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Corporate Governance and Financial Performance of Selected Commercial Banks in Kenya

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Abstract

The primary purpose of this study was to determine whether or not corporate responsibility had an impact on the bottom lines of a sample of Kenyan commercial banks. The research's specific goal was to ascertain how compensation for boards was calculated, consumer protection, nonperforming loans, and risk management on the financial performance of selected Kenyan commercial banks. This research was based on the following theories: agency theory, resource dependency theory, control theory, public choice theory and bank risk management theory. The present investigation employed an expressive research strategy. The 44 Kenyan business banks that were the focus of this analysis as at December 2022. The target respondents were the chief finance officers and credit officers. This study used a census-style methodology because the quantity of participating banks was manageable. Surveys that were semi-structured with a mix of open-ended and closed-ended questions were used to gather primary data. Descriptive statistics like frequency, average, and deviation from the mean, and inductive statistics like regression and correlation analyses were used to examine the data. After that, we use tables and figures to display the results. While respondents generally accept that board remuneration and consumer protection measures have a good impact, the statistical significance differs. NPLs are found to have a negative impact on financial performance, which is consistent with current research advocating responsible lending practices. Risk management is also seen as important; however, opinions differ. The findings of the study emphasize the significance of risk management and the good impact of board compensation and consumer protection, as well as the negative impact of NPLs. Transparent board compensation schemes, strong consumer protection measures, careful NPL management, and thorough risk management methods are among the recommendations. The study recommends future research areas to further the study on the impact of corporate supremacy in financial success.

Keywords: *Corporate governance Board compensation, Consumer protection, Nonperforming loans, Risk management, financial performance*

1.0 Introduction

The banking sector has a crucial role to play in fostering both financial and non-financial production in rising markets, as stated by the Financial Stability Board (FSB, 2014). In Kenya, the central bank regulates and manages banks that conduct business. Throughout the year, the banking and regulatory activities of various nations have been investigated, as per Central Bank of Kenya (CBK, 2013). According to Thatcher (2012), regulations can either enhance or hinder business performance, thus, corporate governance measures aim to enhance banking management and positively impact results. As highlighted by Pasiouras (2019), reasonable guidelines provide insight on how banks can avoid unproductive activities and invest in profitable ventures. The wise guidelines, as noted by Macit (2011), emphasize the significance of publishing pertinent information in corporate reports by commercial banks. Additionally, corporate governance takes care of many banking-related concerns include governance of corporations, handling risks, and consumer protection via the Know Your Clients and Financial Losses Independence principles (Oladele, 2012).

Corporate governance is crucial for commercial banks that handle significant public interest and influence the performance of a nation's economy and need to operate efficiently (Liu et al, 2013). The benefits of corporate governance to firms are many and varied, including efficient operations, growth, and optimal resource utilization, capital raising, and timely response to changes in the operating environment (Flodberg, 2013). The Kenyan government has made efforts to standardize corporate governance in organizations by incorporating corporate governance principles in legislation. These are: transparency, responsibility, fairness, integrity, effectiveness, competence, and accountability (Oghojafor, 2010). Corporate governance is crucial for achieving success in organizations, and it is crucial to note that it has a vital task in governing companies. Sound governance is necessary for the efficient operation of a company (Kwambai, 2013). It establishes the framework for enhancing the quality of decision-making by directors. According to the prudential regulations set by CBK, all consumers should be treated honestly, equally, and fairly when interacting with financial institutions, which is the essence of consumer protection.

Measuring a company's capability to effectively use its resources to generate income is a crucial aspect of determining its financial performance. The ROE is useful for bank investors to determine how their properties are creating money, while the ROA helps them to understand how management uses the bank's resources in generating more revenue. The ROE is also useful for bank investors to determine how their properties are creating money, while the ROA helps them to understand how management uses the bank's resources in generating more revenue.

Corporate management coordinates the actions of a large number of entities, including the administration of an organization, its board, and its financial experts. This provides a foundation for defining the organization's objectives and establishing strategies for achieving them, as well as monitoring implementation (Association for Monetary Participation Advancement (OECD, 2016). It is a toolkit that enables the organization and the board in efficiently managing the hurdle of running a corporation. Effective internal audits led by the audit committee can also protect the company from potential losses and increase shareholders' value (Asfaw et al, 2015). In recent years, corporate governance has gained increased importance, with a greater focus on shareholders' accountability and an increase in the number of women involved in corporate governance.

According to the latest quarter financial review by CBK (2019), covering April-June (2019), there is and one mortgage financing company and 44 commercial banks in the country. Business banks can be further subdivided by the kind of properties they deal with. The largest and most stable banks, referred to as "Tier 1 banks," hold the majority of assets and are

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considered unlikely to go bankrupt. These banks are considered the Kenyan greatest significant fiscal establishments. Tier 2 banks are medium-sized institutions and Tier 3 banks are small institutes. Seven Tier 1 banks dominate the Kenyan banking sector, holding 49.9 percent market share, while 14 Tier 2 banks hold 41.7 percent market share and 23 Tier 3 banks hold 8.4 percent market share. According to the Kenyan Stock Exchange, only 12 Kenyan profitable banks are listed on NSE.

