ISTANBUL COMMERCE UNIVERSITY

GRADUATE SCHOOL OF FINANCE

MASTER OF INTERNATIONAL FINANCE

CORPORATE GOVERNANCE AND FINANCIAL SOUNDNESS OF COMMERCIAL BANKS IN KENYA

MA Thesis

Abas Abdirahman MOHAMED

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ABSTRACT

The goal of the study was to determine how corporate governance affected Kenya's commercial banks' ability to make prudent financial decisions. In particular, the inquiry focused on board composition, audit committee size, board compensation, and their connections to the financial soundness of commercial banking firms in Kenya. The agency theory provided anchorage to the study. Descriptive survey design was adopted targeting 24 commercial banks in Kenya and census was undertaken. Information in its secondary form was utilized as obtained on a time horizon of 2017-2021. The acquired data were analyzed using means and standard deviations, correlation and regression analysis, and table presentation. The study found that, when looked at separately, the size of the audit committee and the composition of the board and board compensation are significant predictors of financial soundness. The study settles that corporate governance is an important predictor of financial soundness of the banks.

Key Words: Financial Stability, Financial Soundness, Corporate Governance, Board Composition, Board Compensation, Size of the Audit Committee, Commercial banks in Kenya

ÖZET

Çalışma, kurumsal yönetimin Kenya'daki III kademe ticari bankaların finansal sağlamlığıüzerindeki etkisini belirlemek için tasarlanmıştır. Araştırmanın konusu, spesifik olarak, , Kenya bağlamında III. Kademe bankalarda yönetim kurulunun oluşumu, denetim komitesinin nitelikleri (büyüklüğü) ve kurulun bileşiminin bu bankaların finansal sağlamlığına olan etkisini ortaya koymaktır. . Vekâlet teorisi, çalışmaya dayanak sağladı. Kenya'daki 24 adet III.kademedeki ticari bankayı hedefleyen tanımlayıcı anket uygulandı ve nüfus sayımı (Census) yöntemi kullanıldı. 2017-2021 zaman aralığındaki bilgiler "İkincil Veri" olarak kullanılmıştır. Toplanan verilerin analizi ortalamalar ve standart sapmalar, korelasyon ve regresyon analizleri ile yapılmış ve tablolar halinde sunulmuştur. Çalışma, yönetim kurulu yapısı, denetim komitesi büyüklüğü ve yönetim kuruluna yapılan ödemeler gibi unsurların tek başlarına incelendiğinde de bankaların finansal sağlamlığının ve finansal istikrarın önemli göstergeleri olduğunu ortaya koymuştur. Çalışma, kurumsal yönetimin bankaların finansal sağlamlığı ve finansal istikr açısındann önemli bir etken olduğu sonucuna varmaktadır.

Anahtar Kelimeler: Finansal İstikrar, Finansal Sağlamlık, Kurumsal Yönetim, Kurul Kompozisyonu, Yönetim Kurulu Tazminatı, Denetim komitesi nitelikleri, Denetim Komitesi Büyüklüğü, Kenya'da III.kademe ticari bankalar

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List Of Abbreviations

AFDB	African Development Bank
SDR	Special Drawing Rights
FSIs	Financial Soundness Indicators
CBK	Central Bank of Kenya
KBA	Kenya Bankers Association
SPSS	Statistical Package for Social Sciences
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IAS	International Accounting Standards
GOK	Government of Kenya
CEO	Chief Executive Officer

PREFACE

The introduction, which is the first chapter, comprises the basic information, problem statement, objectives, and hypotheses. The second chapter reviews the literature with an emphasis on theory and empirical investigations. Chapter three provides a description of the approaches. In chapter four, the results of the analysis of the data collected are described in detail. Chapter five provides a summary of the conclusion and its implications.

