile lending have grown has generally grown over the past FIVE years	0.691
Mobile lending has helped in reduction of the bank's operating expenses over the past FIVE years	0.796

The outputs in Table 4.14 show that all the statements on Financial Innovation had factor loading values greater than 0.5 and therefore they were accepted and thus no sub variable was dropped.

4.4.4.3 Factor Analysis for Banking Regulation

Factor analysis was conducted on the statements on Banking Regulation. This was done by subjecting the statement to dimension reduction in SPSS where any sub variable with a value less than 0.5 was removed. Table 4.15 shows the set of sub variables under the Banking Regulation.

Table 4.15: Factor Loading for Banking Regulation

Banking Regulation	Extraction
Implementation of IFRS 9 has increased bank operating expenses over the past FIVE years	0.521
Implementation of IFRS 9 has reduced the bank's income over the past FIVE years	0.531
Implementation of IFRS 9 has led to increased capital requirements over the past FIVE years	0.533
Implementation of IFRS 16 has increased bank operating expenses over the past FIVE years	0.539
Implementation of IFRS 16 has reduced the bank's income over the past FIVE years	0.595
Implementation of IFRS 16 has led to increased capital requirements over the past FIVE years	0.677
New product development regulations has increased bank operating expenses over the past FIVE years	0.584
New product development regulations have reduced the bank's income over the past FIVE years	0.623
New product development regulations slows down digital innovation related income	0.518
Implementation of risk management regulations has led to increased capital requirements over the past FIVE years	0.633
Implementation of risk management regulations increased bank operating expenses over the past FIVE years	0.579
Implementation of risk management regulations has reduced the bank's income over the past FIVE years	0.695

The outputs in Table 4.15 show that all the statements on Banking Regulation had factor loading values greater than 0.5 and therefore they were accepted and thus no sub variable was dropped.

4.4.4.4 Factor Analysis for Financial Performance

Factor analysis was conducted on the statements on bank financial performance. This was done by subjecting the statement to dimension reduction in SPSS where any sub variable with a value less than 0.5 was removed. Table 4.16 shows the set of sub variables under the bank financial performance.

Table 4.16: Factor Loading for Bank Financial Performance

Bank Financial Performance	Extraction
The bank's non-interest income has generally grown over the past 5 years	0.521
The bank's interest income has generally grown over the past 5 years	0.501
The bank's operating expenses have generally increased over the past 5 years	0.531
Bank's loan portfolio has generally grown over the past 5 years	0.533
The bank's investment in financial assets has generally grown over the past 5 years	0.539
The bank has revalued its assets over the past five years	0.595
The bank's total income has grown over the past five years	0.677
The bank's total assets have grown over the past 5 years	0.584
The bank has improved its return on assets over the past 5 years	0.623
The bank has issued new share capital over the past 5 years	0.518
The bank has raised additional debt capital over the past 5 years	0.542
The bank has increased its rate of profit retention over the past 5 years	0.565

The outputs in Table 4.16 show that all the statements on bank financial performance had factor loading values greater than 0.5 and therefore they were accepted and thus no sub variable was dropped.

4.4 Descriptive Statistics

The purpose of descriptive statistics was to enable the study to meaningfully describe a distribution of scores or measurements using indices or statistics. The type of statistics or indices used depends on the type of variables in the study and the scale of the measurements. This section contains descriptive analysis for leadership style, financial innovation, banking regulation and financial performance. The mean showed the average values, the mode showed the most common value and the median indicate the middle number in set numbers.

4.4.1 Descriptive Statistics for Leadership Style

The first objective of the study was to establish the influence of leadership style on the financial performance of commercial banks in Kenya. The descriptive statistics present the results for Leadership Style; Transformational leadership, Autocratic leadership, Democratic leadership and Laisez-Faire leadership depicted in Table 19.

Table 4.17: Descriptive Statistics for Leadership Style

Statistics	Transformational leadership	Autocratic leadership	Democratic leadership	Laisez-Faire leadership
N	294	294	294	294
Mean	4.312	2.402	3.293	1.075
Median	3.92	2.31	3.18	1.04
Mode	3.70	2.33	3.05	1.03
Std. Dev.	1.164	1.155	1.106	0.802
Skewness	-0.484	-0.365	-0.417	0.461
Kurtosis	-0.892	-1.047	-0.794	-0.901

The results from the Table 4.17 shows the descriptive statistics that indicates central tendency and dispersion of all the measures of Leadership style. The total number of respondents in each measured was 294. Distribution of data was measured using skewness and kurtosis whereas central tenancy was measured using mean, median and mode. The standard deviation was used to measure dispersion. The measures of kurtosis and skewness are used to determine if indicators met normality assumptions (Doulah, 2021). According to Bai and Ng (2005), if skewness is less than -1 or greater than 1, the distribution is highly skewed, if skewness is between -1 and -0.5 or between 0.5 and 1, the distribution is moderately skewed, if skewness is between -0.5 and 0.5, the distribution is approximately symmetric.

The results show that Transformational leadership had a mean of 4.312, median of 3.88 and mode of 3.81. The mean of 4.312 implied that majority were agreeing with the statement on Transformational leadership. The standard deviation of 1.164 showed that the members of the group differed from the mean value of 4.312 for the group in the observation. Skewness for Transformational leadership was -0.484. Since the values were between -0.5 and 0.5, we thus

conclude that the distribution is approximately symmetric. Kurtosis results showed that Transformational leadership had -0.892. Thus, we can conclude that the values were platykurtic since they are less than 3 and thus had a broad tail distribution and no outliers.

Autocratic leadership had a mean of 2.40, median of 2.31 and mode of 2.33. The mean of 2.40 implied that majority were disagreeing with the statement on Autocratic leadership. The standard deviation of 1.155 showed that the members of the group differed from the mean value of 2.40 for the group in the observation. Skewness for Autocratic leadership was -0.365. Since the values were between -0.5 and 0.5, we thus conclude that the distribution is approximately symmetric. Kurtosis results showed that Autocratic leadership had -1.047. Thus, we can conclude that the values were platykurtic since they are less than 3 and thus had a broad tail distribution and no outliers.

The descriptive results indicate that Democratic leadership had a mean of 3.293, median of 3.18 and mode of 3.05. The mean of 3.293 implied that majority were agreeing with the statement on Democratic leadership. The standard deviation of 1.106 showed that the members of the group differed from the mean value of 3.293 for the group in the observation. Skewness for Democratic leadership was -0.417. Since the values were between -0.5 and 0.5, we thus conclude that the distribution is approximately symmetric. Kurtosis results showed that Democratic leadership had -0.794. Thus, we can conclude that the values were platykurtic since they are less than 3 and thus had a broad tail distribution and no outliers.

Laisez-Faire leadership descriptive results indicate a mean of 1.075, median of 1.04 and mode of 1.03. The mean of 1.075 implied that majority were disagreeing with the statement on Laisez-Faire leadership. The standard deviation of 0.802 showed that the members of the group differed slightly from the mean value of 1.075 for the group in the observation. Skewness for Laisez-Faire leadership was 0.461. Since the values were between -0.5 and 0.5, we thus conclude that the distribution is approximately symmetric. Kurtosis results showed that Laisez-Faire leadership had -0.901. Thus, we can conclude that the values were platykurtic since they are less than 3 and thus had a broad tail distribution and no outliers.

4.4.2 Descriptive Statistics for Financial Innovation

The second objective of the study was to examine the intervening effect of financial innovation on the relationship between leadership style and financial performance of commercial banks in Kenya. The descriptive present the results for financial innovation are shown in Table 4.18.

Table 4.18: Descriptive Financial Innovation

Statistics	Financial Innovation
N	294
Mean	4.367
Median	3.980
Mode	3.901
Std. Deviation	1.086
Skewness	0.405
Kurtosis	0.888

The results from the Table 4.18 shows that the total observations were 294. Distribution of data was measured using skewness and kurtosis whereas central tenancy was measured using mean, median and mode. The standard deviation was used to measure dispersion. The measures of kurtosis and skewness were used to determine if indicators met normality assumptions (Doulah, 2021). According to Sudha (2017), if skewness is less than -1 or greater than 1, the distribution is highly skewed, if skewness is between -1 and -0.5 or between 0.5 and 1, the distribution is moderately skewed, if skewness is between -0.5 and 0.5, the distribution is approximately symmetric.

The descriptive results indicate that financial innovation had a mean of 4.367, median of 3.980 and mode of 3.901. This implied that the mean of 4.367 concluded that majority were agreeing with the statement on financial innovation. The standard deviation of 1.086 showed that the members of the group differed from the mean value of 4.367 for the group in the observation. Skewness for financial innovation was 0.405. Since the values were between -0.5 and 0.5, we thus conclude that the distribution is approximately symmetric. Kurtosis results showed that financial innovation had 0.888. Thus, we can conclude that the values were platykurtic since they are less than 3 and thus had a broad tail distribution and no outliers.

4.4.3 Descriptive Statistics for Banking Regulation

The third objective of the study was to determine the moderating effect of banking regulation on the relationship between leadership style and financial performance of commercial banks in Kenya. The descriptive statistics presenting the results for Banking Regulation are shown in Table 4.19.

Table 4.19: Descriptive Statistics for Banking Regulation

Statistics	Banking Regulation
N	294
Mean	3.275
Median	3.160
Mode	3.030
Std. Deviation	1.072
Skewness	0.380
Kurtosis	0.830

The results from the Table 4.19 shows that the total observations were 294. Distribution of data was measured using skewness and kurtosis whereas central tenancy was measured using mean, median and mode. The standard deviation was used to measure dispersion. The measures of kurtosis and skewness are used to determine if indicators met normality assumptions (Doulah, 2021). According to Creswell and Clark (2018), if skewness is less than -1 or greater than 1, the distribution is highly skewed, if skewness is between -1 and -0.5 or between 0.5 and 1, the distribution is moderately skewed, if skewness is between -0.5 and 0.5, the distribution is approximately symmetric.

The descriptive results indicate that banking regulation had a mean of 3.275, median of 3.160 and mode of 3.030. This implied that the mean of 3.275 implied that majority were agreeing with the statement on banking regulation. The standard deviation of 1.072 showed that the members of the group differed from the mean value of 3.275 for the group in the observation. Skewness for banking regulation was -0.380. Since the values were between -0.5 and 0.5, we thus conclude that the distribution is approximately symmetric. Kurtosis results showed that moderate type had 0.830. Thus, we can conclude that the values were platykurtic since they are less than 3 and thus had a broad tail distribution and no outliers.

4.4.4 Descriptive Statistics for Financial Performance

Descriptive statistics were carried out on financial performance of commercial banks in Kenya. The descriptive present the results for financial performance were conducted for growth in profitability, return on assets, return on equity and growth in assets using mean, Std. deviation, minimum, maximum, skewness and kurtosis are shown in Table 4.20.

Table 4.20: Descriptive Statistics for Financial Performance

Statistics	Growth in Profitability	Return on Assets	Return on Equity	Growth in Assets
N	294	294	294	294
Mean	3.96	3.09	3.26	3.43
Median	4.00	3.00	3.00	3.00
Mode	4	3	4	3
Std. Deviation	.735	.653	1.213	.566
Skewness	-.190	-.087	-.318	-.227
Kurtosis	-.490	-.193	-.671	-.761
Minimum	1	1	1	1
Maximum	5	5	5	5

The descriptive results indicate that growth in profitability had a mean of 3.96, medium of 4.00, mode of 4 with a standard deviation of 0.735. The mean, medium and mode implied hat majority were in agreement with the statement on growth in profitability. Result for Skewness of growth in profitability was -0.380. Since the values were between -0.5 and 0.5, we thus conclude that the distribution is approximately symmetric. Kurtosis results was 0.490. Thus, we can conclude that the values were platykurtic since they are less than 3 and thus had a broad tail distribution and no outliers.

The descriptive results indicate that Return on Equity had a mean of 3.09, medium of 3.00, mode of 3 with a standard deviation of 0.653. The low standard deviation implies that the data points tend to be very close to the mean and therefore, majority of respondents were neither in agreement of disagreement with growth in return on equity as mode and medioum values were 3 implyin indefence. Result for Skewness and Kurtosis was -0.087 (that is between -0.5 and 0.5) and -0.193 (that is less than 3) suggesting that the distribution was approximately symmetric and values were platykurtic with a broad tail distribution and no outliers.

The descriptive results indicate that Return on Assets had a mean of 3.26 with a standard deviation of 1.213, medium of 3.00 and mode of 4. The high standard deviation implies high variability in respondent responses as data points were spread over a wide range of the values from the mean. A mode of 4 implied majority of respondents agreeing with the questions on Return on Asset. Results for Skewness was 0.318, indicating an approximately symmetric distribution, in addition to

Kurtosis result of -0.671 which also implied the values were platykurtic thus had a broad tail distribution and no outliers. Return on assets was evenly distributed and the measure between the high and low score was small and exhibits normality return on assets

The descriptive results indicate that growth in assets had a mean of 3.43 with a standard deviation of 0.566. The standard deviation showed that data points tended to be very close to the mean of the data. Result also showed that medium and mode of growth in asset was 3.00 in each case. Skewness high variability in response as respondents neither agreed nor disagreed that their banks recorded growth in asset over the analysis period. This implied that while some banks may have registered growth in assets spme did not. The result for Skewness was -0.227 and falls within -0.5 and 0.5 thus suggesting that the distribution is approximately symmetric. Similarly, result for Kurtosis was -0.67 and less than 3 denotinng the value was platykurtic with a broad tail distribution and no outliers. Growth in assets was evenly distributed and the measure between the high and low score was small and exhibits normality growth in assets.

4.5 Correlation Analysis

Correlation analysis was carried out to determine the association between the variables, leadership style, financial innovation, banking regulation and financial performance. The mean score for each of the independent variables was calculated and the Pearson's correlation obtained using SPSS. The correlations were done at 0.05 significance level with one asterisk (*) or a 0.01 significance level with two asterisks (**). To determine whether the correlation between variables is significant, one needs to compare the p-value to the significance level used. A significance level, denoted as α or alpha, of 0.05 works well. An alpha of 0.05 indicates that the risk of concluding that a correlation exists when, actually, no correlation exists is 5%. The p-value indicate whether the correlation coefficient is significantly different from 0 or not. When the p-value is less than or equal to 0.05 the correlation is statistically significant. However, if the p-value is greater than 0.05 or the significant level then correlation is not statistically significant (Statistics Solution, 2018). The correlation results are presented in Table 4.21.

Table 4.21: Correlation Matrix

Variables	Financial Performance	Leadership Style	Financial Innovation	Banking Regulation
Financial Performance	1.000			
Leadership Style	.822**	1.000		
	0.000			
Financial Innovation	.831**	.586**	1.000	
	0.000	0.000		
Banking Regulation	.841**	.634**	.614**	1.000
	0.000	0.000	0.000	

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

The results in Table 4.21 indicate that leadership is positively and significantly associated with financial performance of commercial banks in Kenya (r= 0.822**, p=0.00<0.05). Financial Innovation is positively and significantly associated with financial performance of commercial banks in Kenya (r= 0.831**, p=0.00<0.05). Banking regulation is positively and significantly associated with financial performance of commercial banks in Kenya (r= 0.841**, p=0.00<0.05). Since the r-values were above 0.7, this is an indication that leadership, financial innovation and banking regulation portrayed a high association with financial performance of commercial banks in Kenya.

4.6 Hypotheses Testing

This section presents the findings of tests of hypotheses of the study. The hypotheses describe the relationship between variables of the study as conceptualized and presented in the conceptual model. The study focused on four objectives and four corresponding hypotheses.

The hypotheses which were tested related to: leadership style has no significant influence on financial performance of commercial banks in Kenya; Banking regulation has no significant moderating influence on the relationship between leadership style and financial performance of commercial banks in Kenya; Financial innovation has no significant intervening effect on the relationship between leadership style and financial performance of commercial banks in Kenya; Banking regulation has no significant moderating effect on the mediating effect of financial

innovation on the relationship between leadership style and financial performance of commercial banks in Kenya.

The first hypothesis was tested using regression model. The second and third hypotheses for moderation and mediating models respectively were tested using stepwise approach as suggested by Baron and Kenny (1986). The fourth hypothesis was tested using stepwise approach as suggested by Hayes and Rockwood (2020). The tests were done at 5% significance level ($\alpha = 0.05$) using PROCESS Analysis with aid of SPSS version 26. The evaluation focused on the hypotheses derived from the objectives of the study.

4.6.1 Leadership Style and Financial Performance

The first objective of the study was to establish the influence of leadership style on the financial performance of commercial banks in Kenya. A liner regression model was used to assess the interdependency between leadership style and financial performance of commercial banks. The first hypothesis stated in the null form is as follows;

H_{01}: Leadership style has no significant influence on financial performance of commercial banks in Kenya

To test the relationship between leadership style on financial performance, the following composite model was used; $Y= \beta o + \beta 1 LS1+ \varepsilon$

Table 4.22 presents the results for the composite leadership style and financial performance of commercial banks in Kenya.

Table 4.22: Leadership Style Regression Model

Model Summary				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.8225a	.6764	.6753	.5810

ANOVA					
	Sum of Squares	**Df**	**Mean Square**	**F**	**Sig.**
Regression	206.081	1	206.0813	610.476	.000b
Residual	98.572	293	0.3376		
Total	304.653	294			

Coefficients						
Model		**Unstandardized Coefficients**		**Standardized Coefficients**		
		B	**Std. Error**	**Beta**	**t**	**Sig.**
1	(Constant)	0.9141	0.1034		8.8440	0.000
	Leadership Style	0.7128	0.0289	0.8225	24.7078	0.000

As presented in the Table 4.22, the coefficient of determination R Square is 0.6764. The model indicates that the composite Leadership Style explains 67.64% of the variation in financial performance of commercial banks in Kenya. This implies that there exists a significant relationship between leadership style and financial performance. The Analysis of Variance (ANOVA) results indicate that F-Calculated (1, 294) = 610.476 which is greater than F-Critical (1, 294) = 3.84 at 95% confidence level. Therefore, the results confirm that the regression model of Leadership Style on financial performance is significant. The regression of coefficients indicates that leadership style has a positive and significant relationship with financial performance of commercial banks in Kenya (β=0.7128, $p<0.005$). The fitted model from the result is;

$Y = 0.9141 + 0.7128LS$

The study first null hypothesis (H_{01}) states that Leadership style has no significant influence on financial performance of commercial banks in Kenya. Test of this hypothesis revealed a t-statistics calculated value of 42.708 higher than the t-statistics critical value of 1.96 at 95% significant level and the p value 0.000 is less than the critical value 0.05, the study failed to accept the null hypothesis and there was evidence to conclude that Leadership style has a significant influence on financial performance of commercial banks in Kenya.

In addition, the study tested the various indicators of leadership style to ascertain their impact on financial performance using the multiple regression equation 2 shown below;

$Y = \beta o + \beta 1TL + \beta 2AL + \beta 3DL + \beta 4LF + \varepsilon$

Table 4.23: Model Fitness for Leadership Style

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.8354[a]	.6979	.6937	.5643	2.025

a. Predictors: (Constant), Laissez Faire Leadership, Autocratic Laedership, Democratic Leadership, Transformational Leadership

b. Dependent Variable: Financial Performance

As presented in the Table 4.23, the coefficient of determination R Square is 0.752. The model indicates that Leadership style explains 69.79% of the variation in financial performance of commercial banks in Kenya. This implies that there exists a significant relationship between leadership style and financial performance.

Table 4.24: ANOVA for Leadership style

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	212.618	4	53.155	166.911	.000b
Residual	92.035	289	.318		
Total	304.653	293			

a. Dependent Variable: Financial Performance

b. Predictors: (Constant), Laissez Faire Leadership, Autocratic Laedership, Democratic Leadership, Transformational Leadership

The Analysis of Variance (ANOVA) results are shown in Table 4.24. Analysis of Variance consists of calculations that provide information about levels of variability within a regression model and form a basis for tests of significance. This was conducted using SPSS by using average mean score of leadership style and financial performance. The results in Table 4.24 indicate that F-Calculated was 53.155 and greater than F-Critical (4, 294) = 3.84 at 95% confidence level.

Therefore, the results confirm that the regression model of Leadership style on financial performance is significant.

Table 4.25: Regression Coefficients for Leadership Style and Financial Performance

	Unstandardized Coefficients		Standardized Coefficients		
	B	**Std. Error**	**Beta**	**t**	**Sig.**
(Constant)	2.170	.249		8.729	.000
Transformational leadership	.216	.039	.264	5.606	.000
Democratic Leadership	.215	.039	.255	5.539	.000
Autocratic leadership	.134	.041	.149	3.285	.001
Laisez-Faire leadership	-.283	.041	-.317	-6.847	.000

a. Dependent Variable: Financial Performance

The fitted model from the result is;

$Y = 2.170 + 0.264X1 + 0.255X2 + 0.149X3 -0.317X4$

The constant of 2.17 implies the factor change on financial performance when all other variable analyzed remains constant. The regression of coefficients indicates that Transformational leadership has a positive and significant partial effect on financial performance of commercial banks in Kenya ($\beta=0.264$, $p<0.005$); Democratic Leadership has a positive and significant partial effect on financial performance of commercial banks in Kenya ($\beta=0.255$, $p<0.005$); Autocratic leadership has a positive and significant partial effect on financial performance of commercial banks in Kenya ($\beta=0.149$, $p=0.001$); and Laisez-Faire leadership has a negative and significant partial effect on financial performance of commercial banks in Kenya ($\beta=-0.317$, $p<0.005$).

4.6.2 Intervening Effect of Financial Innovation

The second objective of the study was to examine the intervening effect of financial innovation on the relationship between leadership style and financial performance of commercial banks in Kenya. Baron and Kenny (1986) moderation was used. The second hypothesis stated in the null form is as follows:

H02: Financial innovation has no significant intervening effect on the relationship between leadership style and financial performance of commercial banks in Kenya.

The Four Step Mediation Methodology (PROCESS Model 4) was used to establish the intervening effect as proposed by Baron and Kenny (1986) and Preacher and Hayes (2004). The direct and indirect effects of leadership style (LS) were derived for two models, one estimating the mediator financial innovation (FI) from leadership style (LS) and the second estimating the financial performance from both leadership style (LS) and financial innovation (FI) as as shown in equations 3 and 4 respectively.

According to Baron and Kenny (1986) a Three Steps regression analysis establish that zero-order relationship existed among the variables and situations where one or more of the relations is non–significant depicts no possibility of mediation, however if they are significant relationships from step 1 through 3, one proceeds to step 4 where mediation is supported if the effect of leadership style (LS) remains significant after controlling Financial innovation (FI). If Financial innovation (FI) is not significant when leadership style (LS) is controlled, there is full mediation, and if both leadership style (LS) and Financial innovation (FI) significantly predict financial performance (FP) there is partial mediation. The result of PROCESS output for simple mediation analysis (Model 4) is shown in Appendix I with summary of key statistics depicted in Table 4.26.

Table 4.26: Summary of Meditation Analysis Result (PROCESS Output – Model 4)

Outcome Variable	R	R Square	MSE	P	βLS(P)	βFI(P)
FI	.5863	.3437	.8401	.0000	.5863(.0000)	-
FP	.9283	.8617	.1447	.0000	.5110(.0000)	.5313(.0000)
Total effect Model	.8225	.6764	.3376	.0000	.8225(.0000)	-

Total, Direct, and Indirect Effect of FS on FP

	Effect	se/BootSE	t	P	LLCI	ULCI
Total effect of X on Y	.7128	.0289	24.7078	.0000	.6561	.7696
Direct effect of X on Y	.4429	.0233	18.9905	.0000	.3970	.4887
Indirect effect of X on Y (FI)	.3115	.0221			.2695	.3562

Level of confidence for all confidence intervals in output: 95%

Number of bootstrap samples for percentile bootstrap confidence intervals: 10000

From Table 4.26, the results show coefficient of determination of outcome variable financial innovation was R^2=0.3437 implying leadership style contributes 34.37% variation on financial innovation. This variation is significant given the p-value was less than 0.005. The partial effect of leadership style on financial innovation is positive and significant (β=0.5863, p-value<0.005). Similarly, the coefficient of determination for outcome variable financial performance was R^2=0.8617 and significant at 95% significance level (p<0.005) implying leadership style and financial innovation both contributes 86.17% variation in financial performance of commercial banks in Kenya. The partial effect for leadership style and financial innovations were both positive and significant at β =0.5110 (p<0.005) and β=0.5313 (p<0.005) respectively. Result for the total effect model shows a coefficient of determination R^2=0.6764 and p<0.005 implying that leadership style alone contributes 67.64% variation in financial performance of commercial banks The partial effect results was β=0.8225 (p<0.005) suggesting leadership style has significant partial contribution to financial performance.

The study findings show that leadership style directly contributes 34.37% variation on financial innovation and 67.64% on financial performance. However, leadership style combined with financial innovation contributes 86.17% variation on financial performance implying present of mediation effect as combined variation is higher than the total effect variation. The total, direct and indirect effect of leadership style on financial performance was assessed based on asymmetric bootstrap confidence intervals using 10,000 bootstrap runs. Results shows that the total effect of leadership style on financial performance was 0.7128, significant at 95% bias-bootstrap (p<0.005) with Lower and Upper limit confidence intervals of 0.6561 and 0.7696 respectively. The direct effect of Leadership style on financial performance was 0.4429 and significant at 95% bias-bootstrap (p<0.005) with lower and upper confidence interval of 0.3970 and 0.4887 respectively. Therefore, the indirect effect of financial innovation on the relationship between leadership style and financial performance was estimated at 0.3115 with upper and lower confidence intervals of 0.2695 and 0.3564 respectively. From the above result, it can be deduced that the total and direct effects were both positive and significant and different from zero, as evidenced by a 95% bias-bootstrap confidence interval that is entirely above zero. Similarly, the indirect effect is also positive and significant and different from zero implying presence of a partial mediation effect on the mediating role of financial innovation on the relationship between leadership style and financial performance.

4.6.3 Moderating Effect of Banking regulation

The third objective of the study was to determine the moderating effect of banking regulation on the relationship between leadership style and financial performance of commercial banks in Kenya. Baron and Kenny (1986) moderation was used. The third hypothesis stated in the null form is as follows:

H03: Banking regulation has no significant moderating influence on the relationship between leadership style and financial performance of commercial banks in Kenya.

The moderating effect of banking regulation was assessed and results explained using the strength and direction between the independent and dependent variable as influence with the interaction term "the mediator", and assessed through the variation in the coefficient of determination (R-Square change). Hypothesis was tested based on the determination of the statistical significance of the interaction term. The PROCESS Analysis method for Model 1 was adopted for this analysis as suggested by Baron and Kenny (1986) using the equations model 5-7, and detailed results are attached as Appendix I with summary of key results shown in Table 4.27.

Table 4.27: Summary of Mediation Analysis Result (PROCESS Output – Model 1)

```
Model Summary
          R       R-sq        MSE          F        df1        df2          p
      .9228      .8515      .1560   554.2831     3.0000   290.0000      .0000

Model
             coeff         se          t          p       LLCI       ULCI
constant    3.3750      .0294   114.8495      .0000     3.3172     3.4328
LS           .4044      .0259    15.5927      .0000      .3534      .4555
BR           .4619      .0270    17.1035      .0000      .4087      .5150
Int_1       -.0573      .0216    -2.6565      .0083     -.0998     -.0149

Product terms key:
 Int_1    :        LS       x        BR

Test(s) of highest order unconditional interaction(s):
       R2-chng          F        df1        df2          p
X*W      .0036     7.0572     1.0000   290.0000      .0083
----------
    Focal predict: LS       (X)
          Mod var: BR       (W)

Conditional effects of the focal predictor at values of the moderator(s):

         BR     Effect         se          t          p       LLCI       ULCI
    -1.1385      .4697      .0317    14.8045      .0000      .4072      .5321
      .0000      .4044      .0259    15.5927      .0000      .3534      .4555
     1.1385      .3392      .0393     8.6268      .0000      .2618      .4165
```

Level of confidence for all confidence intervals in output: 95%

Number of bootstrap samples for percentile bootstrap confidence intervals: 10000

W values in conditional tables are the mean and +/- SD from the mean.