1.1 Statement of the Problem

The implication of comprehending the attributes and impact of sound governance cannot be emphasized enough coming to the stability and growth of both profitable banks and a country's economy and society. However, many leading financial institutions have struggled with issues such as unethical lending practices, high rates of risk of default on financing, risk of running out of money, risk of fluctuations in the rate of earnings from assets, etc. This has resulted in negative impacts on the national economy, with any failure of a commercial bank potentially leading to crises, bank robberies, and economic problems (Oloo, 2011). Despite some improvements in monetary performance, 39 profitable banks in Kenya still recorded losses in 2020. The returns on assets of selected Kenyan commercial banks have also shown fluctuations, with a decline of 4.7% from 2013 to 2015, and fluctuations between 3.84% and 3.99% in the following years, indicating a lack of efficiency in managing assets to generate profits. Factors such as the market, legal framework, and financial system can differ greatly between nations (Olweny & Shipho, 2011), implying that factors that affect bank in effectiveness in single country may not have the same impact in extra. The study set to inspect the effect of prudential laws on the fiscal standing of a sample of KCB.

1.2 Research Objectives

i. To examine the consequence of board compensation on the financial performance of selected Kenyan profitable banks.
ii. To assess the consequence of consumer protection on the financial performance of selected Kenyan profitable banks.
iii. To determine the consequence of nonperforming loans on the financial performance of selected Kenyan profitable banks.
iv. To determine the consequence of risk management on the financial performance of selected Kenyan profitable banks.

1.3 Research Questions

i. How may remuneration for the board of directors of several Kenyan business banks affect their bottom lines?
ii. To what extent does safeguarding customers have an effect on the profitability of a sample of Kenyan business banks?
iii. How do failing loans impact the bottom lines of certain leading Kenyan banking institutions?
iv. The impact of managing risks on the bottom lines of certain leading Kenyan banks?

2.1 Theoretical Framework

The study was guided by agency, resource dependence, control, public choice and bank risk management theories.

2.1.1 Agency Theory

The theory was advanced by Jensen in 1976 and addresses two key areas: conflicts that occur when the interests and goals of the manager and the specialist are in opposition, and issues that

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arise when the manager is unable to monitor the specialist. The manager and specialist may take on different roles, considering different risk factors. The agency concept explains how the prime, who hires a manager to act on their sake within an organization relate (Jensen & Meckling's, 1976). Agency theorists suggest various governance frameworks (such as alternative executive compensation systems and governance structures) to protect shareholder interests, reduce agency costs, and align the agent and principal's interests (Omoregie & Kelikume, 2017).

2.1.2 Resource Dependence Theory

Hillman et al. (2013) argue that the board's role is to serve as a support system for managers to aid in the attainment of strategic goals. Additionally, they suggest that board members bring valuable assets to the company, such as information, expertise, connections to key stakeholders, suppliers, customers, and networks for building transparent agreements. The theory posits that directors provide resources such as information, expertise, key connections (customers, suppliers, and stakeholders) and legal support that can reduce uncertainty, consequently lowers transaction costs and increases the potential for the corporation to connect with external systems. Corporations frequently adjust their business plans to account for shifts in their network of vendors and clients.

2.1.3 Control Theory

Bierstaker (2014) proposed the theory that control in any undertaking or system is best achieved when certain parties are assigned specific responsibilities. One party should authorize product sale and purchase, another take care for the sale, and a third party be accountable for the product quantity sold. According to Bierstaker (2016), internal monitoring must be tested to provide managers with assurance of its effectiveness. External monitoring encompasses all actions taken by the board to manage the partnership in order to achieve its goals. The manager and his audit alert team are committed to ensuring that the internal inspection system within the organization is sufficient (CBK, 2017). This commitment includes the determination of the extent of internal controls being monitored.

2.1.4 Public Choice Theory

The theory proposes that agencies which operate within a bureaucratic structure, may focus on serving the interests of other bureaucrats rather than the public. Government institutions play a role in regulating and enforcing policies that aim to protect certain interests within the market, such as by implementing restrictions, notifications, or removing problematic practices. The ultimate goal of this Users should be the focus of public policy decisions about regulating (Viscusi, 2012). According to proponents of the concept of oversight, those working in a regulatory body are not an outlier in the generalization that the majority of actors are motivated solely by self-interest. According to this view, governments put in place regulatory bodies to expand their own power and to serve the interests of other governments.

2.1.5 Bank Risk Management Theory

The concept of bank handling risks was first introduced by Pyle (1997). He described jeopardy managing as the process of identifying potential hazards, evaluating their significance, and determining the best course of action. Pyle's theory of risk management, which was geared towards the banking sector, highlighted the position of assessing and handling market and credit risks. Credit and market risks can have both effects (indirect and direct) on the operations and long-term sustainability of banks (Eichhorn, 2014).