CHAPTER ONE: INTRODUCTION

1.1 Basic Concepts

1.1.1. Financial Stability

Various definitions exist for the concept of "financial stability." Most of them concur that financial stability is described as just the lack of systemic incidents that occur when the financial system fails to function. It is additionally to do with how robust financial systems are under pressure. An efficient financial system is able to detect and manage financial risks, allocate resources efficiently, maintain labor supply near to the natural pace of the economy, and stop relative price fluctuations of real or financial assets that can jeopardize economic stability or employment levels (World Bank, 2022).

A financial system is deemed stable when it eliminates financial inequalities that arise either naturally or as a result of significant negative events. When the system is stable, it will mostly absorb shocks through self-corrective mechanisms, eliminating bad events from destabilizing the real economy or other financial systems. Given that the financial sector facilitates the majority of real economy activities, financial stability is critical for economic growth (World Bank, 2022). During times of financial instability or when it is missing, the entire value of financial stability is best expressed. During these times, payments may be delayed, asset prices diverge significantly from their fundamental values, and banks are reluctant to promote profitable ventures. Significant instability could lead to bank robbery, hyperinflation, or a stock market crash. The financial and economic system's credibility could be severely damaged.

Financial stability refers to the state of an economy's pricing, allocation, and risk management systems (credit, liquidity, counterparty, market, etc.) when they are efficient abundant to support the economy's performance (Schinasi,2004). When a financial system is able to absorb economic imbalances that develop constitutively or as a result of substantial

unfavorable and unplanned occurrences, as well as when it can facilitate an economy's development rather than hinder it, it is considered to be stable.

According to Anatolyevna and Ramilevna (2013), there are two types of financial stability. They start by stating that there is interdependence among financial institutions, and that a crisis at one of them can induce insecurity and result in banking crises in the financial system. Second, the entire economy becomes unstable when a shock affects numerous financial institutions and leads to further collapses. According to Alawode and Mohammed (2008), the efficient distribution of financial intermediation forms among the government, families, and enterprises through a variety of financial organizations reinforced by a range of financial frameworks constitutes financial stability. But there is still disagreement over what constitutes a distinct or unique definition of financial stability (Mohamed, Abouch, Saidi, Abdessamad, Firano & Zakaria, 2012). Nevertheless, financial stability could be used to describe the banking system's resilience throughout the midst of a bank failures.

Since 1984 to 2018, four waves of bank failures in Kenya's banking sector—many banks closing and some being placed under receivership—have taken place (CBK, 2018). Before the 1989 Banking Act was passed, the first wave of banks that failed between 1984 and 1989 were primarily family- and community-owned post-independence banks because of liquidity issues (Musau, Muathe & Lucy, 2018). Following the preliminary phase of banks collapse, the Central Bank of Kenya boosted the amount of capital that commercial banks had to keep, and deposit insurance became mandatory. Despite the regulations, a subsequent wave of bank failures hit the banking sector between 1993 and 1995 (Matete, Ndede & Ambrose, 2014). From 2007 to 2015 and from 2015 to 2018, correspondingly, the third and fourth rounds of bank failures occurred. Dubai Bank's demise occurred during the fourth wave, when Imperial Bank and Chase Bank were placed in receivership (CBK, 2016).

The Kenyan banking sector's financial instability was shown by the receivership of M Bank as of August 2018. (Government of Kenya - GoK, 2018). Through cross-border borrowing, common exposures, and cross-border links, banks are connected locally and worldwide. The real economy and financial system of other banks and countries will be affected if one bank or country is shocked, appropriately (Degryse, Elahi & Penas, 2013). Some of the Kenyan commercial banks that failed and some that were placed under receivership had poor internal

management, which solely rested on managerial discretion (Kalani & Wareru, 2009). Economic growth and financial stability are correlated with effectively managed internal elements in financial organizations. Another factor contributing to financial instability is the external operating environment (Ongore & Kusa, 2013).