NOTE: The following variables were mean centered prior to analysis: BR LS

The results in Table 4.27 indicated that the coefficient of determination for the moderated model was R2=0.8515 F(3,290)=554.281, p<0.005; the coefficient of leadership style was β=0.4044 (0.005); coefficient of Banking regulations was β=0.4619 (p<0.005); the coefficient of the interaction term (product of leadership style and banking regulations) was β=-0.0573(p=0.0083). Result of test of higher order unconditional interaction to estimate the contribution of banking regulations showed that Change in R Square was ΔR^2= 0.0036, F(1,290)=7.057, p=0.0083. These results imply that the proportion of total variation in the outcome attributable to the interaction is 0.63%, that is interaction between Leadership style and Banking regulations would contribute 0.63% significant variation on financial performance, with a partial reduction significant effect of 0.0573. Since the primary focus in moderation model is the effect of the coefficient for the product of the interaction variable (LS*BR) between the independent variable (LS) and the moderator (BR), it can be seen from the results of "Conditional effect of the focal predictor at values of the moderator" for Banking regulations estimated at the mean, one standard deviation above the mean, and one standard deviation below the mean, revealed that the conditional effect Banking regulation at mean was 0.4044 and statistically different from zero (p<0.005), at one standard deviation point above the mean was 0.3392 and at one standard deviation point below the mean was 0.4697 and also statistically different from zero. The findings showed that higher effect of Banking regulations were evidence at one standard deviation point below the mean implying the negative partial effect significant as leadership style that embraces more banking regulation would significantly reduce their financial performance.

4.6.4 Moderation-Mediation Analysis (Banking Regulation moderation on Financial Innovation mediating impact of relationship between Leadership Style and Financial Performance)

This objective focus on the estimation of the extent to which an indirect effect of Leadership style on financial performance through financial innovation work be moderated by the banking

regulations using a Moderation-Mediation model as proposed by Hayes (2012). Thus, the objective was to determine if the moderating effect of banking regulation would affect the mediation role of financial innovation on the relationship between leadership style and financial performance of commercial banks in Kenya. The fourth hypothesis stated in the null form was as follows:

H04: The moderating effect of banking regulation has no significant effect on the mediating role of financial innovation on the relationship between leadership style and financial performance of commercial banks in Kenya.

The study employed Hayes and Rockwood (2020) model for moderated mediation, and estimated the indirect effect of predictor of LS and BR on FP through the mediator FI using Model 8 of PROCESS analysis. The presence of moderated mediation effect was probed through conditional indirect effect of the moderator on mediation effect as explained by the coefficient of determination (R-Square), coefficients of interactions, and conditional effects for both direct and indirect effects). The remodel equations that were adopted for this analysis were equation 8-9, and PROCESS result are attached as Appendix I with key results summarized in table 4.28.

Table 4.28: Summary of Key Results for Moderation-Mediation Analysis

Outcome Variable	**R**	**R^2**	**MSE**	**P**	**βLS(P)**	**βFI(P)**	**βBR(P)**	**βInt(P)**
					.282 (.000)	-	.362(.000)	-.132(.004)
FI	.6769	.4582	.6984	.000				
					.305(.000)	.352 (.000)	.334(.000)	-.010(.466)
FP	.9663	.9337	.0698	.000				

Unconditional Effect	R^2 Chng	F	df	P
FI	.0158	8.4373	1,290	.0040
FP	.0001	.5316	1,289	.4665

Conditional Effect of BR

	Effect	se	t	p	LLCI	ULCI
Below (μ-1σ)	.4331	.0671	6.4522	.0000	.3010	.5652
Mean (μ)	.2821	.0549	5.1412	.0000	.3970	.4887
Above (μ+σ)	.1312	.0832	1.5768	.1159	-.0326	.2949

DIRECT AND INDIRECT EFFECT

Conditional Direct effect	Effect	se	t	p	LLCI	ULCI
Below (μ-1σ)	.3173	.0227	13.979	.0000	.2727	.3620
Mean (μ)	.3052	.0181	16.834	.0000	.2695	.3409
Above (μ+σ)	.2930	.0264	11.091	.0000	.2410	.3450

Conditional Indirect effect	Effect	BootSE	t	p	LLCI	ULCI
Below (μ-1σ)	.1523	.0239	-	-	.1082	.2023
Mean (μ)	.0992	.0187	-	-	.0628	.1367
Above (μ+σ)	.0461	.0288	-	-	-.0117	.1021

Level of confidence for all confidence intervals in output: 95%

Number of bootstrap samples for percentile bootstrap confidence intervals: 10000

W values in conditional tables are the mean and +/- SD from the mean.

NOTE: The following variables were mean centered prior to analysis: BR LS

From Table 4.28, model result for the coefficient of determination for outcome variable financial innovation was R2=0.4582, with a partial positive and significant effect of Leadership style at β=0.282 (p<0.005) and Banking regulation at β=0.362 (p<0.005). The unconditional effect caused on the relationship between Leadership style and financial innovation by the moderator Banking regulations is provided by change in coefficient of determination as R-Square Change = 0.0158. This change was statistically different from zero give the p-value of 0.004 at 95% level of significant, and implied Banking regulations significantly moderate the relationship between Leadership style and financial innovation. The coefficient of determination result for outcome variable Financial performance was R2=0.9337, with positive and significant partial effect of Leadership style at β=0.305 (p<0.005), Financial innovation at β=0.352(p<0.005) and Banking regulations at β=0.334(p<0.005). The unconditional effect variation was change in R2 = 0.001 and insignificant give the p-value of 0.4665 at 95% level of significance.

The conditional effect of Banking regulations through mediated effect of financial innovation yielded an effect of 0.2821 and statistically different from zero (p<0.005) at mean value with both lower and upper limits being statistically different from zero. However, at one standard deviation below the mean, the effect increases to 0.4331, with lower and upper confidence interval being statistically different from zero (p<0.00), in the contrary at one standard deviation above the mean, the effect reduces to 0.1312 with insignificant negative contribution at lower confidence interval (-0.0326) and positive upper confidence interval (0.2949), implying that more banking regulation would negatively moderate the mediating role of financial innovation on the relationship between leadership style and financial performance.

The result of bootstrap analysis of the conditional indirect effect of Banking regulation on the mediating effect of financial innovation on the relationship between leadership style and financial performance revealed the same, with bootstrap effect for one standard deviation above the mean being lower than the effect at mean, and the lower limit level for bootstrap confidence interval being -0.0117, and index of moderated mediation being -0.0466 with both bootstraps upper and lower limit confidence intervals being negative and statistically different from zero at 95% level of significance. Thus, these results reasonably suggested that Banking regulations has negative moderation effect on the mediating role of financial innovation on the relationship between Leadership style and financial performance.

4.7 Chapter Summary

This chapter presented the analysis of the data collected and discussion of the findings. The study utilized descriptive statistics, correlation analysis and regression analysis including PROCESS model. The chapter also discussed the findings and summary of the hypotheses. The regression analysis results confirmed mediating effect of financial innovation and moderating effect of banking regulation on the relationship between leadership style and financial performance of commercial banks in Kenya. The Moderation mediating effect was also confirmed.

CHAPTER FIVE

DISCUSSION OF FINDINGS

5.1 Introduction

This chapter presents the discussion of the research findings. The study sought to establish the relationship between leadership style, financial innovation, banking regulation and financial performance of commercial banks in Kenya. Data was ana, ysed using descriptive, correlation, regression analysis, and PROCESS Analysis for mediation, moderation and moderation-mediation. Significance test were done at 5% level of significance ($\alpha = 0.05$) or 95% significance level using paratmentric test statistics. The evaluation focused on the hypotheses derived from the objectives of the study.

5.2 Discussion of Findings

The problem statement established disparities in financial performance amongst commercial banks with similar characteristics. Literature review established conceptual, contextual and methodological gaps within studies that sought to explain factors that affect financial performance of commercial banks. These gaps included limited literature on the mediating role of financial innovation, moderating role of banking regulation as well as the moderated mediation role of banking regulation. This study therefore sought address the research gaps by focusing on commercial banks that were in operation in Kenya between 2017 ad 2021.

The results established that, based on partial interdependency effect estimated by beta coeffcicnts, transformational leadership is the most prevalent leadership style that contributes to financial performance of commercial banks, followed by democratic leadership and autocratic leadership in that order. Additional finding showed Laissez-faire leadership is the least prevalent with insignificant negative effect on financial performance. This finding implied that there is a high prevalence of teamwork, collaboration, encouragement about innovation and concern for staff welfare amongst bank managers. Though autocratic leadership exists, its prevalence is far much lower compared to democratic leadership. Its existence could be justified by the fact that some banking activities such as security procedures, risk management, cheque clearing and other money transfer services are time sensitive and may require strict adherence to processes and timeline. In

addition, security and fraud prevention controls may require little or no deliberations since failure to follow any of them may lead to reputational damage and financial losses.

The study confirmed that leadership style has a significant influence on financial performance of commercial banks in Kenya with democratic, transformational and autocratic style having a positive effect while laissez-faire style has a negative effect. The findings further revealed that there exists a partial mediation effect of financial innovation on the relationship between leadership style and financial performance. In addition, there is a significant moderating effect of banking regulation on the relationship between leadership style and financial performance of commercial banks in Kenya. Lastly, the study confirmed that jointly, financial innovation and banking regulation, as measured through a moderating mediating effect have a significant influence on financial performance of commercial banks in Kenya.

5.2.1 Leadership Style and Financial Performance

The first objective of the study was to establish the influence of leadership style on the financial performance of commercial banks in Kenya. A multiple regression model was used to test the statistical significance of the independent variable on the dependent variable in commercial banks in Kenya with the first hypothesis stated stating that leadership style has no significant influence on financial performance of commercial banks in Kenya.

The study rejected the first hypothesis and established that Pearson correlation result indicated that leadership style has very strong positive and significant relationship with financial performance of commercial banks in Kenya. Similarly, the regression of coefficients of leadership style also indicated a positive and significant interdependency with financial performance of commercial banks in Kenya. Further, the regression of coefficients for the various leadership style indicated that transformational leadership has a positive and significant relationship with financial performance of commercial banks in Kenya. Democratic leadership style has a positive and significant relationship with financial performance of commercial banks in Kenya while Autocratic leadership has a positive and significant relationship with financial performance of commercial banks in Kenya. On the other hand, laisez-faire leadership was found to have a negative and significant relationship with financial performance of commercial banks in Kenya

The results agree with the behavioral theory on leadership especially in regard to the impact of transformational and democratic leadership on organizational performance. For example, the

results concur with the theoretical assertion that transformational leadership positively influences performance since leaders encourage innovation, challenge employess towards higher objectives as well as motivate employess through individualized consideration, an assertion also supported by Rawashdeh et al. (2021). In addition, the findings also support the theoretical assertion that democratic leaders positively impact organizational performance through promotion of teamwork, collaborative effort and innovation, an issue also supported by Chua et al. (2020) and Uysal et al. (2021). Though the behavioral theory is not clear about how autocratic leaders influence organizational performance, it seems to suggest that the style could negatively impact financial performance through discouragement of innovation and ideas generation (Northouse et al., 2015). Consequently, this study seems to contradct this aspect of the theory. However, in regard to laissezz faire leadership, this study agrees with the theoretical assertion that lack of direction from laid back leaders may negatively impact organizational performance.

The study also agrees with the empirical literature reviewed in chapter 2 of this study such as Ullah, (2019) who found that that effective leadership was responsible for General Electric's and Chrysler's turnaround from the brink of bankruptcy to being two of the most profitable companies in the world. In addition, it agrees with the assertion that poor financial performance by banks has been attributed to poor management of bank's reputation and ethical malpractices (Tian et al. 2017). It also supports Rowold and Heinitz (2007) who established that transformational leadership style improved on the impact of transactional leadership on performance of employees and company profitability. On the other jhand, the findings partially agree with Zeb et al. (2015) who found a positive correlation between democratic, autocratic, laisez-faire and transformational leadership style and financial performance of public sector organizations in Pakistan. In addition, the findings by Khan, Nawaz and Khan (2016) as well as Khan and Adnan (2014) to the effect that transformational and transactional leadership style have a positive impact on financial performance while laisez-faire style had a negative impact are fully supported by the findings of this study.

The findings are consistent with Schaubroeck et al. (2007) who stated that team potency measured through power distance and collectivism as practised by transformational leaders was responsible for improved financial performance by banks in the United States of America and Hong Kong. They however contradicted Jaussi and Dionne (2003) as well as Wang and Rode (2010) who did not find any significant relationship between transformational leadership on one hand and employee creativity and organizational performance on the other as well as Obiwuru et al. (2011)

who found insignificant correlation between leadership style and performance of selected small and medium enterprises in Nigeria. The findings also partially differ with Ajibade, Ajayi and Shobowale (2017) who found a positive correlation between autocratic, bureaucratic, and charismatic as well as laisez-faire leadership style and staff performance amongst staff in Nigerian Polytechnics as long as the leader applied each style in the right context.

Other authors whose findings are consistent with those of this study include Kittikunchotiwut (2020), Onagh and Azimi (2018), Zeb et al. (2015) as well as Ebrahimi, Moosavi and Chirani, (2016) who established that transformational leadership style positively contributed towards the financial performance. It also partly agreed with Ajibade et al. (2017) who found a positive correlation between autocratic, bureaucratic, and charismatic leadership with financial performance but found a positive relationship between laisez-faire leadership style with financial performance. It also agrees with Miloloza (2018) who concluded that authoritarian leadership style had a negative impact on the financial performance. The study also agrees with Khan and Adnan (2014) who found out that transformational and transactional leadership style have a positive impact on financial performance while laisez-faire style had a negative impact.

In regard to banking and financial services, the study agrees with Schaubroeck et al., (2007) who found out that transformational leaders were responsible for improved financial performance by banks in the United States of America and Hong Kong but contradicts Jaussi and Dionne (2003) as well as Wang and Rode (2010) who did not find any significant relationship between transformational leadership and organizational performance. It is also consistent with Walela and Okwemba (2015) who found a positive correlation between democratic and transformational leadership style and the financial performance of microfinance institutions in Kenya. The results however partly contradicted, Ojokuku, Odetayo and Sajuyigbe (2012 who observed that democratic and transformational leadership had a positive significant influence on financial performance while autocratic leadership style had a positive effect though statistically insignificant effect on the financial performance of the commercial banks.

5.2.2 Leadership Style, Financial Innovation and Financial Performance

The second objective of the study was to examine the intervening effect of financial innovation on the relationship between leadership style and financial performance of commercial banks in Kenya. Baron and Kenny (1986) moderation was used. The second hypothesis stated that financial

innovation has no significant intervening effect on the relationship between leadership style and financial performance of commercial banks in Kenya. The Four Step Mediation Methodology (PROCESS Model 4) was adpted to establish the intervening effect as proposed by Baron and Kenny (1986) as well as Preacher and Hayes (2004). The direct and indirect effects of leadership style (LS) were derived for two models, one estimating the mediator financial innovation (FI) from leadership style (LS) and the second estimating the financial performance from both leadership style (LS) and financial innovation (FI).

The study findings show that leadership style directly contributes 34.37% variation on financial innovation and 67.64% on financial performance. However, leadership style combined with financial innovation contributes 86.17% variation on financial performance implying presence of mediation effect as combined variation is higher than the total effect variation. The total, direct and indirect effect of leadership style on financial performance as assessed based on asymmetric bootstrap confidence intervals showed that the total effect of leadership style on financial performance was 0.7128, significant at 95% bias-bootstrap ($p<0.005$), the direct effect of Leadership style on financial performance was 0.4429 and significant at 95%, and the indirect effect of financial innovation on the relationship between leadership style and financial performance as 0.3115. From the results it was clear that the total and direct effects were both positive and significant and different from zero, while the indirect effect was also positive and significant and different from zero implying presence of a partial mediation effect on the mediating role of financial innovation on the relationship between leadership style and financial performance.

The findings are consistent with diffusion of innovation theory especially in regard to the assertion that reduced costs, time savings as well as profitability are some of the main factors that drive adoption of innovation (Kogabayev et al., 2017) and Central Bank of Kenya (2020). This is further supported further by secondary data on financial performance of commercial banks which indicate that the 3 banks that account for 90% of bank agents also rak highly in terms of profitability, growth in asssets, return on assets and return on equity. The banks occupy the top 3 positions on all parameters with only one of the banks ranking 6^{th} on average return on assets and 5^{th} on average average return on equity. In addition, the three banks also offer merchant point of sale terminals, a service being offered by only one other bank, which interestingly ranks amongst the top seven on all parameters. Another observation from the secondary data that supports the foregoing is that the three banks that have not established digital channels ranks in the bottom ten in regard to

average return on equity, average return on assets, average growth in assets and average profitability except one bank that ranks 17th and 13th on average return on equity and average return on assets respectively. Lastly, another noteworthy statistic relates to the fact that the three banks without digital channels have reported losses during the period of this study.

Further proof that innovation is positively correlated with financial performance id provided by the fact that the banking industry also reported improvement in overall financial performance every year between 2017 and 2021 with the exception of decline in overall profitability and income by 5.68% and 3.12% respectively 2017 and decline in profitability by 29.3% in 2020. Between 2017 and 2021, Central Bank of Kenya reported an upsurge in innovation such as introduction of Pesalink payment system, a form of open innovation in 2017 and growth in mobile banking accounts to 16 million as well as mobile loans to 7 million in 2018. Other reported innovations include introduction of new fintech products by 80% of commercial banks in 2019, digitization of processes as well as introduction of at least one digital lending product by 53% of banks and new digital payments product by 20% of the banks during the first quarter of 2021. Central Bank of Kenya Bank supervision reports between 2017 and 2021 also reported that the innovations were motivated by a need to increase revenue, cust costs and improve efficiency. The Central Bank also reported that the innovations led to increased revenue, a fact supported by the banks' audited accounts as well as the findings of this study.

In regard to empirical literature, the findings are consistent with Cherotich, et al., (2015) who found out that the value of electronic payments by Kenyan banks was positively correlated with bank profitability. They were also partly consistent with Nkem and Akujinma (2017) who found out that the value of Automated Teller Machine and Point of Sale transactions amongst banks in Nigeria have a negative correlation to efficiency ratios while web, internet and mobile banking have a positive correlation. Further consistency was established with Motwani and Vora, who found out that private and public sector banks who adopt technology and technology based products in India are more profitable, more operationally efficient, had higher asset quality, are better at managing costs compared to than those that were lagging behind in technology adoption. In addition, the findings of Mabrouk and Mamoghli (2010) to the effect that first mover innovation amongst banks was positively correlated with improved profitability while imitators were both less profitable and less efficient than first mover innovators were consistent with the findings of this study. Lastly, the findings agree with diffusion of innovation theory as expounded by Al-Jabri and

Sohail (2012) to the effect that individuals and organizations engage in innovation due to perceived benefits such as reduced costs, time savings as well as profitability. The study also agrees with Gundogdu and Taskin (2017) who asserted that growth in credit card usage had a positive and significant relationship with return on assets, return on equity and net interest margin amongst Turkish banks

Within the Kenyan financial sector, this study is consistent with Otieno and Muia (2020) who established a strong and positive correlation between growth in value of cheques cleared, growth and volume and value of electronic funds transfers as well as growth in volume of Real Time Gross Settlement transactions and the return on assets at Equity Bank, Kenya between 2010 and 2013. It also agrees with Chipeta and Muthinja (2017) who observed a positive and significant relationship between branchless banking models and financial performance of commercial banks in Kenya measured in terms of return on assets and return on equity.The study however contradicts Akani and Tony – Obiosa (2020) who established that growth in electronic funds transfers had a negative but insignificant impact on the banks' return on equity and a positive but insignificant relationship between internet banking and return on equity of commercial banks. Also inconsistent with the findings of this study are those of Zouari-Hadiji. (2021) however noted that the impact of financial innovation on a bank's overall financial performance depended mostly on its ability to manage and mitigate the risks inherent in the innovation.

5.2.3 Leadership Style, Banking Regulation and Financial Performance

The third objective of the study was to determine the moderating effect of banking regulation on the relationship between leadership style and financial performance of commercial banks in Kenya. Baron and Kenny (1986) moderation was used. The third hypothesis stated that banking regulation has no significant moderating influence on the relationship between leadership style and financial performance of commercial banks in Kenya.

The moderating effect was assessed and deduction made based on the strength and direction of the interaction term "the mediator", through the variation or change in the coefficient of determination (R-Square change). Hypothesis decision were arrived at using the determination of the statistical significance of the interaction term. Result of test of higher order unconditional interaction to estimate the contribution of banking regulations showed that the proportion of total variation in the outcome attributable to the interaction was 0.63%, thus the interaction between Leadership

style and Banking regulations would contribute 0.63% significant variation on financial performance with a partial reduction significant effect of 0.0573. In addition, the "Conditional effect of the focal predictor at values of the moderator" for Banking regulations at mean was 0.4044 and statistically different from zero ($p<0.005$), at one standard deviation point above the mean was 0.3392 and at one standard deviation point below the mean was 0.4697 and also statistically different from zero. The findings showed that higher effect of Banking regulations were evidence at one standard deviation point below the mean implying the negative partial effect significant as leadership style that embraces more banking regulation would significantly reduce their financial performance.

The findings suggest that Central Bank regulations have been effective in regard to solving the agency problem that may emerge if bank directors and managers were to pursue their personal interests at the expense of the shareholders. The findings therefore lend credence to authors such Rono et al, (2022) who asserts that the agency theory is applicable to banking regulation especially because regulation mitigates moral hazard. In addition, the findings support El-Chaarani et al, (2022) who asserts that financial disclosure and corporate governance requirements, as a way of resolving the agency problem, have a positive impact on bank performance. Further support for the findings emanate from the fact that despite the introduction of interest rate capping regulations in 2016, commercial banks experienced a decline in overall profitability and income in 2017 alone but were able to return to a growth in overall profitability in 2018. The growth in overall profitability in 2018 was despite the introduction of IFRS 9 which led to increased provisioning for loans. In addition, the introduction of regulations requiring banks to stop charging for remittance services involving transfer of funds from bank account to mobile phones in 2020 did not result in decreased overall income or profitability. The foregoing seems consistent with Bank of International Settlements (2021) who established that implementation of Basel III liquidity requirements had a negative impact on banks' short-term profitability but a positive impact on long-term financial stability.

The findings are in agreement with the empirical literature reviewed in this study such as Chortareas, Girardone and Ventouri (2011) who established that strengthening capital restrictions and official supervisory powers has a positive effect on banks' operating efficiency, cost management and profitability. Other studies that are consistent with these findings include Ben Naceur and Omran (2011) who found out that regulatory variables such as capital adequacy, asset

quality regulations and regulations on prohibited business decreases banks' cost efficiency without affecting performance. In addition, the findings of Singh and Bagga (2019) who found out that increase in capital had a positive impact in profitability while increase in debt had the opposite effect are also consistent with the findings of this study as are those of Mashamba (2018) who asserted that an increase in regulatory pressure does not lead to a decline in bank profitability within emerging markets. This study also agrees with Musengimana and Mulyungi (2017) who established a significant positive relationship between implementation of prudential regulations and financial performance of commercial banks in Rwanda as well as Ajayi et al. (2019) who established that implementation of capital adequacy ratio requirements had a positive and strong correlation with financial performance of deposit taking money banks in Nigeria.

The study findings however contradicted Tian et al. (2017) who asserted that regulations such as liquidity ratio and capital adequacy requirements have been perceived to be an indirect tax on financial institutions and thus increases costs which could negatively affect performance. It also contradicts Duraj and Moci (2015) who asserted that additional liquidity requirements in Albania had a negative effect on the profitability of commercial banks in the country. In addition, Golubeva, Duljic and Keminen (2019) found out that amongst Swedish Bank, Basel III liquidity measure of loan cover ratio had an insignificant impact on return on assets, return on equity and profitability, a finding that is partly inconsistent with the findings of this study.

5.2.4 Leadership Style, Financial Innovation, Banking Regulation and Financial Performance

The fourth objective was to determine the extent to which an indirect effect of Leadership style on financial performance through financial innovation work could be moderated by the banking regulations using a Moderation-Mediation model as proposed by Hayes (2012). This was in line with the fourth hypothesis which stated that the moderating effect of banking regulation has no significant effect on the mediating role of financial innovation on the relationship between leadership style and financial performance of commercial banks in Kenya.

The regression of coefficients results from Hayes and Rockwood (2020) model for moderated mediation analysis was adopted in estimating the indirect effect of predictor of Leadership style and Banbking regulations on Financial performance through the mediator Financial innovation using Model 8 of PROCESS analysis. Result for the coefficient of determination for outcome

variable financial innovation was R^2=0.4582, with a partial positive and significant effect of Leadership style at β=0.282 (p<0.005) and Banking regulation at β=0.362 (p<0.005). The unconditional effect caused on the relationship between Leadership style and financial innovation by the moderator Banking regulations was provided by change in coefficient of determination as R-Square Change = 0.0158. This change was statistically different from zero given the p-value of 0.004 at 95% level of significant, and implied Banking regulations significantly moderate the relationship between Leadership style and financial innovation. The coefficient of determination result for outcome variable Financial performance was R^2=0.9337, with positive and significant partial effect of Leadership style at β=0.305 (p<0.005), Financial innovation at β=0.352(p<0.005) and Banking regulations at β=0.334(p<0.005). The unconditional effect variation was change in R^2 = 0.001 and insignificant give the p-value of 0.4665 at 95% level of significance.

The conditional effect of Banking regulations through mediated effect of financial innovation yielded an effect of 0.2821 and statistically different from zero (p<0.005) at mean value with both lower and upper limits being statistically different from zero. However, at one standard deviation below the mean, the effect increases to 0.4331, with lower and upper confidence interval being statistically different from zero (p<0.00), in the contrary at one standard deviation above the mean, the effect reduces to 0.1312 with insignificant negative contribution at lower confidence interval (-0.0326) and positive upper confidence interval (0.2949), implying that more banking regulation would negatively moderate the mediating role of financial innovation on the relationship between leadership style and financial performance. The result of bootstrap analysis of the conditional indirect effect of Banking regulation revealed a lower limit level confidence interval of -0.0117, and index of moderated mediation of -0.0466 with both bootstraps upper and lower limit confidence intervals being negative and statistically different from zero at 95% level of significanceon implying that Banking regulations has negative moderation effect on the mediating role of financial innovation on the relationship between Leadership style and financial performance.revealed.

The findings are in line with Tian *et. al* (2017) who established that the conduct of business regulation which includes regulations on product development and by extension financial innovation is motivated by need for consumer protection and instilling confidence in the financial sector though it also amounts to indirect taxation which in turn negatively affects financial performance. The study by Loizos (2014) argued that banks in the United States of America had

used financial innovation in the interbank market to circumvent banking regulations on capital adequacy which insinuates that the regulations had a negative impact on innovation and financial performance thus agreeing with the findings of this study. The findings also agree with Zouari and Abdelmalek (2020) who established that operational risk management had a partial mediating effect on the relationship between financial innovation and the stock market performance and return on assets of commercial banks in Tunisia. It in addition, concurs with the findings of Guermazi (2017), who found out that improvement in the quality of insurance and banking services in Tunisia throughout innovation depends on the mediating role of risk management as well as Halim et al. (2017) who found out that size and independence of risk management committees mediates between corporate governance practices and the financial performance of a firm are consistent with this study.