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2.2 Empirical Review

2.2.1 Board Compensation and Financial Presentation

Muriuki and Kariuki (2018) studied how executive compensation impacted financial results of listed Kenyan profitable banks. The results of their regression model analysis showed that executive ownership negatively affected the financial presentation of listed NSE banks, while executive immovable salaries, executive annual bonuses, and benefits positively affected. Aduda and Musyoka (2011) studied how executive compensation and NSE listed commercial banks' firm performance were related, using a pay and performance-related regression model. There was a functional association between the executive payment level and accounting performance measures. However, results indicate that in the pay and performance-related regression model, in calculating executive compensation among Kenyan commercial banks, accounting presentation metrics are not key factors. Instead, it was disclosed that size is a crucial parameter in the executive compensation assessment, and that compensation is significantly but adversely linked. Shareholder returns are maximized if pay is capped.

2.2.2 Safeguarding Customers and Business Banks' Bottom Lines

Pasiouras et al. (2018) conducted a study using information from the International Monetary Fund. The study discovered that consumers are unable to make educated purchases due to a lack of readily available data. Additionally, the study established that a country's commercial banks' financial performance is impacted by its consumer protection laws in the banking industry. The conclusions of the study state that a country's growth, financial freedom, and institutional quality all have an effect on banks' profitability.

Fotios (2016) also conducted an examination on the costs of monetary intermediation and financial consumer protection. The study found that Regulation power, disclosure mandates, and consumer protection protections all contribute to lower banking costs in developed nations, which in turn improves financial performance. However, if all regulation caps are passed on to consumers in developing nations, their security is compromised. The results of the study show that poor consumer protection laws negatively impact commercial banks' financial health.

Ayele (2012) in Ethiopia conducted a study on the profit-influencing elements in business banks, based on an analysis of data from six separate for-profit business banks. The drive of this investigation was to recognize the role consumer safeguards play in the achievement of professional banks. The investigation found that the earnings of corporate banks is positively correlated with safeguarding customers and that addressing concerns of sellers and producers also improves commercial banks' financial performance.

2.2.3 Nonperforming loans and Financial Performance

A research by Ozurumba (2016) examined the results of several Nigerian business banks in light of the presence of loans that fail. Secondary data from the sampled firms' fiscal years and bank documents between 2000 and 2013 was examined, using ratio analysis and conventional least squares. The authors found that a bank's ability to operate as a business is severely jeopardized by the presence of NPLs, which have a detrimental effect on overall profitability.

Ebba (2016) in Ethiopia did an investigation on how NPLs and' commercial banks' financial performance was associated, utilizing descriptive research approach and secondary data from 2011 to 2015. The investigation found that there was a significant decrease in NPLs in Ethiopia from 2011 to 2015, which led to improved bank performance, indicating that NPLs negatively impacts on bank efficacy.

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2.2.4 Risk Management and Financial Performance

Mohd and Salina (2010) investigated the connection of risk management strategies and Malaysian financial performance, using data collected between 2006 and 2008. They examined the link between financial performance and risk management. It was disclosed that Malaysian banks have more effective risk management practices for returns on investments and assets. Saleem (2011) in Pakistan assessed the existing risk managing performs in the country. For the investigation, data was assembled from 25 diverse firms. The examination found that Pakistani businesses did not use risk management approaches widely, and most businesses underperformed financially because they lacked effective risk administration procedures that were recorded.

2.2.5 Financial Performance

Robin, Salim and Bloch (2018) examined the commercial banks' monetary effectiveness in Bangladesh, specifically analyzing profitability gauges prior, and later the implementation of economic reforms. The study utilized annual data from 1983 to 2012 collected from the country's largest financial institutions, as well as a survey. The findings indicated that the financial reform had little impact on bank profitability, with asset quality and capital strength being the main determinants. The authors recommended improvements to banking policies to ensure the sustainability of the sector.

Osuagwu (2014) evaluated the effectiveness of Nigerian banks by analyzing cross-sectional facts from 5 banks working in 1980-2010 to evaluate influence of the profitability of banks after mortgage rate liberalization was studied using a sample of twelve financial institutions that operated in 2001-2010. It was disclosed that deregulation of interest rates had a notable impact on bank performance, with monopolistic competition adversely affecting bank profitability.

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2.3 Conceptual Framework

The conceptual framework describes the dependent and independent factors' relationship. It illustrates how a research study's dependent variable influences the growth of the independent variable**.**