Firm-level stability measures

The z-score is a popular indicator of stability at the level of certain institutions. To determine the solvency risk of a bank, it directly contrasts risk (volatility of returns) with reserves (capitalization and returns). The z-shortcomings scores as a gauge of financial soundness are numerous. Obviously, the biggest drawback is that the z-scores are completely reliant on accounting data. They therefore depend entirely on the foundational accounting and auditing system. The z-score may give an unrealistically favorable valuation of the stability of financial institutions if such institutions are able to smooth out the reported data. Additionally, because each financial institution is considered individually, the z-score may be blind to the possibility that a failure at one institution could result in losses at other institutions. The z-score has the benefit of being applicable to institutions for which more sophisticated, market-based data are not readily accessible. Additionally, the z-scores enable comparison of the default risk across various groupings of institutions, some of which may have diverse ownership or purposes but yet run the danger of going bankrupt (World Bank, 2022).

The Merton model serves as the foundation for several ways to measuring institution-level stability. It is widely used to figure out a company's ability to pay off its debts and to calculate the probability on default in general. The asset value model, sometimes referred to as the Merton model, which takes into account the volatility of those assets, depicts an institution's stock as a call option on its held capital. The likelihood of credit default for the company can be computed using the Merton model. Using credit default swap data, Merton's model has been refined in later studies to encompass a larger range of financial activity. For instance, it is a component of the KMV model that Moody's employs to guess the likelihood of a credit default and to ease credit risk. The Distance to Default is another market-based measure of corporate default risk based on Merton's theory. It measures in both solvency risk and liquidity risk at the firm level (World Bank, 2022).

1.1.2. Financial Soundness

Indicators of solid financial health also come in many forms. This includes the ratio of regulatory capital to risk-weighted assets and the proportion of non-performing loans to the total amount of gross loans. These are included in the "financial soundness indicators" report (fsi.imf.org). Although variables like the nonperforming loan ratios are more well-known than the z-score, they are also recognized as being lagging indicators of soundness (Martin Čihák and Klaus Schaeck, 2007).

A bank is in a financial stable state when it can withstand shocks and other financial imbalances. A bank's capacity to manage its financial exposures and risks while yet trying to stay afloat depends on its financial stability. Studies by Onuonga (2014) and Obamuyi (2013) employed return on asset (ROA) as a tool to assess the bank's financial stability. Another often cited indicator of financial stability in literature is asset quality, which is estimated as the percentage of non-performing loans to total gross loans (International Monetary Fund, 2013). A bank can only be in a position to efficiently perform its financial intermediation job in an economy if it possesses financial stability. In other words, banks are able to perform their intermediation due to financial stability.

1.1.3. Financial soundness indicators

The International Monetary Fund and the global community have developed the indicators of financial soundness. Monitoring the soundness and stability of financial markets, institutions, and their counterparts in individuals and companies is the goal of financial soundness indicators, or FSIs. Along with information gathered on financial institutions, FSIs often include indicators that are indicative of the markets in which such institutions operate. Both FSIs and other indicators, most importantly macroeconomic indicators, that aid in the evaluation and supervision of the capabilities and weaknesses of financial sectors are referred to as macro-prudential indicators (IMF,2022).

1.1.4. Basel Rules

One way of promoting and safeguarding financial stability of commercial banks by central banks around the world has been through adherence to Basel Committee Accords. The Basel

Committee came into existence in late 1974s and its formation was informed by among other things, disturbance in banking and foreign currency markets. This was aimed at enhancing financial stability through worldwide improvement in supervision of banks. A number of accords have been developed by Basel; these include Basel 1, 2 and 3 among others. It was in 1988 that Basel 1 was issued and its main focus was on credit risk through provision of classification system of the assets of the bank. Basel 1 provides a prescription of the minimum capital requirements of the bank aimed at minimization of credit risk. Basel II was guided by the main objective of replacing minimum capital requirement with the need for carrying out supervisory review of the capital adequacy of the bank. There are three key pillars governing Basel II that revolve around minimum capital requirement, supervisory reviews and proper utilization of disclosure. Basel III is characterized by comprehensiveness aimed at strengthening risk management, supervision and regulation of the banks. The measures under Basel III cover capital reforms as well as liquidity. The components that must be included in total regulatory capital under Basel III were improved, with a stronger focus on equity.