In Kenya, the study is consistent with Momanyi (2018) who established that financial stability had a mediating effect on the relationship between banking regulation and financial inclusion. The findings of this study however partially contradicts Blind (2012) who asserted that the impact of economic, social and institutional regulations on financial performance depended on whether the regulations promoted or restricted innovation through promoting compettiion and market entry amongst other factors.

This fnding trangulated data from Central Bank of Kenya's bank supervision reports which reveals that between 2017 and 2021, additional laws and regulations affecting banking included implementation of interest rate capping in 2017, banking sector charter in 2019, IFRS 9, IFRS 16, and restrictions on charges relating to mobile money transfers upon the onset of COVID 19 pandemic. Other additional regulations include but are not limited to Digital Credit Providers Regulations, Climate Related Risk Management, Risk Weighting of Mortgage Loans, Internal Capital Adequacy Assesment, Pandemic Planning, Anti-Money Laundering Risk Assessment and Independent Review of Anti-Money Laundering Programs. These regulations were in addition to and not a substitute for the Banking Act, Prudential Guidelines, Risk Management Regulations, Foreign Exchange Guidelines and others that were in existence at the time. However, despite these additional regulations, the sector continued to experience an upsurge in digital lending innovations, money transfer solution and process automations as reported by Central Bank of Kenya Innovation Surveys of 2020 and 2021. In addition, as reported under the Central Bank of Kenya Supervision Reports, the sector continued to experience growth in profitability, asset base, loan book, deposits

and income amongst other parameters. The foregoing is proof that the regulations indeed had a positive impact on innovation while the innovation had a positive impact on financial performance, a fact that contradicts the negative moderated mediation role.

5.3 Summary of Research Findings

Chapter five presented discussions of the findings of the study. The discussions and interpretations have been made using statistical knowledge and the existing body of theoretical and empirical literature. Based on the findings, hypothesis one, two and four were not confirmed, while hypothesis three presented partial mediation. The summary of the results is contained in Table 5.1.

Table 5.1: Summary of Hypotheses

Objective	Hypothesis	Hypotheses Test Results
Objective 1: To establish the influence of leadership style on the financial performance of commercial banks in Kenya	Hypothesis 1: H01: Leadership style have a no significant influence on financial performance of commercial banks in Kenya.	Rejected (Significant effect)
Objective 2: To examine the intervening effect of financial innovation on the relationship between leadership style and financial performance of commercial banks in Kenya	Hypothesis 2: H02: Financial innovation has no significant intervening effect on the relationship between leadership style and financial performance of commercial banks in Kenya.	Rejected (Partial Mediation)
Objective 3: To determine the moderating effect of banking regulation on the relationship between leadership style and financial performance of commercial banks in Kenya.	Hypothesis 3: H03: Banking regulation has no significant moderating influence on the relationship between leadership style and financial performance of commercial banks in Kenya	Rejected (Negative moderation effect)
Objective 4: To determine if the moderating effect of banking regulation would affect the mediation effect of financial innovation on the relationship between leadership style and financial performance of commercial banks in Kenya.	Hypothesis 4: H04: The moderating effect of banking regulation has no significant effect on the mediating role of financial innovation on the relationship between leadership style and financial performance of commercial banks in Kenya.	Rejected (Negative moderating-mediating effect)

As indicated in Table 5.1, hypotheses one was not confirmed as there were evidence to prove the that leadership style have significant influence on financial performance of commercial banks in Kenya. In addition, the study failed to accept hypothesis two as financial innovation exhibited a partial meditation effect on the relationship between leadership style and financial performance of Commercial banks in Kenya. The study again failed to accept the third hypotheses since there was evidence to show that banking regulation has negative moderation effect on the relationship between leadership style and financial performance of commercial banks in Kenya. Lastly, hypotheses four was not confirmed as there was evidence that banking regulations has negative moderation effect on the mediating role of financial innovation on the relationship between leadership style and financial performance of commercial banks in Kenya.

5.4 Revised Model

Based on the study findings, a model optimization was conducted. The aim of model optimization was to guide in derivation of the final model where only the significant variables are included for objectivity. Results were arrived at through running regressions analysis. Results of the new conceptual framework are presented in Figure 5.1.

Independent Variables **Moderating** **Mediating** **Dependent**

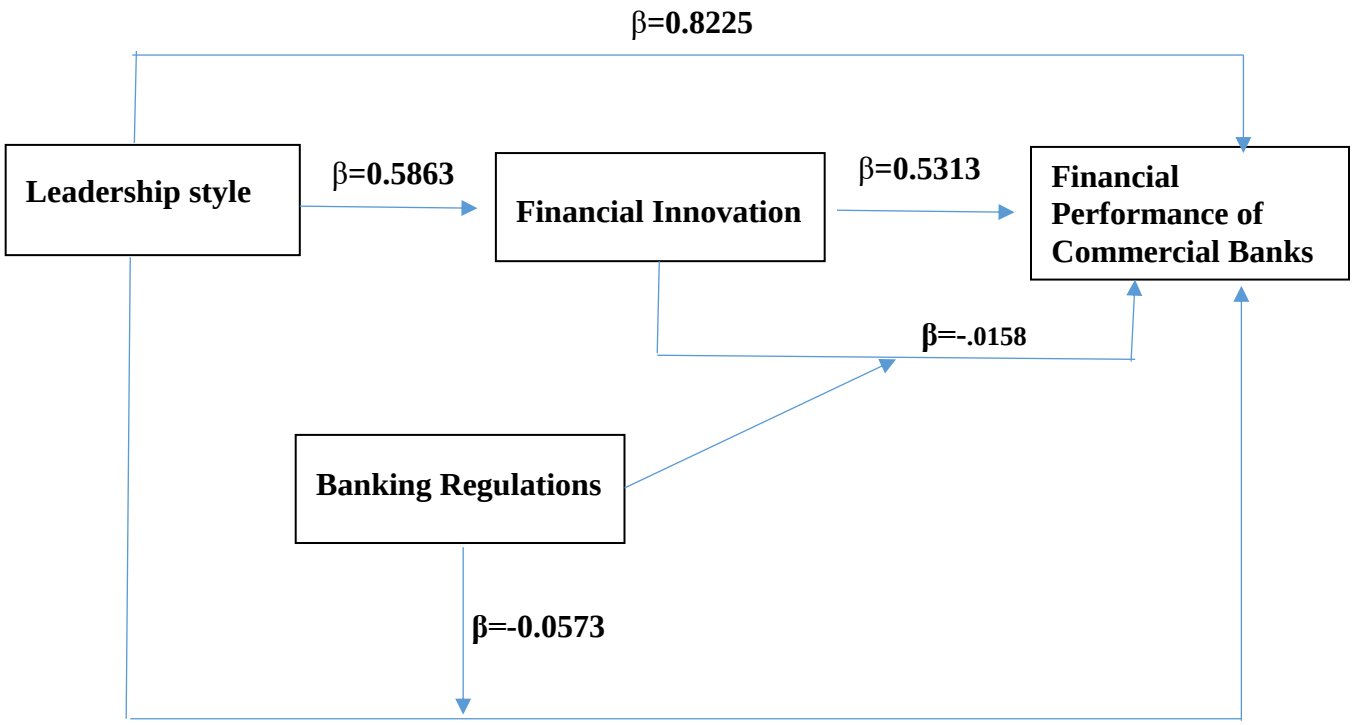

Figure 5.1: Revised Conceptual framework

The model indicate that only autocratic leadership style was dropped, as it was not significant. However, the intervening effect of financial innovation was confirmed, the moderating effect of banking regulation was confirmed and the moderating mediating effect was also confirmed.

CHAPTER SIX

SUMMARY AND CONCLUSIONS

6.1 Introduction

The main objective of the study was to establish the relationship between leadership style, financial innovation, banking regulation and the financial performance of commercial banks in Kenya. Specifically, the study sought to establish the influence of leadership style on the financial performance of commercial banks in Kenya; the intervening effect of financial innovation on the relationship between leadership style and financial performance of commercial banks in Kenya; the moderating effect of banking regulation on the relationship between leadership style and financial performance of commercial banks in Kenya. Lastly, the study also sought to determine the if moderating effect of banking regulation affects the mediating befect of financial innovation on therelationship between leadership style and financial performance commercial banks in Kenya. This chapter presents the summary of the findings and conclusions.

6.2 Summary of Study

The main objective of the study was to establish the relationship between leadership style, financial innovation, banking regulation and the financial performance of commercial banks in Kenya. The first objective was tested by hypothesis one as stated in its null form; **H_{01}:** Leadership style have a no significant influence on financial performance of commercial banks in Kenya. The regression of coefficients indicated that leadership style has a positive and significant relationship with financial performance of commercial banks in Kenya. Further, the findings showed that transformational leadership has a positive and significant relationship with financial performance of commercial banks in Kenya. Democratic leadership style has a positive and significant relationship with financial performance of commercial banks in Kenya. Autocratic leadership has a positive and significant relationship with financial performance of commercial banks in Kenya. On the other hand, laisez-faire leadership has a negative and significant relationship with financial performance of commercial banks in Kenya. Since majority of the p value 0.000<0.05 is less than the critical value 0.05, the study concluded that leadership style has a significant influence on financial performance of commercial banks in Kenya.

The second objective of the study was to examine the intervening effect of financial innovation on the relationship between leadership style and financial performance of commercial banks in Kenya. The second hypothesis was stated in the null form that: **H02:** Financial innovation has no significant intervening effect on the relationship between leadership style and financial performance of commercial banks in Kenya. The results indicated that financial innovation had an intervening effect on the relationship between leadership style and financial performance of commercial banks in Kenya. Therefore, this indicates that there exists a partial mediation effect on the mediating role of financial innovation on the relationship between leadership style and financial performance.

The third objective of the study was to determine the moderating effect of banking regulation on the relationship between leadership style and financial performance of commercial banks in Kenya. Baron and Kenny (1986) moderation was used. The third hypothesis stated in the null form that: **H03:** Banking regulation has no significant moderating influence on the relationship between leadership style and financial performance of commercial banks in Kenya. The results indicated that after moderation, the R^2 increased by 0.36%, however the conditional effect of Banking regulation revealed at mean the effect was 0.4044 and statistically different from zero ($p<0.005$), at one standard deviation point above the mean was 0.3392 and at one standard deviation point below the mean was 0.4697 and also statistically different from zero implying negative moderation effect. The study thus rejected the null hypothesis and adopted the alternative hypothesis that there is a significant negative moderating effect of banking regulation on the relationship between leadership style and financial performance of commercial banks in Kenya.

The fourth objective was to determine the moderating effect of banking regulation on the mediationg role of financial innovation on the relationship between leadership style and financial performance of commercial banks in Kenya. The fourth hypothesis stated in the null form that the moderating-mediating effect of banking regulation does not significantly affect the mediating role of financialinnovation. The study found that banking regulation has negative moderating effect on financial innovation mediating role on the relationship between leadership style and financial performance in Kenya. This implied that a leader's adoption of banking regulation negatively affect their fibacial innovation and thus financial performance.

6.3 Conclusion

The study concludes that Leadership style has a significant influence on financial performance of commercial banks in Kenya. Specifically, Transformational, Autocratic and Democratic leadership style have a positive and significant relationship with financial performance of commercial banks in Kenya, while on the other hand, Laisez-faire leadership has a negative and significant relationship with financial performance of commercial banks in Kenya.

The study concludes that financial innovation has a significant partial intervening effect on the relationship between leadership style and financial performance of commercial banks in Kenya. Financial innovation has come via advances over time in financial instruments and payment systems used in the lending and borrowing of funds. In the current highly commoditized transaction banking market, it is critical that innovation is used to improve accessibility of banking products and services, improve the client experience and reduce operational cost for both the corporate client and the banks. Financial innovation is considered to be one of the key forces for the performance of banks as it has an impact on consumers, because it has the potential to improve the efficiency and profitability of the banking industry.

The study concludes that banking regulation significantly neagively moderates the relationship between leadership style and financial performance of commercial banks in Kenya. Banking regulation is core in addressing concerns over the safety and stability of financial institutions, the financial sector as a whole, and the payments system. However, as the government regulates banks more in order to ensure that capital is allocated to the best projects, banks portfolio management services and handle payment system in an effective manner, and to ensure that problems in the financial sector do not spill over to real economy among others, ensure investors are not ripped off or misled, reduce excessive risk-taking, protect consumers and minimize conflict of interest. With regulations on amount of capital required for certain levels of business (capital adequacy), income recognition and recording, consumer protection, level of liquid assets, allowed and prohibited business activities, loan grading and write off amongst others. However, its cleat that as the banks are more and strictly regulated, their financial performance also reduces as these measures affects the bank ability to generate revenue and profit thus financial performance.

The study concludes that banking regulation significantly moderates the meadiating role of financial innovation on the relationship hip between leadership style and financial performance of

commercial banks in Kenya. Leaders have dual roles when managing innovation. In a bottom-up role, they stimulate innovative results as they facilitate ideas and initiative coming from individuals and teams. In a top-down role, leaders are the primary means for the organization to realize its innovation goals and strategies. Innovative behaviors are closely related to leadership style because leaders are the one who establish organizational goals, make decision on adopting and applying new ways of doing job and motivate employees. In addition, regulators have the power to influence innovation through approval processes for new products, imposing requirements on prohibited and allowed business activities as well are levels of capital required for certain levels of risk (risk weighting of assets and liabilities). Consequently, regulators can influence both the level and nature of innovation and by extension, the resultant financial impact. The indirect effect of regulations measures is that they hinder leadership ability to financial innovations and this has far reaching effect on the financial performance of commercial banks.

CHAPTER SEVEN

RECOMMENDATIONS

7.1 Introduction

The recommendations of this study were made in line with the objectives findings and the conclusions of this study. The chapter relooked at the implication of the study on the theory, practice and policy. The study therefore has specific implications for practice, policy and theory.

7.1.1 New Contribution to Knowledge

Earlier studies in regard to the impact of banking regulation and financial innovation on financial performance of commercial banks conceptualized both innovation and regulation as independent variables or on a few cases, as moderating, mediating or intervening variables. This study however conceptualized that both innovation and regulation have a combined effect on financial performance. This combined effect was measured using moderated mediation. The research findings indicated that regulation has a negative moderation effect on the mediating role of financial innovation on the financial performance of commercial banks in Kenya. Consequently, the findings concurred with past research which asserts that regulation obstructs financial innovation.

Review of Central Bank Supervision reports however showed that despite additional new regulations between 2016 and 2021, commercial banks continued to grow in profitability, total assets, return on equity and return on equity except in 2017 and 2020 where there was a decline in overall profitability. Some of the main regulations included requirements for additional documentation for transactions of one million kenya shillings and above, IFRS 9 and IFRS 16, Pandemic response, implementation and reclassification of mortgage loans. Documentation of transactions may have had an impact in regard to payments processing while pandemic response led to a ban on charges on mobile money transfer transactions. The other three regulations had an impact on income recognition. The review further revealed that the overall decline was as a result of a more than proportionate decline in profitability by some banks compared to the growth in profitability by others. During the same period, commercial banks engaged in innovation and launhed a number of digital products which include but are not limited to digital savings accounts,

digital payments and digital loans. The banks also engaged in process automation inclusing but not limited to new core banking systems and use of artificial intelligence.

The study therefore concludes that the negative impact of regulation on both innovation and financial performance is only temporary with banks being able to bounce back from the temporary decline in financial performance within the financial year after introduction of the new regulations. The foregoing may be accounted for by the fact that regulation led to more market discipline which led to creativity within a more robust risk management framework. In addition, though mortgage loan re-classification, IFRS 9 and IFRS 16 may have led to reduced income, none of them led to an actual outflow of cash. Consequently, the regulations just led to increased retention of funds within the banks which could in turn be re-invested in income generating activities. In addition, though interest rate capping and pandemic response regulations led to reduction in both interest and fee income respectively, the banks resorted to increased innovation whose income more than compensated for the lost income. For example, the upsurge in fee based digital loans more than compensated for lost interest income resorting from interest rate capping.

7.1.2 Recommendations for Practice

This research recommends commercial banks in the country need to incorporate effective transformational and democratic leadership style as well as financial innovation and compliance in their management dvelopment programs. This will be done through staff training and development using both in-house and open training programs as well as continuing development programs. Banks should join hands with training institutions such as Kenya Institute of Bankers and Kenya School of Monetary Studies amongst others in regard to development of leadership, financial innovation and compliance modules under their training programs. This could be undertaken under a joint initiative akin to an open innovation. The foregoing will promote high levels of creativity, flexibility and innovation in major operations of the banks. Additionally, transformational leadership style will allow the management to include employee involvement in major decision-making process in the bank leading to low resistance to changes in major operations. The banks' top management shall be trained on how to adopt transformational and democratic leadership styles to improve the bank performance. This is because transformational leadership strategies allow the managers not only to motivate but also to inspire their employees leading to high staff motivation as well as productivity increase in the bank.

In order to cope with the ongoing and upcoming changes in the banking industry as well as the wider financial sector, bank mamangers, directors and other leaders should prepare in advance by giving additional emphasis and focus on financial innovation related research and development. They will also need to ensure that the working environment within the banks is suitable for creativity and innovation through appreciation and entertaining of different ideas arising from individual or group of employees. They will also need to establish programs and initiatives that offer both intrinsic and extrinsic reward and recognition for innovation. On the other hand, the leaders are encouraged to offer guidance during the innovation process especially in regard to ensuring that all innovation initiatives are compliant with relevant laws and regulations. They must also pay attention to their leadership style especially in regard to ensuring that their leadership style contributes to improvement of the performance of employee and then bank as a whole. In this regard, this study recommends regular evaluation of impact of leadership style on employee productivity and morale.

This study recommends establishment of research and innovation hubs within the banks that are yet to establish innovation hubs with a view to promoting creativity and innovation. Alternatively, a shared innovation hub could be established under Kenya Bankers Association to serve banks that may hot have the resources to establish in-house innovation hubs. This will ensure that bank leadership recognize that financial innovation generates value for all stakeholders as well as contributes to the success of the firm. Moreover, this initiative will lead to financial innovation is conducted in a n empirical manner with inherent risks being properly evaluated and mitigated. Bank leadership should also work on the development of new financial tools and methods to keep abreast of the social, economic and technological developments that affected the financial performance of banks. Bank leadership should also delibarrately conduct regular market intelligence and also ensure quick responses to the same especially with regard to innovation and review of performance of new products as well as impact of new systems and processes. It is also critical that the bank leadership identifies persons of influence who can champion and promote adoption of innovations with a view to increasing speed of adoption which in turn improves performance.

The study recommends that bank managers and owners prioritize staff training on compliance with regulations with a view to ensuring that they abide by Central Bank of Kenya's prudential and risk management guidelines. This will reduce instances of regulatory penalties and other sanctions as

was witnessed when five banks were penalized in 2010 due to non-compliance with anti-money laundering regulations. There is also need to emphasize the importance of regulation and the fact that recent regulations have in fact positively contributed positively to innovation and financial performance despite the general opposite perception amongst bank managers. There is also need for banks to continue with open innovation initiatives and add to existing ones such as Pesalink, Real Time Gross Settlement and Cheque Truncation since open innovation increases stakeholder value.

7.1.3 Recommendations on Policy

This study shows that there is a link between the leadership style and the establishment of a performance culture within commercial banks in Kenya. The validity of this study is upheld by the consistency with which qualities of transformational leadership and democratic leadership match the requirements of enhancing financial performance. Transformational leaders involve followers in distributive leadership through which they learn how to learn, adapt and lead change while Democratic allow for a holistic and integrated regulatory policy approach. Stakeholders within the banking industry should consider leading the sector into a non-traditional direction through an emphasis on understanding leadership behavior and its impact on results. Since leadership style can be learnt stakeholders within the banking industry should consider offering training programs to managers and direcors on leadership style as a means to enhancing organizational performance. The stakeholders should also consider holding national conferences on innovative leadership models as a way of supporting creativity and innovation within the banking industry. The seminars should be geared towards open innovations as well as guiding leaders on how how to apply leadership style, models and behavior as a catalyst for change, creativity and innovation.

At the policy level, Central Bank of Kenya and The National Treasury should lead government efforts geared towards ensuring that the regulatory framework is supportive of financial innovations, development of appropriate leadership skills while at the same time ensuring that the safety and soundness of the banking sector is safeguarded. Central Bank of Kenya should consider reviewing the prudential guideline on corporate governance as well as the fit and proper requirements in order to include aspects of democratic and transformational leadership. In addition, the prudential guideline on new product development cpould be reviewd to include a requirement for post product launch market survey with the results being shared with Central Bank.

Post product launch market survey results could be used to offer insight into real impact of innovation which could be of help to both scholars and bankers. The study contends that on their own, policy instruments may not be beneficial to praticitoners and consumers unless the policies support the complex and habitual multi-dimensional nature of innovation. The study proposes that design of an innovation policy or regulation must entail clarification the main objectives, ascertaining problems that innovation is meant to resolve, and ensurfing that innovation leads to improved stakeholder satisfaction. More importantly, strengthening regulation and especially in regard to innovation should not stifle creativity and dynamism within the banking sector.

The government should also, through deregulation, ensourage linkages between commercial banks, mobile phone companies and other digital financial services firms with a view to that encouraging them to not only share infrastructure but engage in open innovation initiatives. The government should also provide incentives for research and development to researchers who would continously invest time and skills in generation of ideas regarding financial innovation which can cut across the banking, financial technology and communication sectors. Commercial banks should adopt the use of financial innovation to increase their financial performance. In addition, this study recommends that Central Bank of Kenya publishes more detailed statistics about the performance of various digital banking products. This may include product uptake per banks as well as growth of various products by bank. For example, while Central Bank discloses in its 2021 bank supervision report that three banks account for 90% of all agents and proceeds to disclose the number of agents for each of the 3 banks, the same report fails to disclose the other nineteen banks that have implemented agent banking as well as the number of agents for each of the banks. Publishing of detailed information will aid verification of primary data collected by researchers as well as help banks in benchmarking with competition.

The study recommends that CBK enhances regulations on commercial banks in Kenya, since the regulations have a long-term positive impact on the financial performance of commercial banks in Kenya. However, there is need to ensure that a holistic and integrated approach to regulation and policy formulation is adopted in order to strengthen the regulatory framework and ensure that the needs of all stakeholders are addressed. The study also recommends a consultative and participatory and consultative process with all stakeholders with a view to ensuring that all are made part of the development and implementation of bank supervision, monitoring and evaluation system. This approach will ensure that chances for passing bad regulations are minimized, while

all stakeholders will take ownership of the regulations which will in turn boost compliance. It will also be imperative that changes in regulations are gradual, cumulative and progressive with a view to ensuring that banks do not choke under the weight of rapid and disruptive change.

7.1.4 Implication for Theory

Leadership style has explained how leaders combine both task and relationship behaviors in order to influence achievement of objectives. The style approach, anchored under the behavioral theory of leadership, does not offer a neatly organized prescription for effective leadership but rather an approach that offers a framework for assessing leadership in a broad way. The style approach has depicted the focus of leaders on the fact that their leadership must strive to balance both task and relationship factors. In this regard, leaders must be conscious of the fact that their behavior must be inclined towards ensuring that they address both relationship and task issues

This study has brought forth the conceptualization of diffusion of innovation theory. Innovations and the diffusion of innovations theory are applicable in banking and financial services with process simplification, cost savings and revenue growth being the key motivators. Diffusion of innovation determines the extent to which financial innovation influences financial performance of commercial banks in Kenya as exhibited through growth in assets, increased profitability, return on assets and return on capital employed. The theory has depicted its relevance on financial institutions in planning for launching of new products and services. This study has also brought forth the fact that the most innovative banks in terms of adoption of digital channels are also the bet performing in tetms of profitability, return on assets, return on equity and growth on assets.

The study brought forth the applicability of the stakeholder theory in banking regulation. Banking regulation is aimed at ensuring that interests of all stakeholders – customers, staff, shareholders and the general population – are protected. When properly implemented, regulations ensure that customers are protected and get value for money, shareholders get optimal returns on investment, staff are satisfied and the general population does not suffer from the externalities of bank collapse. The study has established the relevance of this theory in the banking sector through its emphasis on value creation, ethical practice and conduct of management. In addition, the study brought forth the fact that regulation, though a cost to the banks, is ultimately beneficial to the banks since in the long-term, they lead to improved performance.

The study brought forth the applicability of the agency theory in banking especially in regard to banking regulation. Banking regulation must amongst other things, ensure that bank managers and directors do not act in self interest and endanger the interests of the shareholders. The study has brought forth the fact that though expected to have a negative effect on innovation and financial performance, recent regulations in the banking sector have indeed had a positive impact. This may be explained by the fact that such regulations improved market discipline and therefore reduced incidences of harmful innovations.

The study identified research gaps in areas such as impact of social regulation, rsik based supervision, mis-leadership, cybercrime and social innovation on the performance of banks in Kenya. The foregoing are aissues of concern to both practitioners and regulators since they have an impact on the financial stability of commercial banks as well as the economy at large. If not well handled, they have potential to negatively impact public confidence in the financial sector.

7.2 Suggestions for Future Research

The study focused on all the commercial banks in Kenya. A study on the impact of leadership style on financial performance should be conducted in other sectors of the economy settings with similar market environments for comparison of findings such as insurance companies and microfinance institutions and Sacco's. Future research can also focus on other leadership style such as ethical and servant leadership as well as other leadership theories such as leader member exchange and theory X and theory Y leadership amongst others. In addition, future research needs to look at other financial performance outcomes like organizational learning as the dependent variable. Future researchers may also consider using different constructs of financial innovation as the mediating variable to test if the findings points to a mediation effect as in the current study.

Further research can also be undertaken on the topic using a different research design like longitudinal. This study provides results for comparison. Future researchers should consider using an interview to gather data so that the emotions, behaviors and feelings of the respondents are identified. This helps identify if there is any bias in the responses that are provided in the current research.

Further research should also be conducted on the impact of IFRS 9 and IFRS 16 on the financial performance of commercial banks. Further research should also be conducted in regard to the impact of COVID 19 on the performance of commercial banks in Kenya. In addition, limited

literature on the intervening effect of banking innovation, moderating effect of banking regulation and the combined effect of both innovation and regulation has been published and further research this area is recommended. Further studies on the impact of foreign currency exposure, interest rate capping, anti-money laundering and anti-terrorism financing and other financial crime related regulations can be conducted since there is limited literature on these areas.

The study was only conducted in the commercial banks yet leadership style applies across all sectors of the economy. The concept of leadership style has attracted considerable attention both nationally and internationally hence the need to expand the scope of research in this field. Carrying out the research in a different sector which has different structures of leadership style and policies may have yielded different results due to their mode of operations.

There is also need to conduct studies in regard to the impact of CBK risk management guidelines, risk based supervisory framework and cybercrime on the financial performance of commercial banks. Limited literature exists despite the fact that both the risk management guidelines and the risk based supervisory framework were issued in 2013. In addition, reports of banks losing billions of shillings through cybercrime abound thus making a study on the issue a necessity.

7.3 Limitations of the study

Data collection in some banks proved to be a challenge. Some commercial banks considered information on banking innovation and impacts of regulation to be confidential and were therefore reluctant to respond to the questionnaire. Some bank managers also indicated that it was against their company policy to divulge any information on the company operations. This made data collection a challenge in some commercial banks. The researcher took time to convince the respondents by informing them that the data was purely for research purposes. In some cases, alternative respondents were identified using the multi-level sampling method.