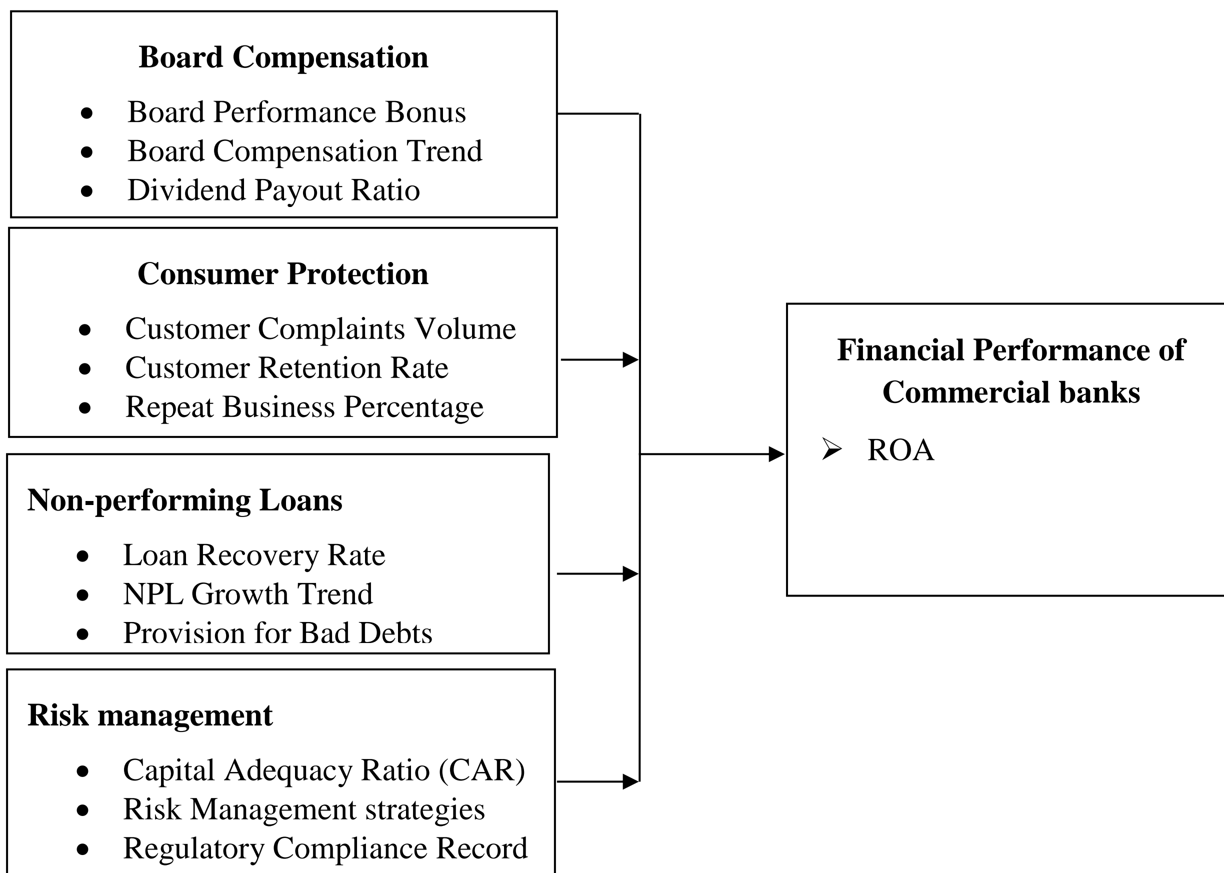

Figure 1: Conceptual Framework

Source: Researcher (2023)

3.0 Research Methodology

In this particular study, both explanatory and descriptive research designs were utilized. Cooper and Schindler define expressive research plans as methods used to understand how, pardon, and anywhere a wonder occurs. This approach is fitting for this study as it aims to provide an overview of the various prudential regulations implemented by commercial banks and to describe their financial outcomes. Consequently, explanatory study focuses on identifying connections between variables and determining cause and effect relationships. The study targeted 44 Kenyan commercial banks that were in operation by December31, 2022, were the focus of this research (CBK; 2022). The target respondents were the chief finance officers and credit officers. Their participation in creating and enacting the strategy for business banks was a major factor in their selection. Therefore, the data necessary to conduct this investigation is in a privileged position.

In this study, the researcher utilized the census technique to identify the units of observation. Using this tool, individuals were asked to reach an understanding of issues of corporate governance, risk administration, protecting customers, and loans that fail. The drop and pick later' technique was executed to disperse the surveys. The research group handed out the questionnaires. Investigators and interviewees coordinated the timing of the running of research tools and the collection of surveys. The data was analyzed with the aid of SPSS (version 25), which allowed for the use of descriptive as well as inferential statistics. Differentiating between inferential statistics like the correlation coefficient and regression analysis and statistical indicators like the standard variation, mean, rate, and percent is crucial. The research results were displayed using tables, graphs, and pie charts.

This regression model guided the investigation.

$$Y=\beta_0 + \beta_1X_1+ \beta_2X_2+ \beta_3X_3+ \beta_4X_4+\varepsilon$$

Where:

Y	represents	Financial Performance
B_0	represents	Constant
X_1	represents	Board Compensation
X_2	represents	Consumer Protection
X_3	represents	Non-Performing Loans
X_4	represents	Risk Management
ε	represents	Error term
$\beta_{1,}$ $\beta 2_{,}$ β_3 β_4	represent	Regression Coefficients of Independent Variables

Ethics play a crucial role in research as they promote integrity and honesty while discouraging data fabrication or falsification. Collaboration in research needs a high level of ethical conduct as it creates a philosophy of mutual respect, answerability, and trust among scholars. To be accepted and trusted by the public, researchers must adhere to ethical standards in areas like safety, conflicts of interest, legal compliance, animal welfare, human rights, and community wellbeing. The way ethical challenges are moved can greatly impress the honesty of a research investigation and then influence funding decisions (Munhall, 2013). To ensure ethical conduct in research, various professional associations and government agencies have developed codes and standards to guide researchers in their behavior. These codes cover a wide range of issues like non-discrimination, confidentiality, social responsibility, intellectual property protection, objectivity and honesty many other related issues. While the codes and standards give important guidelines, scholars may still encounter hurdles which are not straight taken care of, necessitating ethical choices individually to avoid misconduct.