In accordance with Basel III, a bank's tier 1 and tier 2 assets must account for about 10.5% of its risk-weighted assets, which must be greater than 8% under Basel II. Tier I capital, which is made up of retained earnings and shareholder equity, is the bank's main source of capital. The key components of Tier 2 capital include undisclosed reserves and revaluation reserves and it is less reliable relative to Tier I capital. Thus, the bank's principal capital is known as Tier I capital, and additional capital, or Tier 2. The total capital of the bank is determined through summation of Tier 1 and 2 capitals as an aggregate capital. The Central Bank of Kenya (CBK) oversees the commercial banks in the country. The CBK adopted a tier scheme of classifying commercial banks in Kenya based on their market share and customer deposits. Under this system, totally independent from the Basel III Tier terminology, there are three levels of commercial banks: tier I, tier II, and tier III. Despite the fact that tier I and tier II contain mostly big institutions commanding substantial shares in the market, tier III banks are fewer stable institutions. Tier III commercial banks in Kenya have distinctive characteristics from other banking institutions, including things like the market value of the bank's investment as shown by asset base and client deposits. Central bank of Kenya has a list of these tier III banks in Kenya is provided on appendix I.

The Tier System of Classification

The Central Bank of Kenya (CBK) has split Kenyan banks into three main categories. This technique was devised by the CBK to group various banks according to their market share, total assets, and overall quantity of customer deposits.

Tier 1 large banks are those having assets in the hundreds of billions and a significant portion of depositors. Any bankruptcy of these institutions would have a severe effect on the national economy because of their enormous asset bases. In order to stop a financial crisis in that case, the government would have to intervene. The market share held by the six banks in this category is 49.9% (Ayugi, 2022).

Tier Three Commercial Banks in Kenya

The Central Bank of Kenya (CBK) regulates the three types of commercial banks in the country. Market share, asset base, capital, the amount of client deposits, and other factors are used to classify this entity (CBK, 2016). Most Tier 1 banking institutions have billions of Kenyan shillings in assets, capital, and customer deposits. Currently, six Kenyan banks are under the Tier 1 banking category. The combined market share of these six financial institutions is around 65.4% for commercial banks, 66.74% for customer deposits, 90.3% for bank deposits, and 94.10% for customer loans (CBK, 2017). Eleven commercial banks comprise the second tier, which has 26% of the market in this region banking, 0.25 percentage of overall deposits, 7.6% of bank deposits, and 3.8% of loan amount accounts (CBK, 2017). The collection of 24 banks that compose Tier 3 commercial banks contributes for 8.9% of the market share of commercial banks, 8.2% of all deposits, 1.8% of demand deposits, and 1.8% of loan funds (CBK, 2017).

The banking industry has experienced substantial growth in recent years. However, tier classification research revealed that, from 2015 to 2016, the tier three commercial banks' pre-tax profits fell by 2.2%. The fact that five of the commercial banks in this group declared losses helped to explain this reduction. Consolidated Bank lost Ksh 277.0 million, First Community Bank lost Ksh 41.0 million, and Jamii Bora Bank lost Ksh 490.0 million (CBK2016;2017). Imperial Bank and Dubai Bank still have significant levels of non-performing loans, weak corporate governance mechanisms, and acceptable capital and

liquidity ratios after being placed under receivership as a result of their bankruptcy. This demonstrates the challenges faced by Kenya's third-tier commercial banks, which may or may not place them in a perilous financial condition.