The study respondents were the management of the commercial banks. Some managers declined to fill in the questionnaire and indicate that the one another manager had completed was sufficient. The researcher overcame this challenge by providing clear communication to the managers that their participation was very important for the success of the research. Financial resources were also limited as the researcher had to hire research assistants to assist in undertaking the data collection. This was aggravated by the fact that some respondents took long to complete the

questionnaire and the research assistants had to do many follow up calls making the process expensive. This challenge was however resolved on case by case basis.

Secondly, the study looked at only three variables of leadership style, financial innovation, banking regulation on financial performance. However, there is a variety of other variables that have important effects on financial performance that were not included in this study. This constituted a limitation since there was a possibility of omission of other variables that may be relevant in the financial performance equation.

The study was also limited by access to primary data with some respondents being reluctant in regard to providing information. The reluctance emenated from fears regarding misuse of confidential information. In order to ally the fears, the researcher assured the respondents in regard to confidentiality of all information provided as guided by the ethics of research. The researcher also assured respondents that the information was entirely for academic use. In adition, strict internal policies on information security as well as sharing of financial information ensure that the researcher had to do multiple follow ups and had to seek permission from top management within the commercial banks.

REFERENCES

Aalateeg, S. (2017). Literature Review on Leadership Theories. *Journal of Business and Management (IOSR-JBM). Volume 19, Issue 11. Ver. III (November. 2017), PP 35-43*

Abdelhafid, M. & Buheji, M. (2019). The Impact of Information Asymmetry on the Bank Financing of SMEs in Algeria: An Econometric Study. *International Journal of Inspiration & Resilience Economy 2019, 3(1): 17-23* DOI: 10.5923/j.ijire.20190301.03. Available on https://www.researchgate.net/publication/340935151_The_Impact_of_Information_Asymmetry_on_the_Bank_Financing_of_SMEs_in_Algeria_An_Econometric_Study/link/5ea5d0a6a6fdccd79457282b/download

Abdul, B. (2021). Sample Size Determination Using Krejcie and Morgan Table. 10.13140/RG.2.2.11445.19687. DOI: 10.13140/RG.2.2.11445.19687

Abdul, J. (2017). Impact of Capital Adequacy on the Performance of Nigerian Banks using the Basel Accord Framework. East Africa Research Papers in Business, Entrepreneurship and Management EARP-BEM No. 2017:07. Jönköping International Business School (JIBS)

Abiodun-Oyebanji, O. (2017). Research Variables: Types, Uses and Definition of Terms. *Department of Educational Management, Faculty of Education, University of Ibadan, Nigeria. Accessed on 17th December 2021 from https://www.academia.edu/43604316/Research_Variables_Types_Uses_and_Definition_of_Terms*

Abu-Rummana, A., Al-Shra'ahb, A., Alfalahc T. & Al-Madid, F. (2021). The Impact of Risk Management on Financial Performance of Banks: The Case of Jordan. *Turkish Journal of Computer and Mathematics Education Vol.12 No. 5 (2021), 1332-1342*

Adam, A. (2020). Sample Size Determination in Survey Research. *Journal of Scientific Research & Reports* 26(5): 90-97, 2020; Article no. JSRR.58400 ISSN: 2320-0227. ISSN: 2320-0227. DOI: 10.9734/JSRR/2020/v26i530263

Adeusi, S., Akeke, I., Adebisi, S. & Oladunjoye, O. (2014). Risk Management and Financial Performance of Banks in Nigeria. *European Journal of Business and Management Vol.6, No.31, 2014.* ISSN 2222-2839

Adom, D., Hussein, E. & Adu-Agyem, J. (2018). Theoretical and Conceptual Framework: Mandatory Ingredients of a Quality Research. *International Journal of Scientific Research*. 7. 438-441.

Adunda, J. & Kingoo, N. (2012). The Relationship between Electronic Banking and Financial Performance among Commercial Banks in Kenya. *Journal of Finance and Investment Analysis, vol.1, no.3, 2012, 99-118* ISSN: 2241-0988 (print version), 2241-0996 (online) Scienpress Ltd, 2012

Afsar, B., Badir, Y., Saeed, B., &Hafeez, S. (2017). Transformational and transactional leadership and employee's entrepreneurial behavior in knowledge–intensive industries in Uganda. *The International Journal of Human Resource Management*, 28(2), 307–332.

Agbeja, O., Adelakun, O. & Olufemi, F. (2015). Capital Adequacy Ratio and Bank Profitability in Nigeria: A Linear Approach. *International Journal of Novel Research in Marketing Management and Economics Vol. 2, Issue 3, pp: (91-99), Month: September-December 2015*. ISSN 2394-7322

Agustin, H., Rahman, F. & Jamil, P. (2020). A Critical Islamic Perspective Towards Agency Theory. International Journal of Economics, Business and Management Research Vol. 4, No. 08; 2020. ISSN: 2456-7760

Agyemang, F., Boateng, H. and Dzandu, M. (2017). Examining intellectual stimulation, idealized influence and individualized consideration as an antecedent to knowledge sharing: Evidence from Ghana. Knowledge Management and E-Learning. 9. 484-498. DOI: **https://doi.org/10.3390/admsci10030059**

Ahmed, L. (2015). The Effect of Foreign Exchange Exposure on the Financial Performance of Commercial Banks in Kenya. *International Journal of Scientific and Research Publications, Volume 5, Issue 11, November 2015* 115 ISSN 2250-3153 www.ijsrp.org

Ahmed, Z., Shakoor, Z., Khan, M. Ullah, W. (2021). The Role of Financial Risk Management in Predicting Financial Performance: A Case Study of Commercial Banks in Pakistan. *Journal of Asian Finance, Economics and Business Vol 8 No 5 (2021) 0639–0648.* ISSN 2288-4645 doi:10.13106/jafeb.2021.vol8.no5.0639

Ahmed-Iqbal, Z., Abid, G., Arshad, M., Ashfaq, F., Athar, M., & Hassan, Q. (2021). Impact of Authoritative and Laissez-Faire Leadership on Thriving at Work: The Moderating Role of Conscientiousness. European Journal of Investigation in. Health Psychology and Education. **2021**, 11, 667–685. https://doi.org/10.3390/ejihpe11030048

Ajayi, O., Ajayi, H., Enimola, D. and Orugun, F. (2019). Effect of Capital Adequacy Ratio (CAR) on Profitability of Deposit Money Banks (DMB's): A Study of DMB's with International

Operating License in Nigeria. *Research Journal of Finance and Accounting. Vol.10, No.10, 2019* ISSN 2222-2847.

Ajibade, O., Ajayi, T., & Shobowale, O. (2017). Leadership Style and Employees' Performance in Nigerian Federal Polytechnics: A Study of Federal Polytechnic, Ilaro, Ogun State. *Journal of Public Administration, Finance and Law.*

Akani, H & Tony – Obiosa, R (2020). Effects of Financial Innovations on the Profitability of Deposit Money Banks in Nigeria. *European Journal of Accounting, Auditing and Finance Research Vol.8, No.1, pp.52-73, January 2020* ISSN: 2053-4094(Online)

Akkaya, M. (2019). Financial Innovation: Theories, Models, and Future. Handbook of Research on Managerial Thinking in Global Business Economics. IGI Global

Alakwe, K. (2017). Positivism and Knowledge Inquiry: From Scientific Method to Media and Communication Research. Specialty *Journal of Humanities and Cultural Science*. 2. 38-46.

Alavi, S., Rabah, S. & Jones, A. (2021). Studying Transactional and Transformational Leader and Leadership in Government and Private Organizations in UAE, International Journal of Management (IJM), 12(4), 2021, pp. 808-820. ISSN Print: 0976-6502 and ISSN Online: 0976-6510. DOI: 10.34218/IJM.12.4.2021.068

Albejaidi, F., Kundi, G. & Mughal, Y. (2020). Decision making, leadership styles and leadership effectiveness: An amos-sem approach. *African Journal of Hospitality, Tourism and Leisure*, Volume 9 (1) - (2020) ISSN: 2223-814X Copyright: © 2020 AJHTL /Author/s-Open Access- Online @ http//: www.ajhtl.com

Aldasoro, I., Frost, J., Gambacorta L. and Whyte, D. (2021). Covid-19 and cyber risk in the financial Sector. Bank of International Settlements, BIS Bulletin, 14 January 2021. Accessed on 10th November 2021 from https://www.bis.org/publ/bisbull37.pdf

Alexander, J. (2018). Financial Planning & Analysis and Performance Management. John Wiley & Sons, Inc., Hoboken, New Jersey, USA.

Allen, M. (2017). Content Analysis: Advantages and Disadvantages. *In The SAGE Encyclopedia of Communication Research Methods*. doi: http://dx.doi.org/10.4135/9781483381411.n90

Al-Hares, O., AbuGhazaleh N. & El-Galfy, A. (2013). Financial Performance and Compliance with Basel III Capital Standards: Conventional vs. Islamic Banks. *The Journal of Applied Business Research – July/August 2013 Volume 29, Number 4.*

Alshubiri, F., Jamil, A. & Elheddad, M. (2019). The impact of ICT on financial development: Empirical evidence from the Gulf Cooperation Council countries. *International Journal of Engineering Business Management Volume 11: 1–14, 2019*

Alemu, S. & Negasa, D. (2015). Determinants of Financial Performance of Commercial Banks in Ethiopia. *Journal of Business Management and Economics 3*: 11 November (2015).

Al-Jabir, I. & Sohail M. (2012). Mobile Banking Adoption: Application of Diffusion of Innovation Theory, Journal of Electronic Commerce Research, VOL 13, NO 4, 2012

Alqatawenah, A. (2018). Transformational leadership style and its relationship with change management. Business: Theory and Practice. 19. 17-24. 10.3846/btp.2018.03. DOI:10.3846/btp.2018.03

Amin, H., Durmaz, O. & Demir, S. (2021). Leadership Styles and their effects on Organizational Effectiveness. Black Sea Journal of Management and Marketing 2(2), 2021. \

Anderson R & Adams W. (2016). Mastering Leadership: An Integrated Framework for Breakthrough Performance and Extraordinary Business Result. *John Wiley & Sons, Inc., Hoboken, New Jersey. USA*

Architha, A. & Sreeramana, A. (2020). Development and Validation of Survey Questionnaire Experimental Data – *A Systematical Review-based Statistical Approach*. Srinivas College of Pharmacy, Mangalore, India, College of Management Commerce, Srinivas University, Mangalore, India. Online at https://mpra.ub.uni-muenchen.de/103996/ MPRA Paper No. 103996, posted 12 Nov 2020 06:35 UTC

Arif, S. & Akram, A. (2018). Transformational Leadership and Organizational Performance. 10.5281/zenodo.1306335. *SEISENSE Journal of Management* Vol. 1. Issue 3. July 2018 DOI: 10.5281/zenodo.1306335

Arifin, S. (2018). Ethical Considerations in Qualitative Study. International Journal of Care Scholars 2018;1(2). *International Journal of Care Scholars, 1(2), 30–33.* Retrieved on 6th December 2021 from https://journals.iium.edu.my/ijcs/index.php/ijcs/article/view/82

Arthur, K. (2017). Financial innovation and its governance: Cases of two major innovations in the financial sector. *Journal of Finance and Innovation*. 3, 10 (2017). https://doi.org/10.1186/s40854-017-0060-2

Arrow, K. (1971) The Theory of Risk Aversion. In: Helsinki, Y.J.S., Ed., Aspects of the Theory of Risk Bearing, Markham Publishing Company, Chicago, 90-109.

Asrar-ul-Haqa, M. & Anwarb. S. (2018). The many faces of leadership: Proposing research agenda through a review of literature. Future Business Journal 4 (2018) 179–188. DOI: https://doi.org/10.1016/j.fbj.2018.06.002

Ayuba, B. & Kazeem, A. (2015). The Role of Marketing Research on the Performance of Business Organizations. 7. *European Journal of Business and Management* www.iiste.org ISSN 2222-1905 (Paper) ISSN 2222-2839 (Online) Vol.7, No.6, 2015

Babashova, S. (2020). Comparative Analysis of Testing Heteroscedasticity in Nonlinear Regression. In, In book: Current and Historical Debates in Social Sciences: Field Studies and Analysis (pp.211-228. *IJOPEC Publication No: 2020/18*

Backhaus K., Erichson B., Gensler S., Weiber R., Weiber T. (2021) Factor Analysis. In: *Multivariate Analysis*. Springer Gabler, Wiesbaden. Germany. **Online ISBN**978-3-658-32589-3 https://doi.org/10.1007/978-3-658-32589-3_7

Bai, J., & Ng, S. (2005). Test for Skewness, Kurtosis and Normality for Time Series Data. *Journal of Business and Economics Statistics,* 23, 49-60. DOI: http://dx.doi.org/10.1198/073500104000000271

Balas E. & Chapman W. (2018). Road Map for Diffusion of Innovation in Health Care. *Health Aff (Millwood)*. 2018 Feb;37(2):198-204. doi: 10.1377/hlthaff.2017.1155. PMID: 29401030.

Balasubramaniam, V., Salamzadeh, Y., Richardson, C., & Plakhin, A. (2021). The impact of leadership style on ethical decision-making, the moderating role of strategic thinking: a study among Malaysian managers. *SHS Web of Conferences* 116, 00056 (2021) ICSR 2021. DOI: https://doi.org/10.1051/shsconf/202111600056

Bank of International Settlements (1988). CAMELS Rating Model. Downloaded from http://www.bis.org/publ/bcbs176.pdf.

Bank of International Settlements (2019). Consolidated Basel Framework. Issued for comment by 9 August 2019. Accessed from https://www.bis.org/bcbs/publ/d462.pdf

Banking Act, Kenya (2016). Government Press

Barnett, G. & Vishwanath, A. (2017). Diffusion Theories: Logic and Role of Media. The International *Encyclopedia of Media Effects*. JohnWiley & Sons, Inc. Published 2017 by JohnWiley & Sons, Inc. DOI: 10.1002/9781118783764.wbieme0059

Baron, M. & Kenny, A. (1986). The moderator-mediator variable distinction in social psychological research: Conceptual, strategic, and statistical considerations. *Journal of Personality and Social Psychology, 51, 1173-1182.*

Bass, B. (1998). The ethics of transformational leadership. In J. B. Ciulla (Ed.), Ethics. The heart of leadership (pp. 169–192). Westport, CT: Praeger.

Bass, B. (1985). *Leadership and performance beyond expectations*. New York: Free Press.

Bass, B. (1990). *Handbook of leadership*. New York: Free Press.

Bass, B. and Bass, R. (2008). *The Bass Handbook of Leadership: Theory, Research and Managerial Application*. Simon and Schuster. New York.

Bass B. & Riggio, R. (2008). Transformational Leadership, Second Edition. Lawrence Erlbaum Associates, Inc. Mahwah, New Jersey, Australia

Baughman, M. (2008). *Assessment of teams and teamwork in the University of Maryland Libraries.* Retrieved from http://jproxy.lib.ecu.edu/Login?url=http://search.ebscohost.com

Becher, S. (2021). Key Lessons for the Design of Consumer Protection Legislation. *European Journal of Law and Economics*. DOI: 10.1007/978-3-030-70530-5_5

Beck, D. & Black, E. (2012). Communication is key: the role of communication in the diffusion of a learning management system into a higher education environment. *International Journal of Learning Technology*. 7. 4-22. 10.1504/IJLT.2012.046863.

Bell M., Whitehead A. & Julious S. (2020). Guidance for using pilot studies to inform the design of intervention trials with continuous outcomes. *Clin Epidemiol*. 2018;10:153-157 https://doi.org/10.2147/CLEP.S146397

Benmira S & Agboola M. (2021). Evolution of leadership theory. BMJ Leader 2021;5:3–5. doi:10.1136/leader-2020-000296 2021;**5**:3–5.

Ben Naceur, S. & Omran, M. (2011). The effects of bank regulations, competition, and financial reforms on banks' performance. *Emerging Markets Review 12 (2011) 1–20.*

Berle, A. and Means, G. (1932) The Modern Corporation and Private Property. Commerce Clearing House, New York.

Binoy, S. (2019). Significance of Hypothesis in Research. *Indian Journal of Holistic Nursing*. 10. 31-33. 10.24321/2348.2133.201905. Volume 10, Issue 1 - 2019, Pg. No. 31-33. ISSN: 2348-2133. DOI: https://doi.org/10.24321/2348.2133.201905

Bir, C., Jones, R. & Ladd, B. (2022). Evaluating Financial Performance and Position. Oklahoma Cooperative Extension Service. AGEC-790

Blake, R. R., & Mouton, J. S. (1964). *The Managerial Grid.* Gulf Publishing Company. Houston, Texas, USA.

Blake, R. R., & Mouton, J. S. (1978). *The New Managerial Grid.* Gulf Publishing Company. Houston, Texas, USA.

Blake, R. R., & Mouton, J. S. (1985). *The Managerial Grid III.* Gulf Publishing Company. Houston, Texas, USA.

Blind, K (2012). The Impact of Regulation on Innovation. Nesta Working Paper 12/02 January 2012. Rotterdam School of Management, Erasmus University Rotterdam, www.nesta.org.uk/wp12-02

Boamah, S. & Tremblay, P. (2018). Examining the Factor Structure of the MLQ Transactional and Transformational Leadership Dimensions in Nursing Context. *Western Journal of Nursing Research*. https://doi.org/10.1177/0193945918778833

Bochenek, M. (2019). Balanced Scorecard in Strategic Management Process. Modern Management Review. XXIV. 10.7862/rz.2019.mmr.1. MMR, vol. XXIV, 26 (1/2019), p. 7-16

Bodhankar, A. & Modi, S. (2018). A Study on the Relationship between Organizational Commitment and Leadership Style on Paramedical Personnel in Kolkata. *International Journal of Business Insights & Transformation Volume 11 / Issue 1 / October 2017- March 2018.*

Bojinov, B. (2018). Risk Management in The Banking: Basic Principles and Approaches. Tsenov Academy of Economics, Svishtov, Bulgaria

Bos, J., Kolari, J. & Lamoen R. (2013). Competition and innovation: Evidence from financial services. Journal of Banking & Finance, 2013, vol. 37, issue 5, 1590-1601

Bryman, A. (1992). *Charisma and leadership in organizations.* Sage Publishers. London. United Kingdom

Bundi, G., Ngali, R. & Maina, K. (2021). Financial Risk Management Practices and Financial Performance of Microfinance Banks in Kenya. *International Academic Journal of Economics and Finance | Volume 3, Issue 7, pp. 264-285*

Burns, J. (1978). *Leadership*. New York, NY: HarperCollins.

Burns, J. (2003). *Transforming leadership*. London: Atlantic Books.

Business Daily Africa (2020). CBK bank fines grow 20 times on NYS scam. Downloaded on 20th November 2020 from https://www.businessdailyafrica.com/bd/economy/cbk-bank-fines-grow-20-times-on-nys-scam-2300540

Business Daily Newspaper (2019). Rising cybercrime gives banks sleepless nights. Accessed on 11th November 2021 from https://www.businessdailyafrica.com/bd/corporate/technology/rising-cybercrime-gives-banks-sleepless-nights-2238694

Business Daily Newspaper (2021). KCB targeted in Sh2bn cyber criminals heist. Accessed on 10th November 2021 from https://www.businessdailyafrica.com/bd/corporate/companies/kcb-targeted-in-sh2bn-cyber-criminals-heist-3568876

Cargill, T. (2017). The Financial System, Financial Regulation and Central Bank Policy. Cambridge University Press\

Cartwright, D., & Zander, A. (1960*). Group dynamics research and theory*. Evanston, IL: Row, Peterson.

Cassell, C., Cunliffe, A. & Grandy, G. (2018). Handbook of Qualitative Business and Management Research Methods. SAGE Publications, Inc. London, United Kingdom.

Casu, B., Girardone, C., and Molyneux, P. (2015). *Introduction to Banking*. Pearson Education. London. United Kingdom.

Central Bank of Kenya (2013). Prudential Guidelines for Commercial Banks. https://www.centralbank.go.ke/images/docs/legislation/prudential_guidelines_2006.pdf

Central Bank of Kenya (2013). Risk Based Supervisory Framework. Downloaded on 1st November 2021 from https://www.centralbank.go.ke/wp-content/uploads/2016/08/CBKs-Risk-Based-Supervision-Framework-May-2013-1.pdf

Central Bank of Kenya (2016). Banking Circular No 16 of 2016.

Central Bank of Kenya (2018). Key Highlights On the Impact of Interest Rate Caps On the Kenyan Economy. Downloaded on 20th November 2021 from https://www.centralbank.go.ke/wp-content/uploads/2018/03/Summary-of-the-study-on-Interest-rate-Caps_February-2018.pdf

Central Bank of Kenya (2020). Commercial Banks' Credit Officer Survey June 2020. Downloaded on 20th November 2021 from

https://www.centralbank.go.ke/uploads/banking_sector_reports/890459837_Credit%20Survey%20Report%20for%20the%20Quarter%20ended%20June%202020.pdf

Chan, L. & Idris, N. (2017). Validity and reliability of the instrument using exploratory factor analysis and Cronbach's alpha. *International Journal of Academic Research in Business and Social Sciences*, *7*(10), 400-410.

Chandrasegaran, L. (2020). Capital Adequacy Requirements and Profitability: An Empirical Study on Banking Industry in Sri Lanka (April 30, 2020). *Journal of Economics and Business*, Vol.3 No.2 (2020), Available at SSRN: https://ssrn.com/abstract=3588987

Changar, M. & Atan, T. (2020). The Role of Transformational and Transactional Leadership Approaches on Environmental and Ethical Aspects of CSR. *Sustainability 2021*, 13, 1411. https://doi.org/10.3390/ su13031411

Chebon, S., Aruasa, W. and Chirchir, L. (2019). Effect of Inspirational Motivation and Idealized Influence on Employee Performance at Moi Teaching and Referral Hospital, Eldoret, Kenya. *International Journal of Business and Social Science*. 10. 10.30845/ijbss.v10n7p14. DOI: 10.30845/ijbss.v10n7p14. ISSN 2219-1933 (Print), 2219-6021 (Online)

Chege E. & Gakobu J. (2017). Influence of Leadership style On Performance of Telecommunication Industry in Kenya. *International Academic Journal of Human Resource and Business Administration | Volume 2, Issue 4, pp. 256-281*

Chege, K. & Otieno, O. (2020). Research Philosophy Design and Methodologies: A Systematic Review of Research Paradigms in Information Technology. *Global Scientific Journals. GSJ*: Volume 8, Issue 5, May 2020, Online: ISSN 2320-9186

Chen, K., Xu, C. & Jones, W. (2018). Effectiveness of Transformational Leadership and Transactional Leadership in Higher Education in China. Chinese Natural Scientific Committee, No. 70471060, 70573108. https://doi.org/10.1142/9789814287913_0016

Cherotich, K., Sang, W., Shisia, A. Mutung'u, C. (2015). Financial Innovations and Performance of Commercial Banks in Kenya. *International Journal of Economics, Commerce and Management United Kingdom Vol. III, Issue 5, May 2015.*

Chiwaridzo, M., Chikasha, T., Naidoo, N., Dambi, J., Tadyanemhandu, C., Munambah, N., & Chizanga, P. (2017). Content validity and test-retest reliability of a low back pain

questionnaire in Zimbabwean adolescents. *Archives of Physiotherapy* (2017) 7:3 DOI 10.1186/s40945-017-0031-y

Chortareas, G., Girardone, C., Ventouri, A. (2011). Bank Supervision, Regulation, and efficiency: Evidence from the European Union, *Journal of Financial Stability.*

Chua J., Basit A. & Hassan Z. (2020). Leadership Style and Its Impact On Employee Performance. *International Journal of Accounting & Business Management*, Vol. 6 (No.1), ISSN: 2289-4519

Chukwusa, J. (2018). Autocratic Leadership Style: Obstacle to Success in Academic Libraries. (2018). *Library Philosophy and Practice (ejournal).* 2019. http://digitalcommons.unl.edu/libphilprac/2019

Chipeta, C. & Muthinja, M. (2018). Financial innovations and bank performance in Kenya: Evidence from branchless banking models', *South African Journal of Economic and Management Sciences* 21(1), a1681. https://doi.org/10.4102/ sajems.v21i1.1681

Citizen TV Kenya (2019). How Ksh.14M Was Stolen from Barclays Bank ATMs On Good Friday. Accessed on 25th November 2021 from https://citizen.digital/news/how-ksh-14m-was-stolen-from-barclays-bank-atms-on-good-friday-242506/

Collins, J. & Hansen, M. (2011). *Great by Choice: Uncertainty, Chaos, and Luck – why some Thrive Despite Them All*. Random House Business Books. London, United Kingdom.

Collins, J. (2001). *Good to great*: *Why some companies make the leap and others do not. Random* House Business Books. London, United Kingdom.

Collins, J. (2009). *How the Mighty Fall and why some companies never give in.* Random House Business Books. London, United Kingdom.

Collins, J. & Porras, J. (2002). *Built to Last*: *Successful habits of Visionary Companies. Random* House Business Books. London, United Kingdom.

Cornell, B. & Shapiro, C. (1987). Corporate stakeholders and corporate finance. *Financial Management 16 (1): 5 14.*

Creswell, J. & Clark, V. (2018). *Designing and Conducting Mixed Methods Research. Third Edition*. SAGE Publications, Inc, Michigan, USA

Creswell, J & Creswell, I. (2017). *Research Design: Qualitative, Quantitative, and Mixed Methods Approaches*. SAGE Publications, Inc. Thousand Oaks, California, USA

Damio, S. (2018). The Analytic Process of Q Methodology. Asian Journal of University Education. v14 n1 p59-75 Jun 2018. **ISSN:** ISSN-1823-7797. ERIC Number**:** EJ1207802

Dao, B. & Nguyen, K. (2020). Bank Capital Adequacy Ratio and Bank Performance in Vietnam: A Simultaneous Equations Framework. *Journal of Asian Finnce, Economics and Business Vol 7 No 6 (2020) 039-046 39* ISSN 2288-4645. doi:10.13106/jafeb.2020.vol7.no6.

Dayanand, A. (2018). Hypothesis Types and Research. 2455-6351. *International* Journal of Nursing Science Practice and Research Vol. 4: Issue 2. ISSN: 2455-6351, *DOI: https://doi.org/10.37628/ijnspr.v4i2.812*

Dearing, J. & Cox, J. (2018). Diffusion of innovations theory, principles and practice. Health Affairs, Volume. 37(2), 183–190. DOI https://doi.org/10.1377/hlthaff.2017.1104

Dearing, J. & Singhal, A. (2020). New directions for diffusion of innovations research: Dissemination, implementation, and positive deviance. *Journal of Human Behavior and Emerging Technologies* 2020;2:307–313. DOI: 10.1002/hbe2.216

Delić, A., Kozarević E. & Alić, M. (2017). Impact of leadership style on bank profitability: Case study of a bank in Bosnia and Herzegovina. *Journal of Contemporary Management Issues, Vol. 22 No. 2, 2017*.DOI: https://doi.org/10.30924/mjcmi/2017.22.2.65

Delimatsis, P. (2012). Financial Innovation and Prudential Regulation – The Impact of the New Basel III Rules. Swiss National Science Foundation. NCRR Trade Regulation. Working Paper No 2012/25| April 2012

Den Hartog D. (2019). Transformational Leadership. In: Poff D., Michalos A. (eds) Encyclopedia of Business and Professional Ethics. *Springer*, Cham. DOI: https://doi.org/10.1007/978-3-319-23514-1_57-1

Denison D. Hooijberg, R, & Quinn R. (1995). Paradox and performance: toward a theory of behavioral complexity in managerial leadership. Organization Science 1995;6:524–40.