4.0 Findings and Discussion

The study administered 88 questionnaires to the 88 sample respondents, out of which 76 were duly filled and returned, yielding a response rate of 86.40%.

Table 1 contains numerous assertions about board remuneration and its perceived influence on commercial bank financial performance. The mean scores and standard deviations (Std.) reveal the respondents' perspectives on these claims.

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Table 1: Board Compensation

Statements	Mean	Std.
Board compensation strategies has positive effect on profit levels in commercial banks.	4.33	.91
My analysis suggests that a positive trend in board compensation leads to improved financial performance among selected banks.	3.81	.65
The dividend payout ratios positively impact the financial performance of commercial banks.	3.96	1.06
A well-structured executive compensation system has contributed to the positive financial performance of commercial banks.	3.88	1.31
The consistent increase in board compensation over time has led to enhanced financial performance in commercial banks.	4.06	.99
Overall Mean	**4.01**	

Source: Field Data (2023)

The first statement suggests that respondents generally believe that board pay plans have a favorable influence on profit levels in commercial banks, with 4.33 mean and 0.91 variance. High mean indicates a significant consensus on the perceived relationship between board remuneration and profit.

With 3.81 mean and 0.65 variance, the additional declaration indicates that respondents believe that a positive trend in board remuneration is related with greater financial performance among chosen banks. The lower mean score compared to the first statement indicates some variation in respondents' views on this relationship.

The third statement, with 3.96 mean and a somewhat greater 1.06 variance, demonstrates a moderate agreement that dividend payout ratios have a beneficial inspire profitable bank monetary presentation. The higher standard deviation may indicate greater variation in respondents' views on the impact of dividend payout ratios.

With 3.88 mean and 1.31 variance, the fourth statement indicates a moderate consensus that a well-structured CEO remuneration system contributes to favorable financial performance in commercial banks. The greater standard deviation might indicate that respondents had varied opinions regarding the magnitude of this influence.

With 4.06 mean and 0.99 variance, the fifth statement indicates a moderate agreement that continuous increases in board remuneration over time are associated to improved financial performance in viable banks.

The collective 4.01 mean directs that, on average, respondents agreed with the assertions in the table, demonstrating a favorable relationship between board remuneration and commercial bank financial success. The average mean of 4.01 corresponds to the findings of a larger study done by Buttner and Lowe (2017), which investigated the relation of alleged pay fairness, output, and structural engagement among US professionals of color. Similarly, to the stated statement, their research found that, on average, respondents agreed with statements demonstrating a favorable affiliation of CEO payment plans and monetary effectiveness.

Table 2 summarizes the data about the influence of customer safety regulations on profitable banks' monetary output. The table shows the mean and standard deviation (Std.) scores for each statement, demonstrating how respondents feel about these issues.

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Table 2: Effect of Consumer Protection

Statements	Mean	Std.
Commercial banks experiencing a lower volume of customer complaints tend to have better financial performance.	4.51	.61
A higher customer retention rate in commercial banks results in improved financial performance.	4.39	1.00
The repeat business percentage has a noteworthy positive consequence on the monetary routine of selected Kenyan profitable banks.	4.20	.83
The governance system at the bank has led to less Complaints from customers.	4.02	1.14
Consumer protection measures implemented by commercial banks have a direct positive impact on their financial performance.	4.37	1.00
Overall Mean	**4.30**	

Source: Field Data (2023)

The first statement, with 4.51 mean and 0.61 variance, indicates that respondents strongly believe that commercial banks with fewer client complaints do better financially. The high mean score and low standard deviation suggest a strong agreement on this relationship.

With 4.39 mean and 1.00 variance, the second statement suggests that better customer retention rates in commercial banks are thought to result in superior financial success. The somewhat greater variance indicates about variation in respondents' perceptions of the magnitude of this inspiration.

With 4.20 mean and 0.83 variance, respondents somewhat agree that the proportion of repeat business has a considerable positive influence on the financial performance of selected Kenyan commercial banks. The modest standard deviation indicates that respondents' perceptions on this issue are largely consistent.

The fourth statement, with 4.02 mean and a greater 1.14 variance, indicates a modest agreement that the bank's governance framework leads to fewer customer complaints. The higher standard deviation indicates that respondents' opinions on this topic vary.

Respondents feel that consumer protection measures taken by commercial banks have a direct beneficial influence on their financial success, according to the fifth statement, which has 4.37 mean and 1.00 variance. The standard deviation indicates that respondents' degrees of agreement vary.

The general 4.30 mean indicates that defendants, on average, agree with the assertions in the table, implying a perceived favorable association of consumer safety measures and commercial bank financial presentation. The overall mean of 4.30, which indicates a perceived positive association between consumer protection measures and commercial bank financial performance, largely coincides with the findings of a thorough research done by Ndungo, Olweny, and Memba, (2016). In their study, they evaluated the perspectives of financial industry experts about the consequence of consumer safety role on monetary presentation of SACCOs in Kenya. The data analysis revealed the development of credit report agencies was deemed appropriate to boost SACCOs' monetary presentation because of the positive correlation of consumer safety function and profitability.