1.1.5. Corporate Governance

The connection between the board of directors, management, and shareholders aimed at achieving the objectives of the corporation is referred to as corporate governance. The Basel rules provide effective corporate governance as key in enhancing operation of the banking sector. These rules provide that corporate governance allocates responsibility and authority that shape how the operations of the bank are conducted by the senior management and the board in place. In October 2010, the Basel Committee designed Principles that were aimed at strengthening corporate governance for banks and these reflected the key points learned from the financial crisis. of 2008-09. The main elements of corporate governance required by the Basel rules include board oversight, risk management, internal controls and compliance among others.

The foundation for managing business organizations, according to Julian (2005), is called corporate governance, how different players' rights and obligations are allocated, how employees are involved in the company's operations, and how corporate affairs rules and decision-making processes are established. According to Humera (2011), corporate governance refers to the procedures, rules, traditions, and laws that govern how businesses are run, managed, and controlled. By using a method that lessens the principal-agent dilemma within the business, it helps organizations achieve their goals and handles the relationships among various stakeholdersworking with the shareholders, along with dealing with the personnel, dealing with the board of directors, and other concerns.

The fairness of the environment in which a business operates, the transparency of the processes, and the accountability of the corporations are all examples of good corporate governance. As opposed to that, firms with weak corporate governance policies frequently experience waste, poor management, and increased degrees of corruption. According to Nabil and Ziad, the aim of corporate governance practices is always to establish that there is a balance in the power sharing across equity holders, managers, and executives in order to

create stockholder value and assure the interests of fellow stockholders are safeguarded (2014). Nabil and Ziad (2014) claim that strong corporate governance systems increase investor trust by guaranteeing that the corporate entity is dependable and responsible and that the integrity and effectiveness of the capital markets are maintained, Additionally, they see to it that the standard of the financial data available to the public is raised.

The topic of corporate governance has several facets (Otieno, 2012). According to Bermpei and Mamatzakis (2015), The body of knowledge that exists on banking is focused on a number of issues related to corporate governance and management, such as the composition of the board of directors, executive remuneration in banks, benefits obtained by top management, the influence of the CEO, and how difficult operations remain. The major elements of corporate governance and administration, according to Olick (2015), are the organization of the board of directors, the size of the board and its committees, the policies and practices that the board follows, its independence, the components of the audit, and how information about the company is shared and disclosed.

1.1.6. International Financial Reporting Standards

IFRS 9 becomes effective in 2018 and it provides specification of classification and measurement by a bank of its capital instruments, obligations, and some contracts in order to offer or purchase non-financial goods. Through IFRS 9, an entity is required to recognize financial asset or liability in the statements immediately it becomes party to the contractual provision of the instrument. When a financial asset is first recognized by the entity, it is categorized in accordance with the enterprise's business framework for wealth management and the legal cash flow characteristics of the assets. It is only when the commercial model for organization of financial assets of the firm has changed that all the affected assets are reclassified.

International Accounting Standard (IAS) 39 was substituted by IFRS 9 in terms of the approach used to calculate financial instrument impairment allowances. The Expected Credit Loss (ECL) model, which took the role of the Incurred Credit Loss (ICL) model under IAS 39, is introduced by IFRS 9. Commercial banks and financial institutions in Kenya must record both losses that have already occurred and losses that are anticipated to occur as

reporting entities. IFRS 9 intends to tighten credit risk management to increase reporting institutions' stability and capacity to withstand losses carried on by loan defaults (CBK,2018).

1.2. Economic and Financial System in Kenya

When compared to many other Sub-Saharan African countries as well as other countries with similar income levels, Kenya's financial sector is considered to be comparatively sophisticated. It is one of the best in East Africa and has basic aspects. Numerous commercial banks, non-bank financial institutions, various insurance providers, and a stock market make up the financial system.