Dergel S. (2014). Guide to CFO Success Leadership Strategies for Corporate Financial Professionals. John Wiley & Sons, Inc., Hoboken, New Jersey.

Dhamija, P., Chiarini, A. & Shapla, S. (2021). Technology and leadership styles: a review of trends between 2003 and 2021, *The TQM Journal*, Vol. ISSN: 1754-2731. DOI: https://doi.org/10.1108/TQM-03-2021-0087

Dike E. & Madubueze M. (2019). Democratic Leadership Style and Organizational Performance: An Appraisal. *International Journal of Development Strategies in Humanities, Management and Social Sciences* p-ISSN: 2360-9036 | e-ISSN: 2360-9044

Donaldson T. & Preston L (1995). The Stakeholder Theory of the Corporation: Concepts, Evidence, and Implications. *The Academy of Management Review, Jan., 1995, Vol. 20, No. 1 (Jan., 1995), pp. 65-91*

Doulah, S. (2021). An Alternative Measures of Moments Skewness Kurtosis and JB Test of Normality. Journal of Statistical Theory and Applications. 20. 10.2991/jsta.d.210525.002.

Duraj, B. & Moci E. (2015). Factors Influencing the Bank Profitability – Empirical Evidence from Albania. *Romanian Economic Business Review*, 2015, vol. 10, issue 1, 60-72

Dzhamalovna, U., Oglu, A., Sergeevich, G., & Masrur, K. (2020). Integral Assessment of Financial Stability of Banks. *European Proceedings of Social and Behavioural Sciences*. e-ISSN: 2357-1330. DOI: 10.15405/epsbs.2020.10.05.340

Dziallas, M. & Blind, K. (2019). Innovation indicators throughout the innovation process: An extensive literature analysis, *Technovation*, Volumes 80–81, 2019, Pages 3-29, ISSN 0166-4972, DOI: https://doi.org/10.1016/j.technovation.2018.05.005.

Easwaran, P., Jayalakshmi, R., Ganesh, S. & Venkatachalam, K. (2021). A Significance Study on Financial Performance and Quality Analysis on Different Automotive Industries. Türk Fizyoterapi ve Rehabilitasyon *Dergisi/Turkish Journal of Physiotherapy and Rehabilitation*. 32. 1013-1019.

Ebenezer, O. & Omar, W. (2016). Risk Management and the Financial Performance of Commercial Banks in Nigeria: A Literature Review Revisited. *Journal of Economics and Finance (IOSR-JEF) e-ISSN: 2321-5933, p-ISSN: 2321-5925.Volume 7, Issue 2. Ver. III (Mar. - Apr. 2016), PP 14-19 www.iosrjournals.org*

Ebrahimi P, Moosavi S. & Chirani E. (2016). Relationship between Leadership Styles and Organizational Performance by Considering Innovation in Manufacturing Companies of Guilan Province. Procedia - *Social and Behavioral Sciences 230 (2016) 351 – 358*

Edmonds, W. & Kennedy, T (2017). *An Applied Guide to Research Designs: Quantitative, Qualitative, and Mixed (Second Edition)*. Sage Publications, Melbourn, Australia

Effiyanti, E., Lubis, A., Sofyan, S. & Syafruddin, S. (2021). The Influence of Transformational Leadership on Organizational Performance: A Case Study in Indonesia. Journal of Asian

Finance, Economics and Business Vol 8 No 2 (2021) 0583–0593 583 Print ISSN: 2288-4637 / Online ISSN 2288-4645 doi:10.13106/jafeb.2021.vol8.no2.0583

Eklof, J., Podkorytova, O. & Malova, A. (2018). Linking customer satisfaction with financial performance: an empirical study of Scandinavian banks. *Total Quality Management & Business Excellence*. DOI:10.1080/14783363.2018.1504621Corpus ID: 158535446

El-Chaarani, H., Abraham, R. & Skaf, Y. (2022). The Impact of Corporate Governance on the Financial Performance of the Banking Sector in the MENA (Middle Eastern and North African) Region: An Immunity Test of Banks for COVID-19. Journal of Risk and Financial Management 15: 82. DOI: https://doi.org/10.3390/jrfm15020082

Emuron, A., Yixiang, T. & Coffie, C. (2022). Non-executive Director Compensation and Financial Distress in China and South Africa: A Comparative Analysis in State-Owned Enterprises. Research Square. DOI: https://doi.org/10.21203/rs.3.rs-1319049/v1

Ernst, A. & Albers, C. (2017). Regression assumptions in clinical psychology research practice—a systematic review of common misconceptions. Heymans Institute for Psychological Research. DOI 10.7717/peerj.3323

Feranita, N., Nugraha, A., & Sukoco, S. (2020). Effect of transformational and transactional leadership on SMEs in Indonesia. Problems and Perspectives in Management, 18(3), 415-425. doi:10.21511/ppm.18(3).2020.34

Feyen, E., Frost, J., Gambacorta, L., Natarajan, H. & Saal, M. (2021). Fintech and the digital transformation of financial services: implications for market structure and public policy. *The Bank for International Settlements and the World Bank Group 2021.BIS Papers No 117 ISSN 1682-7651* Accessed on 1st December 2021 on https://www.bis.org/publ/bppdf/bispap117.pdf

Fibriyanti, Y. & Nurcholidah, L. (2020). Analysis of Factors That Affect the Financial Performance of Banks. Advances in Engineering Research, volume 205, 2020.

Fleming, J. & Zegwaard, K. (2019). *Methodologies, methods and ethical considerations for conducting research in work-integrated learning*. Special Issue: Work-integrated learning research methodologies and methods

Fligstein, N. (2021). Innovation and the theory of fields. *AMS Review*. DOI: https://doi.org/10.1007/s13162-021-00202-2

Fligstein, N. (2021). The Banks Did It: An Anatomy of the Financial Crisis. Cambridge, Ma.: Harvard University Press.

Frederick (2014). Factors Affecting Performance of Commercial Banks in Uganda. *Proceedings of 25th International Business Research Conference* 13 - 14 January, 2014, Taj Hotel, Cape Town, South Africa, ISBN: 978-1-922069-42-9

Freeman, E. (1984) *Strategic Management: A stakeholder approach*, Boston: Pitman.

Freeman, E., Harrison, J., Wicks, A., Parmar, B. & Colle, S. (2010) *Stakeholder Theory: The State of the Art.* Cambridge University Press. England. United Kingdom

Freeman R., Philips A. & Sisodia R. (2018). Tensions in Stakeholder Theory. Business & Society. May 2018 DOI: 10.1177/0007650318773750

Freeman R., Dmytriyev S. & Philips A (2021) Stakeholder Theory and the Resource-Based View of the Firm. *Journal of Management. Vol. 47 No. 7, September 2021 1757–1770* DOI: 10.1177/0149206321993576

Frey, B. (2018). *The SAGE Encyclopedia of Educational Research, Measurement, and Evaluation*. SAGE Publications, Inc. Los Angeles, USA.

Gadirajurrett, H., Srinivasan, R., Stevens, J. & Jeena, N. (2018). Impact of Leadership on T Impact of Leadership on Team's Performance. Portland State University

Gandolfi, F. & Stone, S. (2018). Leadership, Leadership Styles, and Servant Leadership. *Journal of Management Research*. Vol. 18, No. 4, Oct.-Dec. 2018, pp. 261-269

Gasparini, G. & Prospero, A. (2019). ICT and Ethical Finance: Fostering Social Innovation and Financial Inclusion. *Working paper CIRIEC No. 2019/11. SEFEA Consulting, Padua (Italy).*

Gautam, R (2018). Determinants of Financial Performance: An Evidence from Nepalese Commercial Banks. Amity Journal of Strategic Management. Vol-1, Issue-2, May 2018

Gavalas, D. & Syriopoulos, T. (2014). Basel III and its Effects on Banking Performance: Investigating Lending Rates and Loan Quantity. *Journal of Finance and Bank Management December 2014, Vol. 2, No. 3 & 4, pp. 17-52* ISSN: 2333-6064 (Print), 2333-

Giannetto, G., Gangi, M. & Altankhuyag, S. (2019). Strengthening the Protection of Financial Consumers in Mongolia's Banking Sector. *ADB East Asia Working Paper Series. Paper No. 20, December 2019.*

Goddard, J. & Wilson, J. (2017). *Banking: A Very Short Introduction*. Oxford University Press. London, United Kingdom

Golecki, M. (2021). Regulation and Deregulation of Financial Markets from the Perspective of Law and Economics. *European Journal of Law and Economics. DOI: 10.1007/978-3-030-70530-5_11*

Golubeva, O. & Duljic, M. & Keminen, R. (2019). The impact of liquidity risk on bank profitability: some empirical evidence from the European banks following the introduction of Basel III regulations. *Accounting and Management Information Systems Vol. 18, No. 4, pp. 455-485, 2019 DOI: http://dx.doi.org/10.24818/jamis.2019.04001*

Gonfa, B. (2019). Review of Effects of Poor Leadership Skill in Organization: Evidences. Arabian *Journal of Business and Management Review. Gonfa, Arabian J Bus Manag Review 2019, 9:2*

Grind, K. (2012). T*he Lost Bank: The Story of Washington Mutual-The Biggest Bank Failure in American History*. Simon & Schuster. New York, USA.

Guermazi, H.H. (2017). Effet médiateur de la gestion de risque et du style de direction sur la relation Innovation – Qualité du service: étude des assurances et des banques en Tunisie. *Revue Questions de Management, 18(3), 113-124. https://dx.doi. org/10.3917/qdm.173.0113.*

Gündoğdu, A. & Taşkin, F. (2017). **A**nalysis of The Relationship Between Financial Innovation and The Performance of Turkish Banking System. *International Review of Economics and Management. Volume 5, Number 3, 2017, 16-32*. DOI: 10.18825/iremjournal.280341

Halim, E., Mustika, G., Sari, R., Anugerah, R., & Mohd-Sanusi, Z. (2017). Corporate governance practices and financial performance: The mediating effect of risk management committee at manufacturing firms. *Journal of International Studies, 10(4), 272-289.* http://dx.doi.org/10.14254/2071-8330.2017/10-4/21.

Hamed, M. (2021). The Impacts of Transformational Leadership and Transactional Leadership on Organisational Performance and Change. 10.13140/RG.2.2.18549.29927. DOI: 10.13140/RG.2.2.18549.29927

Hamza, S & Hassan, Z. (2019). The Impact of Misleadership on Poor Performance: A Study of Financial Institutions in Pakistan. *Indonesian Journal of Contemporary Accounting Research Journal homepage: http://ibern.org/index.php/ijcar Vol. 1, No. 1, (2019)*

Haris, M., Tan, Y., Malik, A. & Ain, O. (2020). A Study on the Impact of Capitalization on the Profitability of Banks in Emerging Markets: A Case of Pakistan. *Journal of Risk and Financial Management. 2020, 13, 217; doi:10.3390/jrfm13090217*

Harrison, J., Freeman, R. & Abreu, M. (2015). Stakeholder Theory as an Ethical Approach to Effective Management: applying the theory to multiple contexts. *Review of Business Managemen*t. 17. 858-869. 10.7819/rbgn.v17i55.2647.

Hasham, S., Joshi, S. and Mikkelsen, D. (2019). Financial crime and fraud in the age of cybersecurity. *McKinsey & Company*. Accessed on 21st November 2021 from. https://www.mckinsey.com/~/media/McKinsey/Business%20Functions/Risk/Our%20Insights/Financial%20crime%20and%20fraud%20in%20the%20age%20of%20cybersecurity/Financial-crime-and-fraud-in-the-age-of-cybersecurity.pdf

Havarangsi, P. (2021). Transformational Leadership, Ethical Behavior, and the Performance of Logistics Organizations in Thailand. Walden University Scholars. https://cholarworks.waldenu.edu/dissertations

Hayes, A. (2012). PROCESS: A versatile computational tool for observed variable mediation, moderation, and conditional process modeling [White paper]. Retrieved from http://www.afhayes.com/ public/process2012.pdf

Hayes, A. & Rockwood, N. (2020). Conditional Process Analysis: Concepts, Computation, and Advances in the Modeling of the Contingencies of Mechanisms. *American Behavioral Scientist 2020, Vol. 64(1) 19–54*. DOI: https://doi.org/10.1177/0002764219859633

Heikkinen, P., & Korhonen, K. (2006). Technology driven efficiencies in financial markets. *Bank of Finland Expository Studies No A:110*.2006, Bank of Finland, Helsinki.

Henk, E. (2019). *Foundations of Descriptive and Inferential Statistics (version 4)*. 10.13140/RG.2.1.2112.3044.

Hillowle, M., & Warui, F. (2021). Innovative Banking Practices and Financial Performance of Commercial Banks in Kenya. *International Journal of Current Aspects in Finance, Banking and Accounting*, 3(1), 41-53. https://doi.org/10.35942/ijcfa.v3i1.180

House of Lords (2017). Brexit: the future of financial regulation and supervision. *European Union Committee. 11th Report of Session 2017–19. HL Paper 66*. Accesses on 16th December 2021 from https://www.cliffordchance.com/microsites/brexit-hub/briefings/brexit--the-future-of-financial-regulation-and-

supervision/_jcr_content/parsystop/hubdownload/file.res/Brexit_the_future_of_financial_regulation_and_supervision.

House, R. and Dessler, G. (1974). The path–goal theory of leadership: Some post hoc and a priori tests. In J. Hunt and L. Larson (Eds.), Contingency approaches in leadership (pp. 29–55). *Carbondale: Southern Illinois University Press.*

Huang S. Li M, and Chang T. (2021). Transformational Leadership, Ethical Leadership, and Participative Leadership in Predicting Counterproductive Work Behaviors: Evidence from Financial Technology Firms. *Frontiers in Psychology*. VOLUME 12, 2021. ISSN=1664-1078. DOI=10.3389/fpsyg.2021.658727

Hull, J. (2018). *Risk Management and Financial Institutions*. John Wiley & Sons, Inc., Hoboken, New Jersey, USA.

Hussain, A., Shuai, C., Mansoor, A., Arshad, M., Muhammad, K. & Tikhomirova A. (2021). Transformational Leadership and Project Success: Serial Mediation of Team-Building and Teamwork. Frontiers *in Psychology*. VOLUME 12, 2021. ISSN=1664-1078. DOI=10.3389/fpsyg.2021.689311

Hussain, S., Abbas, J., Lei, S., Haider, M & Akram, T. (2017). Transactional leadership and organizational creativity: Examining the mediating role of knowledge sharing behavior, *Cogent Business & Management*, 4:1, 1361663. ISSN 2331-1975 DOI: 10.1080/23311975.2017.1361663

Idowu A. & Obasan K. (2015). Anti-Money Laundering Policy and its Effects on Bank Performance in Nigeria. Downloaded on 20th November 2021 from https://www.researchgate.net/publication/309458514_ANTI-MONEY_LAUNDERING_POLICY_AND_ITS_EFFECTS_ON_BANK_PERFORMANCE_IN_NIGERIA/link/58112c4708ae009606be7e4d/download

Iluba, E. & Phiri, J. (2021). The FinTech Evolution and Its Effect on Traditional Banking in Africa—A Case of Zambia. Open Journal of Business and Management, 2021, 9, 838-850. ISSN Online: 2329-3292 ISSN Print: 2329-3284. DOI https://doi.org/10.4236/ojbm.2021.92043. https://www.scirp.org/journal/ojbm.

Isaac, L. (2015). Assessing the Impact of Exchange Rate Risk on Banks Performance in Nigeria. *Journal of Economics and Sustainable Development. Vol.6, No.6, 2015*. ISSN 2222-1700 (Paper) ISSN 2222-2855 (Online)

Islam, M. & Bhattachar, P. (2019). A Review on Managerial Grid of Leadership and its Impact on Employees and Organization. International Journal of Research. 06. 159-162. Volume 06 Issue 10 September 2019. e-ISSN: 2348-6848

Islam, M., Furuoka, F. & Idris, A. (2021). Mapping the relationship between transformational leadership, trust in leadership and employee championing behavior during organizational change, *Asia Pacific Management Review*, Volume 26, Issue 2, 2021, Pages 95-102, ISSN 1029-3132, DOI: https://doi.org/10.1016/j.apmrv.2020.09.002.

Jaroliya, D. & Gyanchandani, R. (2020). Transformational leadership style: a boost or hindrance to team performance in IT sector. *Emerald Insight*. ISSN: 0973-1954. DOI 10.1108/XJM-10-2020-0167

Jaussi, K. & Dionne, S. (2003). 'Leading for creativity: the role of unconventional leader behavior', *Leadership Quarterly, 14, pp. 475–498.*

Johns H. &, Moser H. (1989). From trait to transformation: the evolution of leadership theories. Education 1989;110:115.

Jones, T. (1995). Instrumental stakeholder theory: A synthesis of ethics and economics. *Academy of Management Review 20 (2): 404 437.*

Junyong, I (2017). Introduction of a pilot study. *Korean Journal of Anesthesiology*. • eISSN 2005-7563. 70. 601. 10.4097/kjae.2017.70.6.601.

Kafidipe, A., Uwalomwa, U., Dahunsi O. and Okeme F. (2021). Corporate governance, risk management and financial performance of listed deposit money bank in Nigeria. *Cogent Business & Management 2021, VOL. 8, NO. 1* https://doi.org/10.1080/23311975.2021.1888679

Kahindi, K. & Nzoka, M. (2020). Effects of Financial Product Innovations on the Financial Performance of Savings and Credit Co-Operative Societies. *International Journal of Economics, Business and Management Research Vol. 4, No. 07; 2020* ISSN: 2456-7760

Kamel, B., Abdeljalil, M. & Abdelhakim, B. (2021). The Relationship Between Leadership Styles and Innovation- Case Study Using SEM. 9th International Conference on Leadership, Technology, Innovation and Business Management: Leadership, Innovation, Media and Communication. ICLTIBM 2019. DOI: 10.15405/epsbs.2021.02.3

Kariuki, M. & Wachira, W. (2017). Effect of Leadership Styles on the Performance of Microfinance Institutions in Nairobi, Kenya. *European Journal of Business and*

Management. Vol.9, No.6, 2017. www.iiste.org ISSN 2222-1905 (Paper) ISSN 2222-2839 (Online)

Kasuni, J., Mandere, E. & Njeru, P. (2022). Investigating Influence of Strategic Leadership on Financial Performance of Commercial Banks in Kenya. International Academic Journal of Human Resource and Business Administration | Volume 3, Issue 10, pp. 313-328. ISSN 2518-2374

Kathuo S., Rotich, G. & Anyango, W. (2015). Effect of Mobile Banking on the Financial Performance Of Banking Institutions in Kenya. *Vol. 2 (98), pp 1440 – 1457, Oct 30, 2015, www.strategicjournals.com.* ISSN: 2312-9492

Katsaros &. Tsirikas (2019). The impact of leadership on firm financial performance: the mediating role of employees' readiness to change. Emerald Insight. at: https://www.emerald.com/insight/0143-7739.htm

Kaur, M., Kunjana M. & Sakshi S. (2021). A note on boardroom challenge, board effectiveness, and corporate stewardship during COVID-19. Vision 25: 131–35. The Journal of Business Perspectives. https://doi.org/10.1177/0972262920987326

Kaushik, V. & Walsh, C. (2019). Pragmatism as a Research Paradigm and Its Implications for Social Work Research. *Social Research. 2019,* 8, 255; doi:10.3390/socsci8090255

Kendall A., Lai, Y. & May, S. (2017). *Research Methods in Language and Education (Third Edition).* Springer International Publishing AG 2017. Cham, Switzerland

Keremidchiev, S. (2021). Theoretical Foundations of Stakeholder Theory. 30. 70-88. *Economic Studies (Ikonomicheski Izsledvania),* 30 (1), p. 70-88.

Kerr, S., Kerr, W. & Xu, T. (2017). Personality Traits of Entrepreneurs: A Review of Recent Literature. Harvard Business School Working Paper 18-047.

Khan, A. (2018). A Behavioral Approach to Financial Supervision, Regulation, and Central Banking. *International Monetary Fund Working Paper Series*, Paper No. WP/18/178.

Khan, A., & Adnan, N. (2014). Impact of Leadership Styles on Organizational Performance. *International Journal of Management Sciences Vol. 2, No. 11, 2014, 501-515*

Khan, H., Rehmat, M., Butt, T. & Asim, J. (2020). Impact of transformational leadership on work performance, burnout and social loafing: a mediation model. *Futur Bus J* **6,** 40 (2020). DOI: https://doi.org/10.1186/s43093-020-00043-8

Khan, N. (2017). Adaptive or Transactional Leadership in Current Higher Education: A Brief Comparison. *International Review of Research in Open and Distributed Learning. Athabasa University. Volume 18, Number 3*

Khan, Z., Nawaz, A. & Khan, I. (2016). Leadership Theories and Styles: A Literature Review. *Journal of Resources Development and Management Vol.16, 2016*

Khajeh, E. (2018). Impact of Leadership Styles on Organizational Performance. *Journal of Human Resources Management Research, Vol. 2018 (2018),* Article ID 687849, DOI: 10.5171/2018.687849

Khatri, D. (2019). Camels Rating System for Banks a Magnifying Lens – An Empirical Study in India. *International Journal of Tourism & Hotel Business Management (IJTHBM). SciTech Central Inc., USA Vol. 1 (1) 15-27, 2019.*

Khatun, N. (2021). Applications of Normality Test in Statistical Analysis. Open Journal of Statistics. Scientific Research Publishing, ISSN Online: 2161-7198. DOI 11. 113-122. 10.4236/ojs.2021.111006.

Khraisha, T., Arthur, K. (2018). Can we have a general theory of financial innovation processes? A conceptual review. *Financ Innov* **4,** 4 (2018). https://doi.org/10.1186/s40854-018-0088-y

Kibugo, M. & Maina, D. (2016). Effect of Financial Innovations On Performance Of Microfinance Institutions In Nakuru Town, Kenya. *IOSR Journal of Business and Management*. 18. 43-49. 10.9790/487X-1810044349.

Kimotho, M. & Muturi, W. (2019). Effect of Innovations on Financial Performance of Micro Finance Institutions in Kenya. *International Journal of Social Sciences and Information Technology Vol V Issue III, March 2019*. ISSN 2412-0294

King, B. (2019). Bank 4.0: Banking Everywhere, Never at a Bank. Marshall Cavendish International (Asia) Pte. Ltd, West Sussex, United Kingdom

Kiplangat, H. (2017). The Relationship between Leadership Styles and Lecturers' Job Satisfaction in Institutions of Higher Learning in Kenya. Universal Journal of Educational Research 5(3): 435-446, 2017 DOI: 10.13189/ujer.2017.050315. http://www.hrpub.org

Kiptui, B., Bitange, B. & Wanza, L. (2017). Contribution of product innovative strategies on financial performance of commercial banks in Eldoret Town, Kenya. *Journal of Business Administration, 5 (4), 21-42.*

Kitsios, F., Giatsidis, I., & Kamariotou, M. (2021). Digital Transformation and Strategy in the Banking Sector: Evaluating the Acceptance Rate of E-Services. Journal of Open Innovations. Technol. Mark. Complex. 2021, 7, 204. https://doi.org/10.3390/joitmc7030204

Kittikunchotiwut P. (2020). Transformational Leadership and Financial Performance: The Mediating Roles of Learning Orientation and Firm Innovativeness. *Journal of Asian Finance, Economics and Business Vol 7 No 10 (2020) 769–781*. ISSN: 2288-4637 / Online ISSN 2288-4645 doi:10.13106/jafeb.2020.vol 7.n10.769

Kivunja, C. (2017). Understanding and Applying Research Paradigms in Educational Contexts. *International Journal of Higher Education* Vol. 6, No. 5; 2017. E-ISSN 1927-6052

Kogabayev, T. & Maziliauskas, A. (2017). The definition and classification of innovation. *Holistica*. 8. 10.1515/hjbpa-2017-0005. DOI:10.1515/hjbpa-2017-0005

Kuznyetsova, A. & Pogorelenko, N. (2018). Assessment of the banking system financial stability based on the differential approach. Banks and Bank Systems. 13. 120-133. 10.21511/bbs.13(3).2018.12.

Laban, O. & Deya, J. (2019). Strategic Innovations and the Performance of Information Communication Technology Firms in Nairobi Kenya. International *Journal of Academic Research in Progressive Education and Development,* 8(2), 1–24. 99 IISN: 2226 – 6348. DOI: 10.6007/IJARPED/v8-i2/5599

LaJeunesse, S., Heiny, S., Evenson, K., Fiedler, L. & Cooper, J. (2019). Diffusing innovative road safety practice: A social network approach to identifying opinion leading U.S. cities. *Traffic Injury Prevention*, 19(8), 832–837. https://doi.org/10.1080/15389588.2018.1527031

Lewin, K. & Lippitt, R. (1938). An experimental approach to the study of autocracy and democracy: a preliminary study. *Sociometry, 1, 292-300.*

Li, S. (2018). Financial Institutions in the Global Financial Crisis: *The Role of Financial Derivatives, Bank Capital, and Clearing and Custody Services*. Shanghai Jiao Tong University Press, Shanghai, China. ISBN 978-981-10-7440.

Likert, R. (1961), New Patterns of Management, McGraw-Hill. Lomdon, United Kingdom.

Loizos, K. (2014). How Financial Innovation Might Cancel Out Bank Regulation Along Financial Cycles. A Keynes's State of Confidence Interpretation," *Working Papers PKWP1403, Post Keynesian Economics Society (PKES).*

Lundmark, R., Richter, A. & Tafvelin S. (2021): Consequences of Managers' Laissez-faire Leadership During Organizational Restructuring, Journal of Change Management, ISSN: (Print) (Online) Journal homepage: https://www.tandfonline.com/loi/rjcm20. DOI: 10.1080/14697017.2021.1951811

Lune, H. & Berg, B. (2017). *Qualitative Research Methods for the Social Sciences*. Pearson Education Limited. Esex, United Kingdom

Mabrouk, A., & Mamoghli, C. (2010). Dynamic of financial innovation and performance of banking firms: Context of an emerging banking industry. *International Research Journal of Finance and Economics, 5, 2010.*

MacKinnon, D. &. Fairchild, A. (2009). Current Directions in Mediation Analysis. Curr Dir Psychol Sci. 2009 February 1; 18(1): 16–20. doi:10.1111/j.1467-8721.2009.01598.x.

Magli, F., Nobolo, A. & Ogliari, M. (2018). The Effects on Financial Leverage and Performance: The IFRS 16. *International Business Research; Vol. 11, No. 8; 2018 ISSN 1913-9004 E-ISSN 1913-9012* Published by Canadian Center of Science and Education

Maina, J. & Waithaka, P. (2018). Organizational Leadership and Performance of Commercial Banks in Nyeri County, Kenya. *Strategic Journal of Business & Change Management*. *Vol. 5, Iss. 3, pp 697 - 704, August 31, 2018.*

Majid, A., Aliff, M., Mohhidin, O., Fatimah, M., Sarina, L. and Aziz, Y. (2017). Piloting for Interviews in Qualitative Research: Operationalization and Lessons Learnt. *International Journal of Academic Research in Business and Social Sciences*. 7. 1073-1080. 10.6007/IJARBSS/v7-i4/2916. 2017, Vol. 7, No. 4 ISSN: 2222-6990

Makovhololo, P., Batyashe, N., Sekgweleo, T & Iyamu, T. (2021). Diffusion of innovations theory for information technology decision making in organizational strategy. Jo*urnal of Contemporary Management*. Volume 14 2017 Pages 461 – 481. ISSN 1815-7440.