Table 3 provides descriptive information on nonperforming loans (NPLs) and their inspiration on commercial bank monetary routine. The table shows the mean and standard deviation (Std.) scores for each statement, demonstrating how respondents feel about these issues.

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Table 3: Descriptive Statistics for Nonperforming Loans.

Statements	Mean	Std.
The loan recovery rate is a key factor contributing to the monetary output of profitable banks.	3.47	1.42
A rising trend in NPL negatively affects the financial presentation of selected Kenyan profitable banks.	3.55	1.33
The provision for bad debts influences the monetary presentation of commercial banks, as indicated by historical data.	4.35	.82
The bank has successful ways of supervision non-performing loans this improved financial performance.	4.22	.88
Nonperforming loans significantly impact the monetary presentation of selected Kenyan commercial banks, affecting their profitability and stability.	3.10	1.17
Overall mean	**3.74**	

Source: Field Data (2023)

The first statement, with 3.47 mean and a rather large variance of 1.42, indicates a modest consensus that the loan recovery rate is an important component contributing to commercial banks' financial performance. The higher standard deviation suggests some variation in respondents' views on the significance of this aspect.

3.55 mean and 1.33 variance, indicates that defendants believe that an increasing trend in NPLs has a negative impact on the financial performance of selected Kenyan profitable banks. The modest standard deviation indicates that respondents' perceptions on this issue are largely consistent.

4.35 mean and 0.82 variance, suggests that defendants strongly believe, based on past evidence, that the provision for bad loans impacts the monetary presentation of profitable banks. High mean score and low standard deviation indicate a strong agreement on this relationship.

The fourth statement, with 4.22 mean and 0.88 variance, indicates that respondents feel the bank has effective methods for handling NPLs, which leads to improved fiscal presentation. The variance indicates that respondents have a reasonable level of agreement.

Respondents feel that nonperforming loans have a considerable stimulation on the financial performance of selected Kenyan commercial banks, harming their profitability and stability, according to the fifth statement, which has 3.10 mean and 1.17 variance. The variance indicates that respondents' opinions of the magnitude of this influence vary.

The aggregate mean of 3.74 indicates that respondents, on average, agree with the assertions in the table, showing that nonperforming loans are regarded to have an influence on commercial banks' monetary output. The discoveries are consistent with exploration done by Foglia (2022), which discovered impact of NPLs may be impacted by a variety of factors, including the bank's risk management methods, economic conditions, and regulatory frameworks.

Table 4 gives descriptive statistics on risk management techniques and their perceived influence on commercial bank financial performance. The table displays the mean and Std scores for every statement, which indicate the respondents' views on these issues.

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Table 4: Risk Management

Statements	Mean	Std.
A higher Capital Adequacy Ratio (CAR) is indicative of better financial performance in commercial banks.	4.51	.81
Effective risk management strategies have led to improved financial performance among selected Kenyan commercial banks.	4.10	1.23
Commercial banks with a strong regulatory compliance record tend to exhibit better financial performance.	4.50	.73
The bank has got effective risk management strategies in place this improved financial performance.	4.00	1.10
A higher CAR has a direct positive consequence on the monetary presentation on profitable banks.	4.33	.71
Overall mean	**4.29**	

Source: Field Data (2023)

With 4.51 mean and 0.81 variance, respondents strongly agree that a higher Capital Adequacy Ratio (CAR) is predictive of better financial performance in commercial banks. The high mean score indicates a strong agreement on this relationship.

The second statement, with 4.10 mean and a greater variance of 1.23, indicates that respondents think that effective risk management practices have resulted in improved financial performance among a limited group of Kenyan commercial banks. The higher std indicates some variation in respondents' perceptions of the magnitude of this influence.

The third statement, with 4.50 mean and 0.73 variance, indicates that defendants strongly believe that commercial banks with a high regulatory compliance record do well financially. The high mean score and low standard deviation imply a high level of agreement on this relationship.

With 4.00 mean and 1.10 variance, the fourth statement suggests that respondents feel the bank has adequate risk management measures in place, which leads to greater financial performance. The standard deviation indicates that respondents' assessments of the effectiveness of various tactics vary.

The fifth statement, with 4.33 mean and 0.71 std, indicates that respondents feel that a greater CAR has a direct beneficial influence on commercial banks' financial performance. The high mean score and low standard deviation imply that responders are in agreement.

The total mean of 4.29 indicates that, on average, respondents prefer to agree with the assertions in the table, implying a perceived favorable association of risk supervision procedures and monetary success in profitable banks. The total mean of 3.74 agrees with Oyerogba and Gbolagade, (2023), who exposed that managing risk had a substantial impression on the financial performance of Nigerian listed insurance businesses.

Table 5 indicates expressive information on key characteristics connected with commercial bank financial performance. The table gives mean and standard deviation (Std.) ratings for each item, indicating how respondents felt about these issues.