Country Overview

Kenya is a country in east Africa that is geographically diverse and has a variety of seasons and temperatures. It is situated along the coast. The country's northern region, which is dry and arid, is a major factor in the 80 percent arid or semi-arid designation. One of the highest mountain ranges with glaciated heights is Mount Kenya, which is 5,199 meters high. The 1,586 km of Indian Ocean coastline in the eastern part of the country is mostly comprised of mangroves, coral reefs, sea grass, and rocky, sandy, and muddy coasts. (Brown 2010).

According to the UN Population Division's 2019 estimates, Kenya's population is currently estimated to be 52,574,000, and it is expected to grow to 125,424,000 by the year 2100. The GINI coefficient was 40.8 as of 2018 and the GDP was 4,521 USD per capita (World Bank 2021), showing a significant wealth gap and considerable inequality. Urbanization is expanding quickly despite only comprising little more than 25% of the population due to a growth rate of over 4%. (CIMA & UNISDR 2018). Kenya has aggressively driven political, economic, and structural changes over the past ten years. With a median age of just 19, Kenya is in a favorable position to achieve massive economic growth and promote sustainable development because of its young and growing population (CIMA & UNISDR 2018).

Natural and Environmental Resources

Kenya has aggressively driven political, economic, and structural changes over the past ten years. With a median age of just 19, Kenya's population is young and expanding, which puts the country in a good position to achieve strong economic progress and hunt sustainable growth (CIMA & UNISDR 2018). For the good both in the current and the destiny, Kenya must manage its environment and natural resources responsibly. They provide a variety of advantages and chances for regional and national economic growth, enhanced living conditions, and as well as the offering of environmental products and activities. However, acting as the cornerstone on which continuous development is based, the nation faces numerous problems and obstacles related to environmental deterioration. Increased numbers of human population growth, improper technology, unsustainable consumption and production practices, as well as a rise in poverty and climate change, are prominent contributors of environmental degradation. Additionally, poor waste management and sanitation practices, pollution from industry and transportation, stratospheric ozone depletion, and biodiversity loss all have a negative influence on quality of water, air and soil, as well as people's health and wellbeing. As a result, there have been changes in how people and ecosystems interact (GoK, 2018). If this tendency continues, it will cause serious environmental deterioration that could prolong poverty and hardship.

The economic growth of Kenya must be sustainable from a number of angles, including environmental considerations. It has been suggested that finding answers to the nation's environmental concerns and promoting sustainable development depend on good environmental governance. Institutional and non-institutional measures are put in place as part of this process to guarantee the viability of natural resources over the coming decades. The term "environmental governance" refers to a broad range of laws, regulations, guidelines, and organizations that have an impact on how people interact with the environment and natural resources.

All actors who have an impact on the environment are taken into account in better environmental management (Governments, Non-Governmental Organizations, the private sector, and civil society). This strategy must adhere to the governance practices for the

environment and natural resources so that better governance increases the benefits of ecosystems and biodiversity to equality and resilience (Bugembe, 2016).

Land Tenure and Environment

The system of rights and institutions known as "land tenure" controls who has access to land and other resources. The institutions of marriage, authority and control, and inheritance as well as statutory and customary rules are the sources of the rights. The evolution of customary rights and the implications of targeted land development make up two important streams of land tenancy study. Tenure frameworks, whether statutory or customary, are highly unpredictable. Instead of changing how land is distributed, the most precise term for land improvement in Africa is land tenure reform. —usually applies to the expansion of land rights or changes in the law that push traditional tenure schemes toward private property regimes. Such modifications are solely intended to advance effectiveness areas by boosting tenure safety and, consequently, (at least hypothetically) enhancing mutual productivity and conservation. Through increased product incentives and higher investments in soil and water protection, land tenure may have an influence on long-term land use (Mwakubo, 2002). Resource use shifts as a result of alterations in agricultural holding access and the capacity to restrict others from utilizing the advantages of the land. It consequently has an impact on productivity, need for employment and investment, and ultimately, income and sustainable development (Matlon, 1994).