Malik, M. & Azmat, S. (2019). Leadership: Historical Development of the Terms and Critical Review of Literature. *Annals of the University of Craiova for Journalism, Communication*

and Management Volume 5, 16-32, 2019 ISSN 2501-3513. Available online at www.aucjc.ro

Manasseh, C., Okoh, J., Abada, F., Ogbuabor, J., Alio, F., Lawal, A., Nwakoby, I. & Asogwa, O. (2021). Impact of Financial Intermediaries on Nigerian Economic Growth. *International Journal of Financial Research*. 12. 348. 10.5430/ijfr.v12n1p348. ISSN 1923-4023 E-ISSN 1923-4031. DOI: DOI:10.5430/ijfr.v12n1p348

Manzoor, F., Wei L., Nurunnabi, M., Subhan, Q., Shah, S. & Fallatah. S. (2019). The Impact of Transformational Leadership on Job Performance and CSR as Mediator in SMEs. *Sustainability* 2019, 11, 436; doi:10.3390/su11020436

Marcoulides, K. & Raykov, T. (2019). Evaluation of Variance Inflation Factors in Regression Models Using Latent Variable Modeling Methods. *Educational and psychological measurement*, *79*(5), 874–882. https://doi.org/10.1177/0013164418817803

Mardiana, A., Puji, P. & Ayuu, D. (2018). The Effect of Risk Management On Financial Performance with Good Corporate Governance as A Moderation Variable. *Management and Economics Journal. Volume 2 Number 3, December 2018.* E-ISSN: 2598-9537

Maruhun, E., Atan, R., Yusuf, S. & Said, J. (2018). Developing Enterprise Risk Management Index for Shariah- Compliant Companies. *GJAT* | *January 2018* | *Special Issue* | 189 ISSN: 2232-0482

Mashamba, T. (2018). The Effects of Basel III Liquidity Regulations On Banks' Profitability. *Journal of Governance and Regulation / Volume 7, Issue 2, 2018.*

Mathuva, D. (2009). Capital Adequacy, Cost to Income Ratio and Performance of Commercial Banks: The Kenyan Scenario. *The International Journal of Applied Economics and Finance 3(2): 35 – 47.* ISSN 1991: 0886.

Meraku, A. (2017). Role of Leadership in Organizational Effectiveness. *Journal of Economics, Business and Management*, Vol. 5, No. 11, November 2017. doi: 10.18178/joebm.2017.5.11.535

Meutia, I., Yaacob, Z. & Kartasari, F. (2019). Sustainability reporting: An overview of the recent development. Accounting and Financial Control, 3(1), 23-39. ISSN: 2544-1450. DOI:10.21511/afc.03(1).2020.03

Michugu, T (2016). The Impact of Anti-Money Laundering Regulations on Financial Performance in Kenyan Banks: A Case Study of Chase Bank. Downloaded on 20th November 2021 from http://erepo.usiu.ac.ke/handle/11732/2666 URI: http://erepo.usiu.ac.ke/11732/2666

Miloloza, I. (2018). Impact of Leadership Style to Financial Performance of Enterprises. *Business Systems Research Journal, vol.9, no.1, 2018, pp.93-106.* https://doi.org/10.2478/bsrj-2018-0008

Mishra, P., Pandey, C., Singh, U., Gupta, A., Sahu, C.& Keshri, A. (2019). Descriptive Statistics and Normality Tests for Statistical Data. Annals of Cardiac Anaesthesia. 22. 67-72. 10.4103/aca.ACA_157_18.

Mishra, S. & Alok, S. (2019). *Handbook of Research Methodology*. Educreation Publishing, New Delhi, India.

Mitnick, B. (1975). The Theory of Agency: A Framework (1975). In: Barry M. Mitnick, The Theory of Agency (Cambridge University Press, Forthcoming). , Available at SSRN: https://ssrn.com/abstract=1021642 or http://dx.doi.org/10.2139/ssrn.1021642

Mohajan, H. (2017). Two Criteria for Good Measurements in Research: Validity and Reliability. Annals of Spiru Haret University, 17(3): 58-82 1 DOI https://mpra.ub.uni-muenchen.de/83458/

Mohamed, A. & Onyiego, G. (2018). Effect of Risk Management On Financial Performance of Commercial Banks in Kenya: A Case Study of Commercial Banks in Mombasa County. *The Strategic Journal of Business & Change Management*. ISSN 2312-9492

Mokhber, M., Khairuzzaman, W., & Vakilbashi, A. (2018). Leadership and innovation: The moderator role of organization support for innovative behaviors. *Journal of Management & Organization, 24*(1), 108-128. doi:10.1017/jmo.2017.26

Moki, N. & Ndung'u, S. (2019). Financial Innovation Strategy and Financial Performance of Deposit Taking Sacco's in Nairobi City County. *International Academic Journal of Economics and Finance | Volume 3, Issue 3, pp. 398-417*

Momanyi, D. (2018). Influence of Financial Regulation in Kenya on Financial Inclusion: A Case Study of the Banking Industry in Kenya. *KBA Centre for Research on Financial Markets and Policy® Working Paper Series. WPS/03/18*

Moshirian, F., Tian, X., Zhang, B. & Zang, W. (2021). Stock market liberalization and innovation. Journal of Financial Economics Volume 139, Issue 3, March 2021, Pages 985-1014. https://doi.org/10.1016/j.jfineco.2020.08.018

Motwani, A. & Vora, K. (2021). Impact of Digital Banking on Profitability of Public & Private Sector Banks In India. Turkish Online Journal of Qualitative Inquiry. 12. 3687-3695.

Mugane, C. & Ondingo, H. (2016). The Effect of Financial Innovations on the Financial Performance of Commercial Banks in Kenya. *International Journal of Finance and Accounting. Vol.1, Issue 1 No.1, pp 16-29, 2016*

Mugenda, O. and Mugenda, A. (2009). *Research Methods: Quantitative and Qualitative Approaches.* ACTS Press. Nairobi, Kenya.

Mugo, W. & Mutswenje, S. (2020). Prudential Regulations and Financial Performance of Commercial Banks in Kenya. *IOSR Journal of Economics and Finance (IOSR-JEF). Volume 11, Issue 4 Ser. VIII (Jul. – Aug. 2020), PP 16-30.* e-ISSN: 2321-5933, p-ISSN: 2321-5925.

Muiruri, J. & Ngari, J. (2014). Effects of Financial Innovations on the Financial Performance of Commercial Banks in Kenya. *International Journal of Humanities and Social Science Vol. 4, No. 7; May 2014*

Muriithi, J., Waweru, K. & Muturi, W. (2016). Effect of Credit Risk on Financial Performance of Commercial Banks Kenya. *IOSR Journal of Economics and Finance..Volume 7, Issue 4. Ver. I (Jul. - Aug. 2016), PP 72-83*. e-ISSN: 2321-5933, p-ISSN: 2321-5925

Musabi, A. & Mbithi, M. (2018). Influence of Prudential Regulations on Financial Performance of Commercial Banks in Kenya. *Vol. 5, Iss. 4, pp 1176 - 1190, October 30, 2018. www.strategicjournals.com, ©Strategic Journals*

Musengimana, O. & Mulyungi, P. (2017). Effects of Prudential Regulations on Financial Performance of Commercial Banks in Rwanda: A Case of Bank of Kigali. International *Journal of Science and Research (IJSR) ISSN: 2319-7064*

Musyimi, C. & Mutemi, T (2019). Effect of Interest Capping on Financial Performance in Commercial Banks in Kericho County, Kenya. *The Strategic Journal of Business & Change Management, 6 (2), 1130 –1149.*

Mutemi, K., & Makori, D. (2019). Interest Rate Capping and Financial Performance of Commercial Banks in Kenya. *International Journal of Current Aspects, 3(IV), 119-130. https://doi.org/10.35942/ijcab.v3iIV.51*

Mwawasaa, N. & Ali, A. (2020). Effect of financial innovation on financial performance in commercial banks in Kenya. *The Strategic Journal of Business & Change Management*, 7(4), 607 – 627. ISSN 2312-9492 (Online) 2414-8970 (Print). www.strategicjournals.com

Mwiti, E. (2021). Effects of Financial Innovation on Performance of Commercial Banks in Kenya: Case Study of Leading Commercial Banks in Kenya. *Global Scientific Journals. GSJ: Volume 9, Issue 6, June 2021* ISSN 2320-9186

Nasi et. al (2017). Adoption, Diffusion and Upscaling of ICT-driven Social Innovation in the Public Sector: A Comparative Study Across 6 EU Countries. LIPSE Research Report #5

Nawi, F., Tambi, A., Samat, M. and Mustapha, W. (2020). A Review on The Internal Consistency of a Scale: The Empirical Example of The Influence of Human Capital Investment on Malcom Baldridge Quality Principles in TVET Institutions. *Asian People Journal*, 3(1), 19-29. DOI: https://doi.org/10.1007/s11165-016-9602-2

Ndyagyenda, C. (2020). Credit Risk Management and Financial Performance: A Case of Bank of Africa (U) Limited. *Open Journal of Business and Management, 2020, 8, 30-38* https://www.scirp.org/journal/ojbm ISSN: 2329-3292

Newell, J., Cohen R. & Carmichael G. (2017). Rethinking Bank Supervision and Regulation. The Quarterly Journal of the Clearing House Q3 2017, VOLUME 5, ISSUE 3

News Trends Kenya (2021). National Bank of Kenya wins three major global awards. Accessed on 11th November 2021 from https://newstrends.co.ke/national-bank-of-kenya-wins-three-major-global-awards/

Ngetich E & Muchemi A. (2018). Leadership Styles and Performance of SACCOS in Kirinyaga County, Kenya. *Global Journal of Commerce and Management Perspective. G.J.C.M.P., Vol.7(1):47-52 (January-February, 2018)* ISSN:2319–7285

Nguyen, A., Nguyen, H. & Pham, H. (2020). Applying the CAMEL model to assess performance of commercial banks: Empirical evidence from Vietnam. *Banks and Bank Systems, Volume 15, Issue 2, 2020. 177. http://dx.doi.org/10.21511/bbs.15(2).2020.16*

Njue N., Waiganjo, E. & Kihoro J. (2018). Influence of Leadership Empowerment as a Leadership Development Practice on the Performance of Microfinance Institutions in Kenya.

International Journal of Academic Research in Public Policy and Governance 2016, Vol. 3, No. 1 ISSN 2312-4040.

Nkem, S. & Akujinma, A. (2017). Financial Innovation and Efficiency on the Banking Sub-sector: The Case of Deposit Money Banks and Selected Instruments of Electronic Banking (2006 - 2014). *Asian Journal of Economics, Business and Accounting.*

Nobanee, H. & Ellili, N. (2017) Anti-Money Laundering Disclosures and Banks' Performance. *Journal of Financial Crime. 25 (1).*

Nor, N., Mokhtar, D., and Hazuan, H. (2021). The Associations between Work Stress, Leadership Behaviors and Job Performance among Workers in Three Types of Occupations in Malaysia. International *Journal of Academic Research in Economics and Managment and Sciences*, 10(3), 44–62.

Norris, K. & Ghahremani, H. & Lemoine, G. (2021). Is it Laissez-Faire Leadership or Delegation? A Deeper Examination of an Over-Simplified Leadership Phenomenon. Journal of Leadership & Organizational Studies. 28. 10.1177/1548051821997407.

Northouse, P. (2015). *Leadership theory and practice*. Sage Publications. New York. USA.

Ntaikou, D., Vousinas, G., Kenourgios, D. (2018): The expected impact of IFRS 9 on the Greek banking system's financial performance: some theoretical considerations and insights, *Proceedings of the 9th National Conference of the Financial Engineering and Banking Society, 21-22 December 2018, Athens, Greece.*

Obiwuru T., Okwu, A., Akpa, V. and Nwankwere, I. (2011). Effects of leadership style on organizational performance: A survey of selected small-scale enterprises in Ikosi-Letu Council development area of Lagos state, Nigeri*a***.** *Australian Journal of Business and Management Research Vol.1 No.7 [100-111] | October-2011*

Obura, F. (2021). Cybercrime poses threat to Kenya's financial sector. East African Standard Newspaper, 5th March 2021. Accessed on 11th November 2021 from https://www.standardmedia.co.ke/business/sci-tech/article/2001411926/cyber-crime-poses-threat-to-kenyas-financial-sector

O'Connell, V. & O'Sullivan, D. (2016). Are non-financial metrics good indicators of future financial performance? *Financial Review,* July 16th 2016. Retrieved from https://www.afr.com/work-and-careers/management/are-nonfinancial-metrics-good-leading-indicators-of-future-financial-performance-20160712-gq44nt

Ocvirk G. (2018). *Strategic Management of Market Niches: A Model Framework*. Springer Fachmedien Wiesbaden GmbH 2018. Ljubljana, Slovenia

OECD (2018), G20/OECD Policy Guidance on Financial Consumer Protection Approaches in the Digital Age. Accessed on 6th December 2021 from https://www.gpfi.org/sites/gpfi/files/documents/G20_OECD_Policy_Guidance_Financial_Consumer_Protection_Approaches_in_the_Digital_Age.pdf

Ojelade M., Ajayi, J., Ajayi, A. & Sikiru, L. (2020). Autocratic Style of Leadership and Organizational Performance (A Case of Mushin Local Government Education Authority, Lagos, Nigeria). *International Journal of Business & Law Research 8(3):57--62, July-Sept., 2020*

Ojokuku R., Odetayo T. & Sajuyigbe A. (2012). Impact of Leadership Style on Organizational Performance: A Case Study of Nigerian Banks. *American Journal of Business and Management Vol. 1, No. 4, 2012, 202-207*

Oke A (2007) Innovation types and innovation management practices in service companies. *International Journal of Operations and Product Management 27(6):564–587*

Okoli, I., Ezimma, N., Nnenne, A. and Ifeoma, U. (2021). Transformational Leadership and Organizational Success: Evidence from Tertiary Institutions. *Journal of Economics and Business*. 2. 170-182. 10.31014/aior.1992.04.01.329. ISSN 2615-3726 DOI: 10.31014/aior.1992.04.01.329

Olingo, A. (2017). Kenyan lenders breached rules after Chase Bank collapse. East African Newspaper dated Tuesday August 29 2017. Accessed from https://www.theeastafrican.co.ke/tea/business/kenyan-lenders-breached-rules-after-chase-bank-collapse-1372464

Olson, C. and George, D. (2004). Cross-Sectional Study Design and Data Analysis. College Entrance Examination Board. Obtained from www.collegeboard.com on 30th March 2017.

Oribhabor C. & Anyanwu, C. (2020). Research Sampling and Sample Size Determination: A practical Application. *Federal University Dutsin-Ma Journal of Educational Research (Fudjer),* 2 (1): 47-56.

Omwanza, C. & Jagongo, A. (2019). Financial Innovations and Financial Performance of Microfinance Institutions in Kenya: A Theoretical Review. *International Academic Journal of Economics and Finance | Volume 3, Issue 4, pp. 32-46*

Onagh F. & Azimi H. (2018). The Effect of Transformational Leadership Style and Organizational Innovation on Financial Performance of Software Companies. *International Journal of Scientific & Engineering Research Volume 9, Issue 5, May-2018*. ISSN 2229-5518 IJSER © 2018

Ongore, V. & Ngusa, G. (2013). Determinants of Financial Performance of Commercial Banks in Kenya. *International Journal of Economics and Financial Issues Vol. 3, No. 1, 2013*, pp.237-252 ISSN: 2146-4138 www.econjournals.com

Oni, T (2017). Task-Oriented Versus Relationship-Oriented Leadership Styles: Perceptions of The Nigerian Work Environment. International *Journal of Economics, Commerce and Management United Kingdom* Vol. V, Issue 11, November 2017. ISSN 2348 0386.

Onyekwelu, U., Chukwuani, V. & Onyeka, V. (2018). Effect of Liquidity on Financial Performance of Deposit Money Banks in Nigeria. *Journal of Economics and Sustainable Development Vol.9, No.4, 2018* www.iiste.org ISSN 2222-1700 (Paper) ISSN 2222-2855 (Online)

Otieno, W. & Muia, L. (2020). Effects of Financial Innovations On Financial Performance of Commercial Banks in Kenya, A Case Study of Equity Bank of Kenya Ltd. *International Journal of Interdisciplinary Research and Innovations Vol. 8, Issue 1, pp: (163-177), Month: January - March 2020,* ISSN 2348-1226.

Ouafae A., Yasser M., Lahcen O., Ahmed D. & Youssouf, E. (2020). A Multiple Linear Regression-Based Approach to Predict Student Performance. 10.1007/978-3-030-36653-7_2. *Springer Nature Switzerland AG 2020 M. Ezziyyani (Ed.):* AI2SD 2019, AISC 1102, pp. 9–23, 2020. *https://doi.org/10.1007/978-3-030-36653-7_2*

Ozili, P. (2017). Impact of digital finance on financial inclusion and stability. *Borsa Istanbul Review 18-4 (2018) 329e340.* https://doi.org/10.1016/j.bir.2017.12.003

Panda, B. & Leepsa, M. (2017). Agency theory: Review of Theory and Evidence on Problems and Perspectives. 10. 74-95. 10.1177/0974686217701467.

Park, Y., Konge, L. and Artino Jr, A. (2020). The Positivism Paradigm of Research. Academic *Medicine, Vol. 95, No. 5 / May 2020*

Parmar B., Freeman R., Harrisson, J., Wicks A., Colle S. & Purnell L. (2010). Stakeholder Theory: The State of the Art" (2010). Management Faculty Publications. 99. https://scholarship.richmond.edu/management-faculty-publications/99

Payne, G. & Petrenko, O. (2019). Agency Theory in Business and Management. Oxford Research Encyclopedia of Business and Management. DOI: https://doi.org/10.1093/acrefore/9780190224851.013.5

Peng, J., Qin, Q., and Tang, T. (2021). The Influence of Marketing Innovations on Firm Performance under Different Market Environments: Evidence from China. Sustainability 2021, 13, 10049. https:// doi.org/10.3390/su131810049

Pepper, A., & Gore, J. (2012). Behavioral agency theory new foundations for theorizing about executive compensation. Journal of Management, 41(4), 1045–1068.

Peretomode, V. (2021). Consideration and Initiating Structure. An Investigation of Leader Behaviour Dimensions and Principals' Effectiveness. *Journal of Education*. 1.

Phan, D., Narayan, P. & Hutabarat, A. (2018). Do Financial Technology Firms Influence Bank Performance? Bank Sentral Republik Indonesia. WP/19/2018. Accessed on 13th November 2021 from http://publication-bi.org/repec/idn/wpaper/WP192018.pdf

Phillips, R., Freeman, R. E. and Wicks, A. C. 2003. What stakeholder theory is not. *Business Ethics Quarterly* 13(4): 479-502.

Pinto**, P.**, Hawaldar**, T.**, Rahiman**, H.**, Rajesha T & Sarea**, A. (2018).** An Evaluation of Financial Performance of Commercial Banks. International Journal of Applied Business and Economic Research ISSN: 0972-7302

Post, J., Preston, L. & Sachs, S. (2002). *Redefining the Corporation: Stakeholder Management and Organizational Wealth.* Stanford, CA: Stanford University Press.

Preacher, K. & Hayes, A. (2004). SPSS and SAS procedures for estimating indirect effects in simple mediation models. Behavior Research Methods, Instruments & Computers, 36(4), 717–731. https://doi.org/10.3758/BF03206553

Procházka, D. (2017). *New Trends in Finance and Accounting Proceedings of the 17th Annual Conference on Finance and Accounting*. ISSN 2198-7254. Springer International Publishing AG 2017. Cham, Switzerland

Puni A., Ofei S. & Okoe A. (2014). The Effect of Leadership Styles on Firm Performance in Ghana. *International Journal of Marketing Studies; Vol. 6, No. 1; 2014* ISSN 1918-719X E-ISSN 1918-7203 Published by Canadian Center of Science and Education

Puspitaningtyas, Z. (2019). Assessment of financial performance and the effect on dividend policy of the banking companies listed on the Indonesia Stock Exchange. Business Perspectives. *Banks and Bank Systems, Volume 14, Issue 2, 2019.*

Qayyum, N. & Noreen, U. (2019*).* Impact of Capital Structure on Profitability: A Comparative Study of Islamic and Conventional Banks of Pakistan *Journal of Asian Finance, Economics and Business Vol 6 No 4 (2019) 65-74* PrintISSN:2288-4637/OnlineISSN2288-4645

Quinn, S. (2019). American Bonds: How Credit Markets Shaped a Nation. Princeton University Press

Raffo, D. & Clark, L. (2018). Using Definitions to Provoke Deep Explorations into the Nature of Leadership. *Journal of Leadership Education* DOI:10.12806/V17/I4/C1 October 2018 CONFERENCE 208

Raghavan, A. & Parthiban, L. (2020). The effect of cybercrime on a Bank's finances. International *Journal of Current Research and Academic Review*. Volume-2 Number 2 (February-2014) pp.173-178. ISSN: 2347-3215

Rajapathirana, R. & Hui, Y, (2018). Relationship between innovation capability, innovation type, and firm performance. *Journal of Innovation & Knowledge*, Volume 3, Issue 1, 2018, Pages 44-55, ISSN 2444-569X, DOi: https://doi.org/10.1016/j.jik.2017.06.002.

Ramachandran, R. (2019). Theories of Stakeholder Management. *SSRN Electronic Journal*. 10.2139/ssrn.3535087.

Ramadhanti, T., Singh, J. & Kularajasingam, J. (2021). Transactional and Transformational Leadership Styles as Predictors of Employee Performance During the Covid-19 Crisis and the Mediating Role of Organisational Culture. *Business, Management and Economics Research*. 39-51. 10.32861/bmer.72.39.51.

Rawashdeh, A., Almasarweh, M., Alhyasat, E. & Al-Rawashdeh, F. (2021). Examining The Effect of Transformational Leadership to Organizational Performance Through Quality Innovation: A Developing Country Perspective. International Journal for Quality Research. 15. 353-368. 10.24874/IJQR15.01-20.

Refmasari, A, & Supriyono, A. (2019). The effect of non-financial performance on financial performance moderated by information disclosure. Journal of Economics, Business, and Accountancy Ventura Vol. 22, No. 2, August - November 2019, pages 248 – 263. DOI: 10.14414/jebav.v22i2.1694

Resti, A., Onado, M., Quagliariello, M. & Molyneux, P. (2021). Shadow Banking: what kind of Macroprudential Regulation Framework? *European Parliament*. Policy Department for Economic, Scientific and Quality of Life Policies Directorate-General for Internal Policies. PE 662.925 - June 2021. Accessed on 16th December 2021 from https://www.europarl.europa.eu/RegData/etudes/STUD/2021/662925/IPOL_STU(2021)662925_EN.pdf

Roberts, J. (2020). A near record year for money laundering: Banks hit with $10 billion in fines. Accessed on 20th November 2021 from https://fortune.com/2020/03/11/money-laundering-record-year-bank-fines/

Rockwell, C. (2021). Transformational and Transactional Leadership. 10.13140/RG.2.2.10054.19529.

Rogers, E. (1962). Diffusion of Innovations. New York, USA

Rogers, E. (2003). Diffusion of Innovations, 5th Edition. New York, USA

Rogers, E., Singhal, A., & Quinlan, M, (1996). Diffusion of Innovations. In Salwen M. & D. Stacks, D, *An integrated approach to communication theory and research* (pp. 421–441). Mahwah, NJ: Lawrence Erlbaum Associates.

Rogers, E., Singhal, A. & Quinlan, M. (2019). *An Integrated Approach to Communication Theory and Research* (pp.182-186). Mahway, Publishing: Lawrence Erlbaum Associates. New York, USA

Rono, S. & Kimutai, D. (2022). Regulatory Reforms Affecting the Performance of Banking Industry in Kenya. *Journal of Public Policy & Governance*, 6(1), 107-115. https://doi.org/10.53819/81018102t5077

Ross, S. (1973). The Economic Theory of Agency: The Principal's Problem. The American Economic Review. Vol. 63, No. 2, Papers and Proceedings of the Eighty-fifth Annual Meeting of the American Economic Association (May, 1973), pp. 134-139 (6 pages). American Economic Association

Rowold, J., and Heinitz, K. (2007). Transformational and charismatic leadership: Assessing the convergent, divergent and criterion validity of the MLQ and the CKS. *Leadership Quarterly, 18, 121–133.*

Ruzger, N. (2018). The Effect of Leaders' Adoption of Task-Oriented or Relationship-Oriented Leadership Style on Leader-Member Exchange (LMX), In the Organizations That Are Active in Service Sector. *Journal of Business Administration Research · April 2018. DOI: 10.5430/jbar.v7n1p50*

Ryan, G. (2018). Introduction to positivism, interpretivism and critical theory. *Nurse Researcher,* 25(4) pp. 41–49.

Sage Publications (2018). Leadership Styles Questionnaire. Downloaded from https://studysites.sagepub.com/northouseintro2e/study/resources/questionnaires/89527_03q.pdf on 2nd March 2018.

Sahin I (2006). Detailed Review of Rogers' Diffusion of Innovations Theory and Educational Technology-Related Studies Based On Rogers' Theory. The Turkish *Online Journal of Educational Technology – TOJET April 2006 volume 5 Issue 2 Article 3*. ISSN: 1303-6521

Salas-Vallina, A. (2020). Towards a Sustainable Leader-Follower Relationship: Constructive Dissensus, Organizational Virtuousness and Happiness at Work (HAW). Sustainability 2020, 12, 7087. doi:10.3390/su12177087 www.mdpi.com/journal/sustainability

Salman, A. & Nowacka, K. (2020). Innovative Financial Products and Services for Women in Asia and The Pacific. *ADB Sustainable Development Working Paper Series. No 67, April 2020*. DOI: http://dx.doi.org/10.22617/WPS200119-2.

Salim, Z. & Bilal, B. (2016). Does Basil III Implementation Impact on Financial Performance? Evidence from Omani's Commercial Banks. *International Journal of Economics and Financial Issues, 2016, 6(3), 963-970. ISSN: 2146-4138*

Sanjerehei, M. & Rundel, P. (2019). A New Method For Determination Of Adequate Sample Size. Journal of Reliability and Statistical Studies; ISSN (Print): 0974-8024, (Online): 2229-5666 Vol. 12, Issue 1 (2019): 51-64

Sataloff, R. & Vontela, S. (2021). Response Rates in Survey Research. Journal of Voice Foundation. VOLUME 35, ISSUE 5, P683-684, SEPTEMBER 01, 2021. DOI: https://doi.org/10.1016/j.jvoice.2020.12.043

Sathyamoorthi1 C., Mapharing, M., & Dzimiri, M. (2020). Liquidity Management and Financial Performance: Evidence from Commercial Banks in Botswana. *International Journal of Financial Research Vol. 11, No. 5; 2020. ISSN 1923-4023 E-ISSN 1923-4031*

Saunders, M. (2016). *Understanding Research Philosophies and Approaches*. University of Birmingham, United Kingdom.

Saxena, A., Desanghere, A., Stobart, K. & Walker, K. (2017). Goleman's Leadership styles at different hierarchical levels in medical education. *BMC Medical Education* (2017) 17:169 DOI 10.1186/s12909-017-0995-z. DOI 10.1186/s12909-017-0995-z.