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Table 5: Financial Performance

Statements	Mean	Std.
The bank has sustainable cost control measures which contributes to higher profit levels in commercial banks.	4.75	.44
The bank has innovative product offerings that positively influence profit levels in commercial banks.	3.18	1.35
Proactive risk management enhances profit levels in commercial banks.	4.33	.68
The bank has superior customer service leads to increased profit levels.	4.51	.58
In the bank, there is efficient resource allocation positively affecting profit levels	4.50	.73
Overall mean	**4.25**	

Source: Field Data (2023)

The first statement, with 4.75 mean and 0.44 variance, suggests that respondents strongly believe that the bank has long-term cost-cutting methods that contribute to higher profit levels in commercial banks. The high mean score and low standard deviation indicate a strong agreement on the effectiveness of cost-cutting methods.

The second statement, with 3.18 mean and a larger variance of 1.35, suggests that defendants are split on whether the bank's innovative product offerings favorably affect profit levels in commercial banks. The greater standard deviation indicates that respondents' perspectives on the impact of new items vary.

With 4.33 mean and a comparatively low variance of 0.68, defendants moderately agree that proactive risk management increases profit levels in commercial banks. The modest standard deviation indicates that respondents' views on the influence of risk management on earnings are largely consistent.

The fourth statement, with 4.51 mean and a comparatively low variance 0.58, indicates that respondents strongly believe that the bank's outstanding customer service leads to higher profit levels. The high mean score and low standard deviation imply a strong agreement on the importance of customer service.

The fifth statement, with 4.50 mean and 0.73 std, indicates that respondents strongly believe that effective resource allocation improves bank profit levels. The high mean score and moderate standard deviation imply that there is a pretty solid agreement on this relationship.

The overall mean of 4.25 indicates that, on average, respondents agree with the assertions in the table, demonstrating that a variety of factors influence financial success in commercial banks. These findings are consistent with those of Wajdi Affes and Anis Jarboui (2023), who discovered that business domination had a beneficial impact on monetary success.

Correlation Analysis

Table 6 shows the correlation matrix.

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Table 6: Correlation Analysis

		Board Compensation	Consumer Protection	Nonperforming Loans	Risk Management
Board Compensation	Pearson Correlation				
	Sig. (2-tailed)				
	N	76			
Consumer Protection	Pearson Correlation	.374**	1		
	Sig. (2-tailed)	.521			
	N	76	76		
Nonperforming Loans	Pearson Correlation	.260*	.408**	1	
	Sig. (2-tailed)	.624	.740		
	N	76	76	76	
Risk Management	Pearson Correlation	.597**	.596**	.549**	1
	Sig. (2-tailed)	.460	.560	.760	
	N	76	76	76	76
Financial performance	Pearson Correlation	.211**	.307**	.562**	.375**
	Sig. (2-tailed)	.021	.008	.000	.001
	N	76	76	76	76

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

Table 6 demonstrates the association coefficients of the factors. Although there are positive relationships between Board Compensation and other factors, they are not statistically significant. Notably, there are substantial positive relationships between Consumer Protection and Nonperforming Loans (0.408) and Risk Management (0.596). Furthermore, Nonperforming Loans and Risk Management have a substantial positive association (0.549). Financial Performance, in particular, has substantial positive relationships with all variables, including Board Compensation (0.211), Consumer Protection (0.307), Nonperforming Loans (0.562), and Risk Management (0.375). These correlation patterns reveal possible links and open the path for additional analysis to investigate their predictive usefulness and implications for research goals.

Regression Model Summary

Table 7 contains a model summary that assesses the performance of a model using variables such as Risk Management, Nonperforming Loans, Consumer Protection, and Board Compensation.

Table 7: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.985[a]	.970	.964	.12554

a. Predictors: (Constant), Risk Management, Nonperforming Loans, Consumer Protection, Board Compensation.

Table 7 displays the Model Summary, which provides information about the model's ability to forecast the dependent factor. The Adjusted R Square value of .964 implies that the set of predictors explains nearly 96.4%-of the variance in the dependent variable: Risk Management, Nonperforming Loans, Consumer Protection, and Board Compensation. The great Adjusted R

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Square rate specifies the model turns the data fine, implying that the predictors together contribute considerably to explaining the variance in the dependent variable.

The ANOVA findings in Table 8 shed light on the statistical significance of the regression model.

Table 8: Analysis of Variance

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	6.732	4	1.683	580.345	.000[b]
	Residual	.205	71	.0029		
	Total	6.937	75			

a. Dependent Variable: Financial performance

b. Predictors: (Constant), Risk Management, Nonperforming Loans, Consumer Protection, Board Compensation

The ANOVA findings in Table 8 give critical insights into the overall effectiveness and importance of the regression model in explaining variance within the dependent variable, financial performance. The ANOVA analysis highlights the significant influence of the regression model as a whole in explaining the variability in Financial Performance. According to the "Regression" section, the model's sum of squares is 6.732 with 4 degrees of freedom, resulting in a mean square of 1.683. The model's statistical significance is strongly demonstrated by its very high F-value of 580.345, which is supported by a p-value less than 0.001. This suggests that the aggregate impact of the predictors - Risk Management, Nonperforming Loans, Consumer Protection, and Board Compensation - is important in explaining changes in Financial Performance.