Mineral Resources

Kenya has enormous mineral resources, including significant reserves of soda ash, fluorspar, titanium, gold, coal, manganese, iron ore, gypsum, diatomite, chromite, limestone, and silica sand. There are signs the country may be rich in unusual earth minerals, and more investigation is predicted to result in the discovery of new minerals. Therefore, the government has developed this Mining and Minerals Rule (2016) to help the nation get the best outcomes from its potential mineral deposits. The Policy provides a foundation for assessing the mining industry's nearly out-of-date legal framework and ad hoc rules and completely tackles the gaps that have arisen in the industry. The African Union Mining Vision (2009), which intends to make mining a major factor in the socioeconomic growth of Africa, the provisions of the Constitution of Kenya (2010), and Kenya Vision 2030 are

further aligned with the country's mining segment as a result. The government of Kenya has not given the growth of the nation's mining and mineral properties area a high priority in any of its economic development initiatives over the decades since independence. Due in significant part to a dearth of geological information and insufficient mineral research, the majority of Kenya's mineral resources remain undiscovered and underutilized (GoK, 2016).

Agricultural Resources

The most comprehensive World Bank economic report reveals that families in Kenya that only engage in agriculture generated 31.4% to the decrease in urban poverty. For rural homes in both impoverished and non-poor areas, agriculture continues to be their main source of income. Unbundling the Slack in Private Capital, the 19th Kenya Economic Review's conclusions, indicate that agriculture is the main employer in Kenya and a key engine of economic growth. The research states that from 2013 to 2017, the agriculture industry generated an estimate 21.9% of the GDP, with a minimum 56% of the employees engaging in agriculture in 2017. Additionally, up to 65% of the country's exports of goods were made up of agricultural products in 2017. The government's Big 4 development program, which has agriculture at its core, intends to supply all Kenyans with complete health and food security by 2022 (World bank,2019).

Millions of people chew Miraa every day or occasionally drink it as a tea, making it one of the most significant sources of revenue that significantly contributes to Kenya's GDP growth. The Democratic Republic of the Congo (DRC), Uganda, Somaliland, Djibouti, Angola, Mozambique, Israel, and Somalia are potential export destinations. Kenya National Bureau of Statistics claims, the value of Kenya's total exports to Somalia in 2016 and 2017 was 18,041.9 Ksh and 19,745.1 Ksh million, respectively. However, because to political tension between the two nations, the total export amount has decreased to 15,145.3 Ksh, 11,841.8 Ksh, and 11,394.4 Ksh million for 2018, 2019, and 2020, respectively (KNBS,2021). The government of Somalia's restrictions on Miraa are to blame for this drop.

Kenya Economic Outlook

Kenya has undergone significant political and economic reforms during the past 10 years that have aided in the country's economic growth, social development, and political stability. In terms of development, there are still a lot of problems that need to be solved, such as

poverty, injustice, democracy and accountability, environmental degradation, persistently low private sector participation, and the economy's vulnerability to both domestic and external disturbances. In 2010, Kenya adopted a new constitution that established a new system of political and monetary régime that featured a bilateral legislative chamber, a constitutionally appointed court, a decentralized county government, and an electoral system. 2013 saw the first election conducted under the new system. In August 2022, the presidential election has taken place (World bank,2022).

The poverty rate in Kenya was projected to have decreased to 34.4% at the $1.9/day level in 2019, but instead it increased by a wide 4.7% annually from 2015 to 2019. In 2020, the COVID-19 wave had a substantial effect on the economy, especially on activities related to tourism, urban services, foreign trade, and transportation. Meanwhile, the agricultural industry, a foundational sector of the economy, maintained its resilience, assisting in keeping the decline in GDP to a mere 0.3%. The economy experienced a robust recovery in 2021, but some other industries, like tourism, continued to face challenges. The expected GDP growth rate for 2022 is 5.0%, while the poverty rate has started to drop again after briefly climbing during the pandemic. Although the outlook for the economy is generally favorable, there is a high level of uncertainty, particularly given Kenya's vulnerability to the effects of the Russian invasion of Ukraine on global pricing (being a net importer of petroleum, wheat, and fertilizer) (World Bank, 2022).