Schaubroeck, J., Lam, S. & Cha, S. (2007). Embracing Transformational Leadership: Team Values and the Impact of Leader Behavior on Team Performance. *Journal of Applied Psychology, 2007, Vol. 92, No. 4, 1020–1030.*

Schwabe, O., Bilge, P., Hoessler, A., Tunc, T., Gaspar, D., Price, N., Sharir, L., Pasher, E., Erkoyuncu, J., Almeida, N., Formica, P. Schneider, L., Dietrich, F. & Shehab, E. (2021). A Maturity Model for Rapid Diffusion of Innovation in High Value Manufacturing. *ScienceDirect*. Procedia CIRP. 96. 195-200. 10.1016/j.procir.2021.01.074. CIRPe 2020 – 8th CIRP Global Web Conference – Flexible Mass Customization

Sedgwick, P (2014). Cross sectional studies: advantages and disadvantages. Centre for Medical and Healthcare Education, St George's, University of London, London, UK. *BMJ 2014;348:g2276 doi: 10.1136/bmj.g2276 (Published 26 March 2014)*

Senaviratna, N. &. Cooray, T. (2019). Diagnosing Multicollinearity of Logistic Regression Model. *Asian Journal of Probability and Statistics*. 5(2): 1-9, 2019; Article no. AJPAS.51693 ISSN: 2582-0230. DOI: 10.9734/AJPAS/2019/v5i230132.

Senarathne, N. & Jianguo, W. (2020). Testing for Heteroskedastic Mixture of Ordinary Least Squares Errors. *Romanian Journal of Economic Forecasting* – XXIII (2) 2020.

Sfantou, D, Laliotis, A., Patelarou, A., Sifaki-Pistolla, D., Matalliotakis, M., & Patelarou, E. (2017). Importance of Leadership Style towards Quality of Care Measures in Healthcare Settings: A Systematic Review. *Healthcare (Basel, Switzerland), 5*(4), 73. https://doi.org/10.3390/healthcare5040073

Shaw K., Tang N. & Liao H. (2020). Authoritarian-Benevolent Leadership, Moral Disengagement, and Follower Unethical Pro-Organizational Behavior: An Investigation of the Effects of

Ambidextrous Leadership. *Frontiers in Psychology.* Volume 11, 2020. ISSN=1664-1078 DOI=10.3389/fpsyg.2020.00590

Shrestha, N. (2021). Factor Analysis as a Tool for Survey Analysis. American Journal of Applied Mathematics and Statistics. 2021, Vol. 9, No. 1, 4-11. 9. 4-11. 10.12691/ajams-9-1-2. DOI:10.12691/ajams-9-1-2.

Siciliano, G (2003). Finance for non-financial managers. McGraw-Hill. Madison, Winconsin, USA.

Singh, N. & Bagga, N. (2019). The Effect of Capital Structure on Profitability: An Empirical Panel Data Study. *Jindal Journal of Business Research 8(1) 65–77, 2019*

Singh, S., Basuki, B. & Setiawan, R. (2021). The Effect of Non-Performing Loan on Profitability: Empirical Evidence from Nepalese Commercial Banks. *Journal of Asian Finance, Economics and Business Vol 8 No 4 (2021) 0709–0716. Print ISSN: 2288-4637 / Online ISSN 2288-4645 doi:10.13106/jafeb.2021.vol8.no4.0709*

Singhal, A., & Svenkerud, P. (2018). Diffusion of evidence-based interventions or practice-based positive deviations. *Journal of Development Communication*, 29(2), 54–64.

Singhal, A., & Svenkerud, P. (2019). Flipping the diffusion of innovations paradigm: Embracing the positive deviance approach to social change. *Asia Pacific Media Educator*, 29(2), 151–163. https://doi.org/10.1177/ 1326365X19857010

Smith, A. (1937). The wealth of nations**.** (Cannan edition), Modern Library, New York (1937)

Smith, H. (2003). The shareholders vs. stakeholders' debate. *MIT Sloan Management Review 44 4): 85 90.*

Smith, J. (2011). Challenging Misleadership. Institute of Directors London Global Convention 12th to 14th October, 2011. Lord Ashcroft International Business School, Anglia Ruskin University, Cambridge UK. Accessed on 11th November 2021 on https://iodglobal.com/Articles/Challenging%20MisLeadership.pdf

Smith, M., Witte, M., Rocha, S. & Basner, M. (2019). Effectiveness of incentives and follow-up on increasing survey response rates and participation in field studies. BMC Med Res Methodol 19, 230 (2019). https://doi.org/10.1186/s12874-019-0868-8

Stogdill, R. (1974). *Handbook of leadership: A survey of theory and research*. New York: Free Press.

Subrahmanyam, A. & Titman, S. (2001). Feedback from stock prices to cash flows. *Journal of Finance 56 (6): 2389 2415.*

Sudha, R. (2017). Research & Biostatistics for Nurses. Jaypee Publishing, Tamil Nadu, India. ISBN: 9789386150974 DOI:10.5005/jp/books/13016_16

Sunde, N. & Dror, I. (2021). A hierarchy of expert performance (HEP) applied to digital forensics: Reliability and biasability in digital forensics decision making, Forensic Science International: Digital Investigation, Volume 37, 2021, 301175, ISSN 2666-2817, https://doi.org/10.1016/j.fsidi.2021.301175.

Sürücü, L. & Maşlakçı, A. (2020). Validity and Reliability in Quantitative Research. 8. 2694-2726. 10.15295/bmij.v8i3.1540. Vol.:8 Issue:3 Year:2020, 2694-2726. ISSN: 2148-2586. DOI: http://dx.doi.org/10.15295/bmij.v8i3.1540

Susilo, D. (2018). Transformational Leadership: A Style of Motivating Employees. *Management and Economics Journal (MEC-J).* 124. 10.18860/mec-j.v0i1.5222. Volume 2, Issue 2, August 2018. E-ISSN: 2598-9537 P-ISSN: 2599-3402

Taewoong, U.& Seongbaek, Y. (2021). A comparison of normality testing methods by empirical power and distribution of *P*-values, Communications in Statistics - Simulation and Computation, DOI: 10.1080/03610918.2021.1963450

Taber, K. (2017). The Use of Cronbach's Alpha When Developing and Reporting Research Instruments in Science Education. *Res Sci Educ* **48,** 1273–1296 (2018). https://doi.org/10.1007/s11165-016-9602-2

Taherdoost, H. (2017). Determining Sample Size; How to Calculate Survey Sample Size. International Journal of Economics and Management Systems Volume 2, 2017. ISSN: 2367-8925

Tahir, S., Shah, S., Arif, F., Ahmad, G., Aziz, Q. & Ullah, M. (2018). Does financial innovation improve performance? An analysis of process innovation used in Pakistan. *Journal of Innovation Economics & Management 2018/3 (No 27), p. 195-214*

Tancic, D. & Elezovic, D. (2021). Hypotheses in historical research. Baština. 31. 10.5937/bastina31-31917. *БАШТИНА, Приштина – Лепосавић, св.* 53, 2021. УДК 930.2 001.5:930 doi: 10.5937/bastina31-31917

Tariq, M. (2021). Operationalizing Variables in Theoretical Frameworks: A Comparative Analysis. Durresanim Journal. Volume 1, Issue 1, March 2015. ISSN: 2204-9827

Taylor, S. (2017). What Is Innovation? A Study of the Definitions, Academic Models and Applicability of Innovation to an Example of Social Housing in England. *Open Journal of Social Science* 2327-5960. 5. 10.4236/jss.2017.511010. ISSN Online: 2327-5960. DOI: 10.4236/2017

Teymournejad K. & Elghaei, R. (2017). Effect of Transformational Leadership on the Creativity of Employees: An Empirical Investigation. *Engineering, Technology & Applied Science Research* Vol. 7, No. 1, 2017, 1413-1419 1413 www.etasr.com

Tian, W. (2017). Commercial Banking Risk Management: Regulation in the Wake of the Financial Crisis. *Palgrave Macmillan*. Charlotte, North Carolina, USA. ISBN 978-1-137-59442-6.

Trujillo-Ponce, A. (2013). What determines the profitability of banks? Evidence from Spain. *Accounting and Finance 53 (2013) 561*–586

Ullah, A. (2019). The Impact of Leadership on Organizational Performance. International Journal of Recent Technology and Engineering. DOI:10.35940/ijrte.c6158.098319

Umanailo, M. (2019). Overview of Phenomenological Research. Universitas Iqra Buru

Ülgen, F. (2019). Innovation Dynamics and Financialisation: Is Another Regulation Possible to Re-Industrialize the Economy? *Journal of Innovation Economics & Management* 2019/2 (n° 29), pages 133 à 158

Uysal, D. (2021). Perceived leadership styles and employee motivation: A research in Turkish hotel context. *Journal of Ekonomi* 06 (2021) 106–110.

Van. Greuning & Bratanovic, S. (2020). Analyzing Banking Risk: A Framework for Assessing Corporate Governance and Risk Management. Fourth Edition. *International Bank for Reconstruction and Development / The World Bank.*

Vanhaverbeke, W., Agoralaan-Building D, & Roijakkers, N. (2018). Open Innovation. Accessed on 20th November 2021 from https://www.researchgate.net/publication/282236088_Open_Innovation/link/5a98b9cba6fdccecff0d3dae/download

Van Hoose, D. (2017). The Industrial Organization of Banking Bank Behavior, Market Structure, and Regulation (Second Edition). *Springer Publishing, Germany.* ISBN 978-3-662-54325-2 ISBN 978-3-662-54326-9 (eBook) DOI 10.1007/978-3-662-54326-9

Wafubwa, A. (2013). Factors Influencing Performance of Commercial Banks in Kenya: A Case of the Kenya Commercial Bank, Bungoma County. A Research Project Submitted In Partial

Fulfilment of the Requirements for the Award of Master of Arts Degree in Project Planning and Management of the University Of Nairobi.

Walela, K. & Okwemba, E. (2015). Effect of Leadership Behavior on the Performance of Micro-Financial Institutions in Kakamega County. *International Journal of Scientific & Technology Research. Volume 4, Issue 02, February 2015* ISSN 2277-8616 239 IJSTR©2015 www.ijstr.org

Walters, K. & Rodriguez, J. (2017). The Importance of Training and Development in Employee Performance and Evaluation. W*orld Wide Journal of Multidisciplinary Research and Development*. MJIF: 4.25 e-ISSN: 2454-6615

Wanalo, E., Mande, W. & Ng'ong'a, A. (2020). Effect of Technological Financial Innovations on Financial Performance of Commercial Banks in Kenya. *The International Journal of Business & Management ISSN 2321–8916*

Wang, G., Holmes, R., Oh, I. & Zhu, W. (2016). *Do CEOs Matter to Firm Strategic Actions and Firm Performance? A Meta-Analytic Investigation Based on Upper Echelons Theory. Personnel Psychology Volume 69, Issue 4. Winter 2016*

Wang, P. & Rode, J. (2010). 'Transformational leadership and follower creativity: the moderating effects of identification with leader and organizational climate', *Human Relations, **63**, pp.* 1105–1128.

Wang, Z., Liu, Y. & Liu, S. (2019). Authoritarian leadership and task performance: the effects of leader-member exchange and dependence on leader. *Journal of Organizational Design*. *Front. Bus. Res. China* **13,** 19 (2019). https://doi.org/10.1186/s11782-019-0066-x

Wang, Z. & Xu, X. (2021). High-dimensional sphericity test by extended likelihood ratio. Metrika 84, 1169–1212 (2021). https://doi.org/10.1007/s00184-021-00816-3 DOI https://doi.org/10.1007/s00184-021-00816-3

Wong, A. & Yamat, H. (2020) Testing the Validity and Reliability of the "Learn, Pick, Flip, Check, Reward" (LPFCR) Card Game in Homophone Comprehension. International Journal of Academic Research in Business and Social Sciences Vol. 1 0, No. 1, Jan, 2020, E-ISSN: 2222-6990. DOI: 10.6007/IJARBSS/v10-i1/6803

Wanjohi, S., Wanjohi, J. & Ndambiri, J. (2017). The Effect of Financial Risk Management on the Financial Performance of Commercial Banks in Kenya. *International Journal of Finance*

and Banking Research. 2017; 3(5): 70-81. DOI: 10.11648/j.ijfbr.20170305.12. ISSN: 2472-2278

Weber, M. (1947), The theory of social and economic organization, Oxford University Press, New York, NY.

Wenslaw, S. (2019). Leveraging the Innovation Adoption Model in Digital Marketing Strategies. Vovia. Accessed on 17th December 2021 from https://www.vovia.com/blog/analytics/leveraging-the-innovation-adoption-model-in-digital-marketing-strategies/

Weygandt, J., Kimmel, P., Kieso, D. &. Aly, I. (2018). Managerial Accounting Tools for Business Decision-Making (Fifth Canadian Edition). John Wiley & Sons Canada, Ltd. Ottawa, Canada.

Whisman, M. & McClelland, G. (2005). Designing, Testing, and Interpreting Interactions and Moderator Effects. *Family Research. Journal of Family Psychology*, 19(1), 111–120. https://doi.org/10.1037/0893-3200.19.1.111

Wisdom J., Chor, K., Hoagwood, K. &. Horwitz S. (2013). Innovation Adoption: A Review of Theories and Constructs. *Adm Policy Ment Health* DOI 10.1007/s10488-013-0486-4

Wood, F. (2018). *Business Accounting Volume 1*. Pearson Education. London. United Kingdom.

Xenikou, A. (2017). Transformational Leadership, Transactional Contingent Reward, and Organizational Identification: The Mediating Effect of Perceived Innovation and Goal Culture Orientations. *Frontiers in Psychology* | www.frontiersin.org 1 October 2017 | Volume 8 | Article 1754

Yamauchi, L., Ponte, E., Ratliffe, K. & Traynor, K. (2017). Theoretical and Conceptual Frameworks Used in Research on Family–School Partnerships. *School Community Journal*, 2017, Vol. 27, No. 2 9 Available at http://www.schoolcommunitynetwork.org/SCJ.aspx

Yudiana, Y., Hidayat, Y., Hambali B. & Slamat, S. (2017). Content Validity Estimation of Assessment Instrument Based on Volleyball Information System of Volleyball Learning: Field Research. *IOP Conference Series: Materials Science and Engineering*. doi:10.1088/1757-899X/180/1/012230

Yukl, G. (1994). *Leadership in organizations (3rd ed.).* Englewood Cliffs, NJ: Prentice Hall. London. United Kingdom.

Yukl, G. (2013). Leadership in Organizations. Pearson. Boston, USA

YuSheng, K. & Ibrahim, M. (2020). Innovation Capabilities, Innovation Types, and Firm Performance: Evidence from the Banking Sector of Ghana. *SAGE Open April-June 2020*: 1–12 © The Author(s) 2020 DOI: 10.1177/2158244020920892 journals.sagepub.com/home/sgo.

Yusoff, M. (2019). ABC of Content Validation and Content Validity Index Calculation. *Education in Medicine Journal.* 11. 49-54. 10.21315/eimj2019.11.2. 6.. https://doi.org/10.21315/eimj2019.11.2.6

Zaleska, M. & Kondraciuk, P. (2019). Theory and practice of innovation development in the banking sector. *Financial Sciences*. 24. 76-87. 10.15611/fins.2019.2.06. ISSN 2080-5993 e-ISSN 2449-9811 DOI:10.15611/fins.2019.2.06

Zeb, A., Saeed, G., Rehman, S., Ullah, H. & Rabi, F. (2015). Transformational and Transactional Leadership Styles and its Impact on the Performance of the Public Sector Organizations in Pakistan. *Abasyn Journal of Social Sciences. Vol: 8 Issue: 1*

Zeynivandnezhad, F., Rashed, F., & Kaooni, A. (2019). Exploratory Factor Analysis for TPACK among Mathematics Teachers: Why, What and How. *Anatolian Journal of Education*, 4(1), 59-76. e-ISSN: 2547-9652https://doi.org/10.29333/aje.2019.416a

Zingales, L. (2000). In search of new foundations. *Journal of Finance* 55 (4): 1623 1653. 17 December 2002 DOI **https://doi.org/10.1111/0022-1082.00262**

Zouari, G., & Abdelmalek, I. (2020). Financial innovation, risk management, and bank performance. Copernican *Journal of Finance & Accounting, 9(1), 77–100.* http://dx.doi.org/10.12775/ CJFA.2020.004

Zouari-Hadiji, R.. (2021). Financial innovation characteristics and banking performance: The mediating effect of risk management. *International Journal of Finance & Economics. 10.1002/ijfe 2471*.

APPENDICES

Appendix I: SPSS PROCESS Regression Output

Matrix - Run MATRIX procedure:

```
***************** PROCESS Procedure for SPSS Version 4.1 *****************

        Written by Andrew F. Hayes, Ph.D.       www.afhayes.com
    Documentation available in Hayes (2022). www.guilford.com/p/hayes3

**************************************************************************
Model  : 4
    Y  : FP
    X  : LS
    M  : FI

Sample
Size:  294

**************************************************************************
OUTCOME VARIABLE:
 FI

Model Summary
        R       R-sq        MSE          F        df1        df2          p
     .5863      .3437      .8401   152.9142     1.0000   292.0000      .0000

Model
            coeff         se          t          p       LLCI       ULCI
constant   1.4558     .1630     8.9287     .0000     1.1349     1.7767
LS          .5628     .0455    12.3658     .0000     .4732      .6524

Standardized coefficients
        coeff
LS      .5863

**************************************************************************
OUTCOME VARIABLE:
 FP

Model Summary
        R       R-sq        MSE          F        df1        df2          p
     .9283      .8617      .1447   906.8513     2.0000   291.0000      .0000

Model
            coeff         se          t          p       LLCI       ULCI
```

```
constant      .2157      .0764     2.8250      .0051      .0654      .3660
LS            .4429      .0233    18.9905      .0000      .3970      .4887
FI            .4797      .0243    19.7480      .0000      .4319      .5275

Standardized coefficients
        coeff
LS      .5110
FI      .5313

Test(s) of X by M interaction:
         F        df1        df2          p
    2.7073     1.0000   290.0000      .1010

************************** TOTAL EFFECT MODEL ****************************
OUTCOME VARIABLE:
 FP

Model Summary
         R       R-sq        MSE          F        df1        df2          p
     .8225      .6764      .3376   610.4765     1.0000   292.0000      .0000

Model
             coeff         se          t          p       LLCI       ULCI
constant      .9141      .1034     8.8440      .0000      .7106     1.1175
LS            .7128      .0289    24.7078      .0000      .6561      .7696

Standardized coefficients
        coeff
LS      .8225

********** TOTAL, DIRECT, AND INDIRECT EFFECTS OF X ON Y **********

Total effect of X on Y
    Effect         se          t          p       LLCI       ULCI       c_cs
     .7128      .0289    24.7078      .0000      .6561      .7696      .8225

Direct effect of X on Y
    Effect         se          t          p       LLCI       ULCI      c'_cs
     .4429      .0233    18.9905      .0000      .3970      .4887      .5110

Indirect effect(s) of X on Y:
      Effect     BootSE   BootLLCI   BootULCI
FI     .2700      .0244      .2249      .3203

Completely standardized indirect effect(s) of X on Y:
```

```
      Effect     BootSE   BootLLCI   BootULCI
FI     .3115      .0221      .2695      .3562

************************ ANALYSIS NOTES AND ERRORS ************************

Level of confidence for all confidence intervals in output:
  95.0000

Number of bootstrap samples for percentile bootstrap confidence intervals:
  10000

------ END MATRIX -----
```

Matrix - Run MATRIX procedure:

***************** PROCESS Procedure for SPSS Version 4.1 *****************

Written by Andrew F. Hayes, Ph.D. www.afhayes.com
Documentation available in Hayes (2022). www.guilford.com/p/hayes3

****
Model : 1
Y : FP
X : LS
W : BR

Sample
Size: 294

****
OUTCOME VARIABLE:
FP

Model Summary

R	R-sq	MSE	F	df1	df2	p
.9228	.8515	.1560	554.2831	3.0000	290.0000	.0000

Model

	coeff	se	t	p	LLCI	ULCI
constant	3.3750	.0294	114.8495	.0000	3.3172	3.4328
LS	.4044	.0259	15.5927	.0000	.3534	.4555
BR	.4619	.0270	17.1035	.0000	.4087	.5150
Int_1	-.0573	.0216	-2.6565	.0083	-.0998	-.0149

Product terms key:
Int_1 : LS x BR

Test(s) of highest order unconditional interaction(s):

	R2-chng	F	df1	df2	p
X*W	.0036	7.0572	1.0000	290.0000	.0083

Focal predict: LS (X)
Mod var: BR (W)

Conditional effects of the focal predictor at values of the moderator(s):

BR	Effect	se	t	p	LLCI	ULCI
-1.1385	.4697	.0317	14.8045	.0000	.4072	.5321
.0000	.4044	.0259	15.5927	.0000	.3534	.4555

1.1385 .3392 .0393 8.6268 .0000 .2618 .4165

Data for visualizing the conditional effect of the focal predictor:
Paste text below into a SPSS syntax window and execute to produce plot.

```
DATA LIST FREE/
  LS       BR       FP       .
BEGIN DATA.
   -1.1765   -1.1385    2.2966
    .0000    -1.1385    2.8492
    1.1765   -1.1385    3.4017
   -1.1765    .0000     2.8992
    .0000     .0000    3.3750
    1.1765    .0000     3.8508
   -1.1765    1.1385    3.5018
    .0000     1.1385    3.9008
    1.1765    1.1385    4.2999
END DATA.
GRAPH/SCATTERPLOT=
 LS      WITH    FP      BY      BR      .
```

****

Bootstrap estimates were saved to a file

Map of column names to model coefficients:

	Conseqnt	Antecdnt
COL1	FP	constant
COL2	FP	LS
COL3	FP	BR
COL4	FP	Int_1

********** BOOTSTRAP RESULTS FOR REGRESSION MODEL PARAMETERS **********

OUTCOME VARIABLE:
FP

	Coeff	BootMean	BootSE	BootLLCI	BootULCI
constant	3.3750	3.3755	.0320	3.3132	3.4383
LS	.4044	.4042	.0238	.3585	.4510
BR	.4619	.4619	.0262	.4114	.5138
Int_1	-.0573	-.0581	.0237	-.1055	-.0114

********** ANALYSIS NOTES AND ERRORS **********

Level of confidence for all confidence intervals in output:

95.0000

Number of bootstrap samples for percentile bootstrap confidence intervals:
10000

W values in conditional tables are the mean and +/- SD from the mean.

NOTE: The following variables were mean centered prior to analysis:
BR LS

NOTE: Standardized coefficients not available for models with moderators.

------ END MATRIX -----

Matrix - Run MATRIX procedure:

********** PROCESS Procedure for SPSS Version 4.1 **********

Written by Andrew F. Hayes, Ph.D. www.afhayes.com
Documentation available in Hayes (2022). www.guilford.com/p/hayes3

****
Model : 8
Y : FP
X : LS
M : FI
W : BR

Sample
Size: 294

****
OUTCOME VARIABLE:
FI

Model Summary

```
        R       R-sq        MSE          F        df1        df2          p
    .6769      .4582      .6984    81.7370     3.0000   290.0000      .0000

Model
             coeff         se          t          p       LLCI       ULCI
constant    3.4727      .0622    55.8524      .0000     3.3503     3.5951
LS           .2821      .0549     5.1412      .0000      .1741      .3901
BR           .3625      .0571     6.3444      .0000      .2500      .4750
Int_1       -.1326      .0456    -2.9047      .0040     -.2224     -.0428

Product terms key:
 Int_1    :       LS       x        BR

Test(s) of highest order unconditional interaction(s):
      R2-chng          F        df1        df2          p
X*W      .0158     8.4373     1.0000   290.0000      .0040
----------
   Focal predict: LS       (X)
         Mod var: BR       (W)

Conditional effects of the focal predictor at values of the moderator(s):

        BR     Effect         se          t          p       LLCI       ULCI
   -1.1385      .4331      .0671     6.4522      .0000      .3010      .5652
    .0000      .2821      .0549     5.1412      .0000      .1741      .3901
   1.1385      .1312      .0832     1.5768      .1159     -.0326      .2949

Data for visualizing the conditional effect of the focal predictor:
Paste text below into a SPSS syntax window and execute to produce plot.

DATA LIST FREE/
  LS        BR        FI        .
BEGIN DATA.
   -1.1765    -1.1385     2.5504
    .0000    -1.1385     3.0600
   1.1765    -1.1385     3.5695
   -1.1765     .0000     3.1408
    .0000      .0000     3.4727
   1.1765      .0000     3.8046
   -1.1765     1.1385     3.7311
    .0000     1.1385     3.8854
   1.1765     1.1385     4.0397
END DATA.
GRAPH/SCATTERPLOT=
 LS      WITH     FI      BY       BR      .
```

```
**************************************************************************
OUTCOME VARIABLE:
 FP

Model Summary
        R       R-sq        MSE          F        df1        df2          p
     .9663      .9337      .0698  1018.1434     4.0000   289.0000      .0000

Model
             coeff         se          t          p       LLCI       ULCI
constant     2.1536      .0674    31.9417      .0000     2.0209     2.2863
LS           .3052       .0181    16.8345      .0000      .2695      .3409
FI           .3517       .0186    18.9393      .0000      .3152      .3883
BR           .3344       .0193    17.3403      .0000      .2964      .3723
Int_1        -.0107      .0146     -.7291      .4665     -.0395      .0181

Product terms key:
 Int_1    :       LS       x        BR

Test(s) of X by M interaction:
          F        df1        df2          p
      .2168     1.0000   288.0000      .6419

Test(s) of highest order unconditional interaction(s):
       R2-chng          F        df1        df2          p
X*W      .0001      .5316     1.0000   289.0000      .4665
----------
    Focal predict: LS       (X)
          Mod var: BR       (W)

Data for visualizing the conditional effect of the focal predictor:
Paste text below into a SPSS syntax window and execute to produce plot.

DATA LIST FREE/
  LS        BR        FP        .
BEGIN DATA.
    -1.1765    -1.1385     2.5815
     .0000     -1.1385     2.9549
    1.1765     -1.1385     3.3282
   -1.1765      .0000      2.9765
     .0000      .0000     3.3356
    1.1765      .0000     3.6946
   -1.1765     1.1385     3.3715
     .0000     1.1385     3.7162
    1.1765     1.1385     4.0610
END DATA.
```

```
GRAPH/SCATTERPLOT=
 LS      WITH     FP       BY       BR       .

****************** DIRECT AND INDIRECT EFFECTS OF X ON Y *****************

Conditional direct effect(s) of X on Y:
       BR     Effect         se          t          p       LLCI       ULCI
   -1.1385      .3173      .0227    13.9794      .0000      .2727      .3620
    .0000      .3052      .0181    16.8345      .0000      .2695      .3409
   1.1385      .2930      .0264    11.0914      .0000      .2410      .3450

Conditional indirect effects of X on Y:

INDIRECT EFFECT:
 LS         ->    FI         ->    FP

       BR     Effect     BootSE   BootLLCI   BootULCI
   -1.1385      .1523      .0239      .1082      .2023
    .0000      .0992      .0187      .0628      .1367
   1.1385      .0461      .0288     -.0117      .1021

     Index of moderated mediation:
       Index     BootSE   BootLLCI   BootULCI
BR     -.0466      .0164     -.0808     -.0163

 Pairwise contrasts between conditional indirect effects (Effect1 minus Effect2)
    Effect1    Effect2   Contrast     BootSE   BootLLCI   BootULCI
     .0992      .1523     -.0531      .0187     -.0920     -.0186
     .0461      .1523     -.1062      .0373     -.1839     -.0372
     .0461      .0992     -.0531      .0187     -.0920     -.0186
---

**************************************************************************
Bootstrap estimates were saved to a file

Map of column names to model coefficients:
         Conseqnt Antecdnt
 COL1     FI       constant
 COL2     FI       LS
 COL3     FI       BR
 COL4     FI       Int_1
 COL5     FP       constant
 COL6     FP       LS
 COL7     FP       FI
 COL8     FP       BR
 COL9     FP       Int_1
```

********** ANALYSIS NOTES AND ERRORS **********

Level of confidence for all confidence intervals in output:
 95.0000

Number of bootstrap samples for percentile bootstrap confidence intervals:
 10000

W values in conditional tables are the mean and +/- SD from the mean.