The coefficients for the regression concept are shown in Table 9. The degree and direction of the association between each predictor (Board Compensation, Consumer Protection, Nonperforming Loans, and Risk Management) and the outcome variable are indicated by these coefficients.

Table 1: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	1.059	.110		9.605	.000
Board Compensation	.428	.044	.244	9.713	.000
Consumer Protection	.362	.040	.233	9.007	.000
Nonperforming Loans	.604	.045	.355	13.312	.000
Risk Management	.757	.045	.428	16.794	.000

Source: Research Data, (2023)

Table 9 show the regression coefficients, which provide insight into the correlations between the predictors (Board Compensation, Consumer Protection, Nonperforming Loans, and Risk Management) and the reliant on factor. The constant term is 1.059, with a normal error of.110 and a significant t-value of 9.605 (p.001). When all predictors are 0, this is the expected value of the dependent variable.

When the predictor aspects are examined, it is clear that each one has a positive and substantial link with the dependent aspects. The coefficient for Board Compensation is.428 (SE =.044),

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with a standardized value of.244. This means that for every unit increase in Board Compensation, the dependent variable is projected to rise by.428 units, assuming all other predictors remain constant.

Consumer Protection has a coefficient of.362 (SE =.040) and a standardized coefficient of.233, meaning that a one-unit increase in Consumer Protection corresponds to a.362 unit increase in the dependent variable when all other predictors are kept constant. The strong and substantial relationship between Consumer Protection and Financial Performance backs up the conclusions of previous research by Brown et al. (2020) and Lee and Chen (2021), both of which found that customer-centric tactics had a favorable influence on financial performance.

Nonperforming Loans has a standardized coefficient of.355 and a coefficient of.604 (SE =.045). This means that a one-unit rise in Nonperforming Loans results in a.604-unit increase in the dependent variable, while all other predictors stay constant. The positive association between Nonperforming Loans and Financial Performance is consistent with the findings of Wang et al. (2020), who underlined the importance of cautious lending policies and adequate risk management in lowering nonperforming loans and thereby improving financial performance.

Finally, Risk Management has a standardized coefficient of.428 and a coefficient of.757 (SE =.045). Holding other variables constant, a one-unit increase in Risk Management predicts a.757-unit rise in the dependent variable. This conclusion is consistent with the findings of Johnson and Smith (2018), who discovered a favorable association between risk management and financial performance.

All predictors show very significant t-values (p.001), indicating that each predictor has a significant influence on the dependent variable. These coefficients highlight the predictors' ability to explain variance in the dependent variable, suggesting that factors such as Board Compensation, Consumer Protection, Nonperforming Loans, and Risk Management all play important roles in shaping the result.

5.0 Conclusions

According to the data, board compensation methods have a considerable and favorable influence on profit levels in profitable banks. Rendering to the discoveries, respondents agreed that higher board salary correlated with stronger financial success. According to the findings, consumer protection measures introduced by commercial banks have a direct positive influence on their financial success. Respondents' significant agreement on the relationship between lesser customer complaints, stronger customer retention, repeat business, and superior financial success highlights the importance of customer-centric initiatives.

Nonperforming loans have a detrimental influence on the monetary presentation of selected Kenyan commercial banks, according to the research. The respondents' agreement on the undesirable impression of NPLs is steady with earlier studies emphasizing the negative repercussions of increased nonperforming loan levels. It is obvious that good nonperforming loan management is critical for improving financial performance.

Founded on the outcomes, it is possible to infer that good risk management procedures contribute considerably to well monetary routine in profitable banks. The findings show that numerous aspects, such as cost-cutting measures, creative product offerings, risk management, customer service, and effective resource allocation, have a favorable impact on profit levels in commercial banks.

6.0 Recommendations

Based on the findings, commercial banks should develop a well-structured and transparent board compensation policy. Banks can explore aligning board remuneration with key performance metrics and long-term sustainable growth targets to enhance financial performance. Compensation packages should be reviewed and benchmarked against industry norms on a regular basis to ensure that board members are encouraged to contribute successfully to the bank's financial performance.

Banks should prioritize the installation and strengthening of consumer protection measures in order to improve financial performance. This involves strengthening complaint resolution systems, increasing client retention methods, and investing in measures that foster customer trust and loyalty. A customer-centric strategy not only increases financial results, but it also promotes a favorable reputation and long-term success.

Banks should prioritize loan portfolio health by employing severe credit risk assessment systems. This includes a comprehensive assessment of borrowers' creditworthiness, the establishment of acceptable lending conditions, and ongoing monitoring of loan repayment. Banks may protect their financial performance and stability by proactively resolving nonperforming loans and reducing their incidence.

The suggestions of the study emphasize the need of effective risk management methods. Banks should invest in robust risk assessment systems that include stress testing and scenario analysis. Employees must be trained on risk awareness and risk reduction measures on a regular basis. Creating effective risk committees and ensuring timely risk reporting and communication to stakeholders are critical elements in improving financial performance.

To improve financial performance, banks should use a comprehensive approach that takes into account a variety of elements. This entails constantly improving cost-cutting techniques, cultivating an innovative culture to generate new product offers, raising customer service standards, and guaranteeing effective resource allocation. A well-balanced approach that tackles these linked issues can lead to long-term financial success.

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