

that the selection of top management staff should not be a reserve of the board (2.9250).

4.4 CEO Duality

Respondents were further required to indicate the extent to which they agreed to various aspects on CEO duality and its effect on financial performance of commercial banks listed at the NSE. Items that were measured on a five point Likert-Type scale ranging from 1 being "Strongly Disagree" to 5 being "Strongly Agree". Means of between 2.6176 - 3.9706 and standard deviations of between 0.03497- 0.95239 were registered. The study findings therefore revealed that majority of the respondents agreed that the roles of chairman of the board and CEO should be clearly defined and not vested in the same person to reduce conflict of interest to a great extent (3.9706). They further agreed that the CEO tenure was fixed and that his salary was linked to performance though to a moderate extent (3.8676). However, it was clear from the research findings that majority of the respondents were of the opinion that the CEO duality did not promote effective business execution and planning (2.6176).

4.5 Financial Performance

Respondents were finally required to indicate the extent to which they agreed to various aspects on financial performance of commercial banks listed at the NSE. Items that were measured on a five point Likert-Type scale ranging from 1 being "Strongly Disagree" to 5 being "Strongly Agree". Means of between 2.4559 - 3.8971 and standard deviations of between 0.54374- 0.76968 were registered. The study findings therefore revealed that majority of the respondents agreed that checks and balances influenced the financial performance of commercial banks listed at the NSE to a great extent (3.8971). They further agreed that CEOs who are paid well perform better than their counterparts who are not paid well (3.8676). On the contrary, it was clear from the research findings that majority of the respondents were of the opinion that the size of the board of directors did not significantly influence the performance of commercial banks listed at NSE (2.4559).

5. Results and Discussions

5.1 Conclusions

The objective of this study was to evaluate the board composition factors affecting financial performance of commercial banks listed at the NSE. Based on previous studies, the aspects were expected to have a positive effect on financial performance. The study findings indicate that there is a significant positive relationship between the factors under study and financial performance of commercial banks listed at the NSE namely: board size, proportion of independent and non-executive directors and CEO duality and it indicated that they influenced financial performance of commercial banks listed at the NSE. The importance of corporate governance cannot be over-emphasized since it enhances the organizational climate for the internal structures and performance of a company. Indeed, corporate governance brings to bear through external

independent directors, new dimension for effective running of a corporate entity thereby enhancing a firm's corporate entrepreneurship and competitiveness. The study examined the relationship between some measures of corporate governance such as board size, proportion of independent and non-executive directors, CEO duality and firm performance of listed financial institutions in Kenya. It was evident from the sample that most financial institutions in Kenya adopt the two-tier board structure where the positions of board chairman and CEO are occupied by different personalities thereby reducing agency cost. The findings of the study support the fact that a two-tier board structure enhances firm's performance.

The separation of board chairman and chief executive officer positions minimizes the tension between managers and board members thus influencing positively the performance of financial institutions in Kenya. It is obvious therefore that board composition have an impact on the performance of firms in Kenya. Indeed within the governance structures the two-tier board structure is seen to be more effective compared to the one-tier system. However, for efficient performance of firms, the adoption of the two-tier board structure and maintaining smaller board sizes is critical.

5.2 Recommendations

Based on the findings of this study, there is a need to improve corporate governance of board composition, in terms of board size, proportion of independent and non-executive directors and CEO duality so as to improve the financial performance of listed financial institutions in Kenya as well as to protect the minority shareholders from being expropriated by dominant shareholders. Thus, there are some practical recommendations for possible reform on board composition in order to better improve the corporate governance in listed financial institutions in Kenya.

The study recommends that there should be separation of the positions of chairperson of the board and the CEO. Further the executive directors should have regular, frequent meetings without the CEO or other non-executive members of management present. In addition the board size and composition be considered since they affect the financial performance of the listed financial institutions in Kenya. The number of non-executive directors needs to be selected well since they affect financial performance of the listed financial institutions in Kenya. The board needs to comprise of well-educated people since they are actively involved in shaping listed financial institutions strategy.

Therefore, all board of directors must behave and act professionally, ethically and honestly. In this regard, they must take a long-term perspective as a high compliance standard can only be fostered over time. Further the study result indicates a negative correlation but significantly positive relationship between outside directors and firm financial performance. Clearly, the presence of outside independent directors alone will not solve the deficiencies exposed in corporate boardrooms and in extension, firm performance. What needs to be done is strengthen corporate boards beyond increasing the presence of outside

independent directors. The environment in which corporate boards operate needs to be changed.

5.3 Suggestions for Further Research

As the research objectives stated, this study sought to find out whether board composition has a relationship with financial performance of listed financial institutions with regards, to board size, proportion of independent and non-executive directors and CEO duality. However, the research did not exhaust everything and therefore suggests that independent variables like the age of the directors should also be tested to find out if it has significance to performance. A related study also could be carried out to find out board compositions aspects in non-listed financial institutions. Since the study covered only listed financial institutions in Kenya, further comparative studies could be appropriate between Kenya and other developing countries and even developed countries which act as a benchmarking analyzing the domestic companies' achievement in areas of board composition.

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