NOTE: The following variables were mean centered prior to analysis:
 BR LS

NOTE: Standardized coefficients not available for models with moderators.

------ END MATRIX -----

Appendix 2: Questionnaire

Introduction

You are invited to participate in a study entitled 'Transformational *Leadership Style, Financial Innovation, Bank Regulation and financial performance of the Kenyan commercial banking sector'* being my Thesis towards part fulfillment of the requirements of PhD in Leadership and Management at Management University of Africa.

Attached is the introductory letter from Management University of Africa.

Regards

Weru Mwangi

Part A: Leadership Style Questionnaire

On a scale of 1 to 5 where 1 = strongly disagree 2 = disagree 3 = neither agree or disagree 4 = agree 5 = strongly agree, kindly express your level agreement or disagreement with the statements below:

No	Leadership Statements	1	2	3	4	5
	Transformational leadership					
1.	Good leaders make other people feel good around them					
2.	Leaders express with a few simple words what can be done and should be done					
3.	Good leaders enable others develop themselves					
	Autocratic leadership					
4.	It is fair to say that most employees in the general population are lazy.					
5.	Employees need to be supervised closely, or they are not likely to do their work.					
6.	The leader is the chief judge of the achievements of the members of the group					
	Democratic leadership					
7.	Providing guidance without pressure is the key to being a good leader.					

8.	Leaders need to help subordinates accept responsibility for completing their work.					
9.	Employees want to be a part of the decision-making process.					
	Laissez-Faire leadership					
10.	Leadership requires staying out of the way of subordinates as they do their work.					
11.	In complex situations, leaders should let subordinates work problems out on their own					
12.	As a rule, leaders should allow subordinates to appraise their own work.					

Part B: Banking Innovation Questionnaire

No	**Statements**	**1**	**2**	**3**	**4**	**5**
1	Bank's internet banking has grown over the past FIVE years					
2	Transactions from the bank's internet banking have grown over the past FIVE years					
3	Internet banking has helped in reduction of the bank's operating expenses over the past FIVE years					
4	Bank's agent banking has grown over the past FIVE years					
5	Transactions from the bank's agent banking network have grown has generally grown over the past FIVE years					
6	Agent banking has helped in reduction of the bank's operating expenses over the past FIVE years					
7	Bank's mobile banking has grown over the past FIVE years					
8	Transactions from the bank's mobile banking products have grown has generally grown over the past FIVE years					
9	Mobile banking has helped in reduction of the bank's operating expenses over the past FIVE years					
10	Bank's mobile lending has grown over the past FIVE years					
11	Transactions from the bank's mobile lending have grown has generally grown over the past FIVE years					
12	Mobile lending has helped in reduction of the bank's operating expenses over the past FIVE years					

Part C: Banking regulation

On a scale of 1 to 5 where 1 = strongly disagree 2 = disagree 3 = neither agree or disagree 4 = agree 5 = strongly agree, kindly express your level agreement or disagreement with the statements below:

		1	**2**	**3**	**4**	**5**
1	Implementation of IFRS 9 has increased bank operating expenses over the past FIVE years					
2	Implementation of IFRS 9 has reduced the bank's income over the past FIVE years					
3	Implementation of IFRS 9 has led to increased capital requirements over the past FIVE years					
4	Implementation of IFRS 16 has increased bank operating expenses over the past FIVE years					
5	Implementation of IFRS 16 has reduced the bank's income over the past FIVE years					
6	Implementation of IFRS 16 has led to increased capital requirements over the past FIVE years					
7	New product development regulations has increased bank operating expenses over the past FIVE years					
8	New product development regulations have reduced the bank's income over the past FIVE years					
9	New product development regulations slows down digital innovation related income					
10	Implementation of risk management regulations has led to increased capital requirements over the past FIVE years					
11	Implementation of risk management regulations increased bank operating expenses over the past FIVE years					
12	Implementation of risk management regulations has reduced the bank's income over the past FIVE years					

Part D: Bank Financial Performance Questionnaire

The questions below assess different aspects of a bank's financial performance. Using the scale provided, kindly rate your agreement or disagreement with the statements below.

Scale

5 = strongly agree 4 = agree 3 = neither agree or disagree, 2 = disagree, 1 = strongly disagree

No	Statements	1	2	3	4	5
1	The bank's non-interest income has generally grown over the past FIVE years					
2	The bank's interest income has generally grown over the past FIVE years					
3	The bank's operating expenses have generally increased over the past FIVE years					
4	Bank's loan portfolio has generally grown over the past FIVE years					
5	The bank's investment in financial assets has generally grown over the past FIVE years					
6	The bank has revalued its assets over the past FIVE years					
7	The bank's total income has grown over the past FIVE years					
8	The bank's total assets have grown over the past FIVE years					
9	The bank has improved its return on assets over the past FIVE years					
10	The bank has issued new share capital over the past FIVE years					
11	The bank has raised additional debt capital over the past FIVE years					
12	The bank has increased its rate of profit retention over the past FIVE years					

Appendix 3: List and classification of Commercial Banks in Kenya

Bank Name	Market Index	Peer Group
Kenya Commercial Bank	13.81	Large
Standard Chartered Bank	5.7	Large
ABSA Bank Kenya	6.37	Large
Bank of India	1.72	Medium
Bank of Baroda	3.14	Medium
NCBA Bank Kenya	9.72	Large
Prime Bank Limited	2.43	Medium
Cooperative Bank of Kenya	9.42	Large
National Bank of Kenya	2.31	Medium
M-Oriental Bank	0.26	Small
Citibank NA	2.3	Medium
Habib Bank AG	0.46	Small
Middle East Bank	0.18	Small
Bank of Africa (Kenya) Ltd	0.65	Small
Consolidated Bank of Kenya	0.22	Small
Credit Bank Limited	0.41	Small
Access Bank Kenya	0.21	Small
SBM Bank Kenya	1.21	Medium
Stanbic Bank	5.22	Large
African Banking Corporation	0.57	Small
Ecobank (Kenya) Limited	1.49	Medium
Paramount Bank Limited	0.22	Small
Kingdom Bank	0.29	Small
Victoria Commercial Bank	0.74	Small
Guardian Bank	0.31	Small
I&M Bank Limited	5.31	Large
Guaranty Trust Bank	0.71	Small
Development Bank	0.3	Small
Diamond Trust Bank	5.64	Large
Spier Bank	0.05	Small
Sidian Bank	0.6	Small
Equity Bank Limited	13.57	Large
Family Bank Ltd	1.81	Medium
First Community Bank	0.38	Small
DIB Bank Kenya	0.29	Small
UBA Bank Kenya	0.19	Small
Gulf African Bank	0.62	Small
HFC Ltd	0.86	Small
Mayfair Bank	0.29	Small

Appendix 4: Respondents Distribution by Bank

KBA Clearing Code	Bank Name	Total staff	Target Respondents
1	Kenya Commercial Bank	4480	53
2	Standard Chartered Bank	1849	22
3	ABSA Bank Kenya	2066	25
5	Bank of India	558	7
6	Bank of Baroda	1019	12
7	NCBA Bank Kenya	3153	37
10	Prime Bank Limited	788	9
11	Cooperative Bank of Kenya	3056	36
12	National Bank of Kenya	749	9
14	M-Oriental Bank	84	1
16	Citibank NA	746	9
17	Habib Bank AG	149	2
18	Middle East Bank	58	1
19	Bank of Africa (Kenya) Ltd	211	3
23	Consolidated Bank of Kenya	71	1
25	Credit Bank Limited	133	2
26	Access Bank Kenya	68	1
30	SBM Bank Kenya	393	5
31	Stanbic Bank	1693	20
35	African Banking Corporation	185	2
43	Ecobank (Kenya) Limited	483	6
50	Paramount Bank Limited	71	1
51	Kingdom Bank	94	1
54	Victoria Commercial Bank	240	3
55	Guardian Bank	101	1
57	I&M Bank Limited	1723	20
58	Guaranty Trust Bank	230	3
59	Development Bank	97	1
63	Diamond Trust Bank	1830	22
46	Spier Bank	16	0
66	Sidian Bank	195	2
68	Equity Bank Limited	4402	52
70	Family Bank Ltd	587	7
73	First Community Bank	123	1
75	DIB Bank Kenya	94	1
77	UBA Bank Kenya	62	1
77	Gulf African Bank	201	2
82	HFC Ltd	279	3
86	Mayfair Bank	94	1

APPENDIX 5: COLLECTED DATA

CODE	TRL	DL	AL	LFL	LS	FI	BR	FP	Proft	RoE	RoA	Assts
1	3	3	3	1	4	4	5	4	4	3	4	4
2	1	2	2	4	1	3	1	2	3	4	2	3
3	4	4	3	1	3	4	4	4	5	4	2	4
4	5	5	4	2	4	4	4	4	4	4	5	4
5	3	5	3	2	3	3	4	3	4	3	5	4
6	5	3	4	3	4	4	5	4	4	2	2	3
7	5	5	4	2	5	4	3	4	4	3	4	4
8	5	3	3	1	4	5	3	4	3	4	3	3
9	4	5	3	1	3	4	4	4	5	4	4	4
10	4	5	5	3	4	5	3	4	4	3	2	3
11	5	5	5	2	5	3	4	4	5	4	3	4
12	5	4	4	2	4	4	5	4	3	3	5	4
13	5	3	4	2	5	4	3	4	5	3	1	3
14	5	3	4	3	4	5	3	4	5	3	4	4
15	5	4	4	2	4	5	4	4	4	3	4	4
16	3	4	4	1	4	4	4	4	5	3	2	3
17	5	5	4	2	5	4	4	4	3	3	4	3
18	4	5	5	1	3	4	3	3	4	3	1	3
19	5	4	5	2	4	3	3	3	4	4	3	4
20	4	3	4	2	5	3	4	4	5	4	4	4
21	4	5	4	1	5	4	4	4	4	4	5	4
22	4	5	3	2	3	4	4	4	4	3	4	4
23	5	5	3	3	4	3	4	4	3	3	3	3
24	4	3	4	2	5	5	5	5	4	4	3	4
25	5	5	4	2	5	4	3	4	4	3	3	3
26	5	3	3	1	4	5	3	4	3	3	3	3
27	1	2	3	5	1	2	2	2	4	3	2	3
28	2	1	2	3	2	3	1	2	3	3	1	2
29	2	2	2	5	2	2	2	2	5	4	2	4
30	2	2	3	4	1	1	3	2	5	4	2	4
31	3	3	1	5	2	2	2	2	5	3	2	3
32	1	3	2	5	2	1	2	2	4	3	4	4
33	1	3	3	3	2	3	3	3	4	3	2	3
34	3	1	2	5	1	2	1	1	5	3	2	3
35	4	4	3	2	5	3	3	4	4	3	2	3
36	4	5	4	2	4	4	4	4	5	3	2	3
37	3	4	4	2	5	3	4	4	5	2	3	3
38	4	4	4	1	3	4	5	4	5	3	1	3
39	4	5	5	2	4	5	4	4	4	4	2	3
40	5	5	5	3	5	4	4	4	4	4	3	4
41	4	5	5	2	3	4	4	4	5	4	3	4
42	4	4	5	2	5	4	3	4	4	3	5	4
43	5	3	4	3	4	4	4	4	5	3	3	4
44	4	5	4	3	5	4	3	4	4	3	2	3
45	3	5	4	3	4	5	3	4	4	3	3	3

CODE	TRL	DL	AL	LFL	LS	FI	BR	FP	Proft	RoE	RoA	Assts
46	4	4	5	3	3	5	4	4	5	3	4	4
47	4	5	4	2	4	4	4	4	2	2	5	3
48	3	4	4	2	5	4	4	4	4	3	4	4
49	4	3	5	3	4	4	3	4	4	3	5	4
50	4	4	4	2	5	3	4	4	4	3	2	3
51	4	4	4	2	4	5	4	4	5	3	5	4
52	5	3	4	2	5	4	3	4	5	3	2	3
53	4	4	4	2	3	4	4	4	4	3	5	4
54	4	5	3	2	4	5	3	4	4	3	2	3
55	3	3	4	2	4	3	4	4	3	3	4	3
56	3	5	3	3	4	3	4	4	4	2	4	3
57	2	2	3	4	2	1	2	2	4	2	2	3
58	1	3	2	3	2	2	3	2	5	3	4	4
59	1	3	2	3	2	3	3	3	4	4	4	4
60	3	3	2	5	3	2	3	3	5	3	3	4
61	3	1	1	4	3	3	1	2	3	4	2	3
62	1	2	3	4	1	2	2	2	4	3	3	3
63	4	4	5	2	5	3	4	4	3	3	2	3
64	4	4	3	1	3	3	4	3	3	3	5	4
65	4	3	5	3	3	4	3	3	5	3	5	4
66	3	3	3	4	3	2	2	2	4	4	2	3
67	3	2	1	4	1	2	3	2	4	3	1	3
68	2	2	2	4	2	2	3	2	5	4	1	3
69	3	2	2	5	3	3	2	3	4	4	3	4
70	2	1	3	4	2	1	2	2	4	3	3	3
71	3	2	2	4	2	3	2	2	5	3	2	3
72	2	3	1	5	2	2	1	2	4	3	2	3
73	5	4	3	2	5	3	3	4	5	3	3	4
74	1	2	3	4	1	2	1	1	4	3	3	3
75	4	4	4	3	5	3	5	4	3	4	2	3
76	5	4	4	2	4	5	4	4	4	4	3	4
77	2	3	2	4	1	3	2	2	3	3	4	3
78	1	1	2	4	2	2	1	2	4	3	1	3
79	4	4	4	3	4	5	5	5	4	3	2	3
80	3	4	5	2	5	4	4	4	4	3	3	3
81	5	5	4	2	4	4	5	4	5	2	3	3
82	4	3	4	2	4	4	5	4	5	4	4	4
83	4	5	3	3	4	5	5	5	3	2	2	2
84	4	5	5	2	3	3	4	3	4	3	1	3
85	5	5	4	2	4	4	4	4	4	3	3	3
86	4	4	3	2	3	5	5	4	4	2	3	3
87	3	5	5	3	3	3	3	3	3	3	5	4
88	3	5	4	2	4	4	4	4	3	4	4	4
89	5	4	4	2	3	4	5	4	4	3	1	3
90	3	5	5	2	5	3	4	4	4	3	2	3
91	4	4	4	1	4	4	4	4	3	4	2	3
92	4	4	4	2	5	5	4	5	4	2	1	2

CODE	TRL	DL	AL	LFL	LS	FI	BR	FP	Proft	RoE	RoA	Assts
93	5	3	4	2	5	5	5	5	3	3	5	4
94	3	4	3	2	3	3	4	3	3	3	3	3
95	4	3	5	2	5	5	3	4	4	3	5	4
96	4	5	3	2	4	3	4	4	3	3	2	3
97	5	5	4	1	4	4	4	4	5	3	5	4
98	4	4	3	2	4	4	5	4	4	4	1	3
99	5	4	4	1	3	4	5	4	3	4	5	4
100	4	4	5	2	4	5	4	4	3	3	5	4
101	5	4	3	3	5	4	3	4	4	3	3	3
102	5	5	4	2	3	4	4	4	4	4	5	4
103	5	4	5	3	4	5	4	4	4	3	3	3
104	4	5	5	3	4	4	4	4	5	3	5	4
105	2	3	3	4	3	2	2	2	5	3	4	4
106	1	2	2	3	3	3	3	3	5	4	4	4
107	1	1	1	3	2	3	2	2	5	4	2	4
108	4	5	3	2	4	4	3	4	4	2	4	3
109	5	5	4	2	5	4	4	4	5	2	4	4
110	4	3	4	2	3	4	4	4	2	4	1	2
111	1	1	3	4	2	1	1	1	4	3	3	3
112	1	1	1	4	1	2	2	2	3	2	5	3
113	2	2	2	3	2	3	2	2	4	4	3	4
114	3	3	2	4	3	3	2	3	4	3	3	3
115	3	5	3	3	4	5	3	4	4	3	3	3
116	1	2	3	4	1	2	3	2	5	3	4	4
117	2	2	1	4	3	2	1	2	3	3	4	3
118	2	2	2	4	2	1	1	1	4	3	5	4
119	2	1	2	4	3	2	3	3	4	2	2	3
120	3	4	5	2	4	3	3	3	2	3	4	3
121	5	5	3	2	4	4	4	4	4	3	5	4
122	3	4	5	1	4	5	3	4	4	5	4	4
123	3	5	5	2	5	3	4	4	5	3	5	4
124	3	5	4	1	5	4	5	5	4	3	4	4
125	3	4	5	3	5	3	4	4	4	4	3	4
126	4	3	3	2	4	5	3	4	4	2	3	3
127	3	5	4	2	4	4	4	4	3	4	4	4
128	5	4	5	1	3	5	3	4	3	3	4	3
129	3	3	3	2	3	3	3	3	3	3	3	3
130	5	3	4	2	4	5	3	4	5	3	4	4
131	3	3	3	4	2	2	2	2	4	4	3	4
132	3	2	2	5	2	1	2	2	4	3	1	3
133	3	2	3	3	2	2	2	2	4	3	5	4
134	3	1	3	5	2	2	1	2	5	3	3	4
135	1	2	2	4	3	3	2	3	4	3	1	3
136	2	1	1	3	2	3	1	2	3	2	2	2
137	3	5	4	3	5	4	4	4	4	3	3	3
138	4	4	4	2	4	3	4	4	3	3	2	3
139	4	4	4	1	4	4	4	4	4	2	5	4

CODE	TRL	DL	AL	LFL	LS	FI	BR	FP	Proft	RoE	RoA	Assts
140	3	4	3	2	4	3	4	4	4	3	3	3
141	4	4	3	2	4	4	3	4	3	4	4	4
142	4	5	4	1	3	5	3	4	4	3	1	3
143	4	5	4	1	3	5	4	4	5	2	5	4
144	4	4	3	1	5	3	4	4	4	4	4	4
145	5	4	4	3	5	4	4	4	5	3	4	4
146	5	4	5	1	4	4	3	4	5	3	3	4
147	5	5	3	1	4	3	5	4	4	3	3	3
148	4	3	5	1	3	5	4	4	3	3	4	3
149	3	3	3	4	3	2	2	2	4	4	4	4
150	1	3	1	3	2	1	1	1	5	3	4	4
151	4	4	4	2	4	5	5	5	5	4	4	4
152	5	3	4	2	4	3	3	3	4	3	1	3
153	5	4	4	2	5	5	4	5	4	4	4	4
154	1	3	2	5	1	2	1	1	4	3	2	3
155	2	2	3	4	1	1	2	1	4	3	5	4
156	3	2	1	4	1	3	2	2	3	4	4	4
157	2	2	2	4	2	2	3	2	3	2	4	3
158	1	3	1	4	2	3	3	3	4	3	3	3
159	2	3	2	5	2	2	2	2	4	3	5	4
160	1	2	1	4	2	3	2	2	4	4	3	4
161	1	1	1	4	2	2	2	2	3	4	4	4
162	3	2	2	3	3	2	1	2	3	3	2	3
163	4	4	5	1	4	5	4	4	3	3	3	3
164	5	4	3	2	5	3	3	4	4	3	4	4
165	3	5	3	3	4	5	3	4	5	3	4	4
166	4	4	3	1	3	3	4	3	3	4	4	4
167	5	3	4	2	4	5	3	4	4	3	4	4
168	1	2	2	4	1	3	2	2	3	3	1	2
169	5	5	3	2	4	3	3	3	3	4	5	4
170	4	3	4	1	5	4	4	4	3	3	4	3
171	4	3	5	3	3	4	3	3	4	2	3	3
172	4	4	5	1	4	4	4	4	4	3	3	3
173	4	4	5	2	5	3	4	4	4	4	4	4
174	4	5	3	2	3	4	5	4	5	3	2	3
175	2	3	3	5	1	2	2	2	5	3	5	4
176	3	1	3	5	1	2	2	2	4	2	4	3
177	1	1	3	4	3	1	3	2	4	3	3	3
178	2	2	2	5	3	2	2	2	5	4	3	4
179	4	5	4	2	4	5	5	5	5	2	5	4
180	4	4	4	2	4	4	5	4	5	3	4	4
181	4	4	4	2	5	5	5	5	3	3	4	3
182	3	4	3	3	4	4	3	4	5	3	5	4
183	5	3	5	2	4	4	4	4	5	4	4	4
184	4	5	5	1	3	5	3	4	4	3	2	3
185	4	3	5	3	4	4	3	4	3	3	3	3
186	3	5	3	3	4	3	4	4	4	2	5	4

CODE	TRL	DL	AL	LFL	LS	FI	BR	FP	Proft	RoE	RoA	Assts
187	4	4	4	2	5	3	4	4	4	3	5	4
188	5	3	4	3	4	4	5	4	5	3	5	4
189	4	5	4	2	4	3	3	3	4	3	4	4
190	2	2	1	3	3	2	2	2	5	4	3	4
191	3	3	3	1	3	3	4	3	4	2	3	3
192	4	5	4	2	3	5	5	4	4	3	4	4
193	3	3	3	4	2	2	2	2	5	3	3	4
194	2	2	1	4	3	2	2	2	4	3	2	3
195	2	2	1	5	1	1	1	1	3	4	4	4
196	2	2	3	4	3	2	1	2	5	4	4	4
197	3	4	5	2	4	5	5	5	5	4	5	5
198	2	2	2	3	2	2	2	2	2	3	5	3
199	1	2	3	4	1	2	3	2	3	2	4	3
200	2	2	1	3	2	1	2	2	4	2	4	3
201	3	2	2	5	2	3	1	2	3	4	4	4
202	5	5	3	2	4	3	3	3	3	4	3	3
203	4	3	4	1	5	4	4	4	3	3	4	3
204	4	4	5	1	4	4	4	4	4	3	3	3
205	4	3	4	2	4	3	4	4	4	2	4	3
206	4	4	4	2	5	5	4	5	3	3	2	3
207	3	5	4	1	4	4	5	4	2	4	5	4
208	4	3	3	1	3	4	4	4	4	3	1	3
209	4	4	3	3	4	4	4	4	4	3	3	3
210	4	5	4	3	5	3	4	4	5	2	5	4
211	5	4	4	2	4	4	5	4	3	4	2	3
212	4	3	4	1	3	4	3	3	3	3	3	3
213	4	4	3	1	4	5	5	5	4	3	4	4
214	3	5	4	3	4	3	5	4	4	2	5	4
215	4	5	5	2	3	3	3	3	4	4	4	4
216	4	4	5	2	3	3	5	4	5	2	4	4
217	5	3	4	2	4	3	5	4	4	2	3	3
218	5	4	3	1	5	4	4	4	3	3	3	3
219	4	3	3	3	4	3	4	4	4	4	2	3
220	3	3	3	2	3	4	4	4	4	3	0	2
221	5	3	3	3	4	4	4	4	3	3	5	4
222	4	3	4	1	5	4	3	4	3	2	4	3
223	4	5	3	2	3	4	5	4	4	2	4	3
224	4	4	4	2	4	4	4	4	3	4	3	3
225	4	4	3	2	3	4	4	4	4	2	3	3
226	4	3	3	2	3	4	4	4	3	2	1	2
227	4	4	5	3	4	3	3	3	4	3	3	3
228	4	5	3	2	5	3	4	4	3	3	5	4
229	3	4	3	2	5	5	4	5	3	2	3	3
230	3	3	4	2	4	3	5	4	3	3	5	4
231	4	4	4	2	3	3	4	3	5	2	2	3
232	3	4	5	1	4	5	4	4	5	2	4	4
233	4	3	4	2	3	4	3	3	4	4	5	4

CODE	TRL	DL	AL	LFL	LS	FI	BR	FP	Proft	RoE	RoA	Assts
234	5	5	4	2	5	4	4	4	4	3	3	3
235	3	4	3	2	5	4	5	5	3	2	5	3
236	4	4	3	2	4	5	4	4	4	4	2	3
237	4	4	4	3	5	3	5	4	4	3	4	4
238	5	3	5	3	5	3	3	4	4	1	4	3
239	3	4	5	2	4	5	5	5	4	4	2	3
240	5	4	4	2	4	4	3	4	4	3	5	4
241	4	3	4	2	5	3	4	4	4	3	4	4
242	5	3	4	3	4	4	5	4	4	2	2	3
243	5	3	4	3	4	5	3	4	4	3	4	4
244	5	5	3	3	3	5	3	4	5	3	3	4
245	2	1	3	4	2	2	1	2	4	3	1	3
246	2	2	2	4	2	1	2	2	4	3	3	3
247	4	4	5	3	4	3	3	3	4	3	3	3
248	4	3	3	2	4	5	4	4	4	2	3	3
249	3	5	4	2	3	4	4	4	4	4	4	4
250	4	3	3	2	3	4	5	4	5	3	3	4
251	4	3	4	1	4	5	4	4	3	3	0	2
252	4	5	3	2	5	3	4	4	3	4	3	3
253	4	5	4	2	4	4	3	4	5	4	2	4
254	3	5	3	2	3	3	4	3	4	3	3	3
255	5	4	4	2	4	3	3	3	4	3	5	4
256	3	3	4	2	5	4	5	5	3	2	4	3
257	3	5	3	3	4	4	4	4	5	3	4	4
258	4	4	5	3	4	4	3	4	5	3	2	3
259	4	4	3	3	5	4	3	4	4	3	3	3
260	3	5	5	2	3	5	4	4	4	4	2	3
261	1	2	2	4	3	3	2	3	4	3	4	4
262	3	2	2	5	2	1	2	2	3	4	4	4
263	3	2	3	3	2	2	2	2	4	3	1	3
264	3	3	3	4	3	2	2	2	5	3	4	4
265	5	5	3	3	3	5	3	4	4	3	3	3
266	2	2	2	4	2	3	2	2	5	3	4	4
267	4	4	4	2	4	4	4	4	4	4	4	4
268	4	3	4	1	5	4	3	4	4	2	5	4
269	2	2	1	5	2	3	3	3	3	3	4	3
270	1	2	2	5	2	1	2	2	5	4	2	4
271	1	2	3	4	3	1	3	2	3	3	2	3
272	4	4	3	2	3	4	4	4	4	4	3	4
273	4	3	3	2	3	4	4	4	4	3	3	3
274	1	3	1	3	2	1	1	1	3	3	4	3
275	1	2	2	3	3	3	3	3	4	2	3	3
276	2	3	3	4	3	2	2	2	3	3	4	3
277	3	1	3	5	2	2	1	2	4	3	5	4
278	1	2	2	4	1	3	2	2	4	2	3	3
279	2	1	1	3	2	3	1	2	3	3	3	3
280	3	3	2	4	2	2	3	2	4	3	2	3

CODE	TRL	DL	AL	LFL	LS	FI	BR	FP	Proft	RoE	RoA	Assts
281	3	2	2	4	2	2	2	2	4	3	4	4
282	1	2	3	4	3	3	1	2	3	4	2	3
283	1	2	2	4	1	2	1	1	4	3	4	4
284	1	2	3	4	2	3	2	2	4	3	3	3
285	2	1	2	3	3	2	2	2	4	3	1	3
286	5	4	5	2	4	3	3	3	3	3	3	3
287	2	2	2	5	2	3	2	2	3	3	1	2
288	2	1	2	4	2	1	3	2	5	2	1	3
289	5	5	5	2	5	3	4	4	4	2	3	3
290	3	2	2	3	2	2	3	2	4	3	4	4
291	2	2	2	3	3	2	3	3	4	3	2	3
292	3	2	1	4	2	2	2	2	4	4	4	4
293	2	3	1	4	1	3	2	2	4	2	4	3
294	1	2	3	4	2	2	3	2	4	3	4	4