In 2021, Kenya's GDP increased by 6.7% following a 0.3% fall in previous year. The primary forces behind economic growth were services and private consumption, both of which profited from supporting policies and eased COVID-19 regulations. From 5.3% in 2020 to 6.1% in 2021, inflation grew as a result of higher input costs. Kenya's economy has grown by 6.7% in 2021 following a 0.3% decrease. The budget deficit was reduced from 8% to 7.9% of GDP in 2020 and in 2021 respectively, as a result of increased revenue, reduced expenditure and tax reductions that were restored once the economy improved. Due to the primary deficit, public debt increased from 63% of GDP in 2020 to 68% of GDP at the end of June 2021. Kenya is deemed to be highly susceptible to financial crisis. In 2021, a widening trade imbalance caused the current account deficit to increase to 5.2% of GDP. Towards late of November 2021, international reserves had increased to $8.8 billion from

$8.1 billion in 2020 (5.4 months of import coverage), indicating the $737.6 million SDR investment, of which over 50% was used to cover the budget shortfall, the exchange rate fell by 3.7% yearly in 2021 (AFDB,2022).

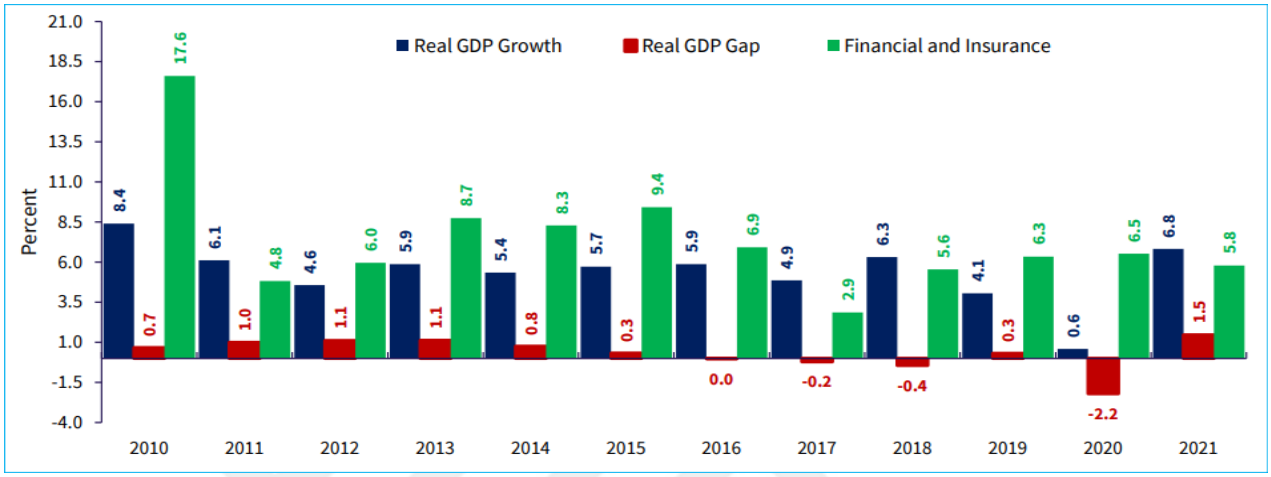
Rates on government bonds and the NSE-20 index have increased; the banking sector is prosperous, liquid, and well-capitalized, as has market capitalization. Absolute poverty decreased to 16% in 2021 from 17% in 2020, and unemployment decreased to 12.3% from 14.3% over that time, all of which can be related to rising income levels, social safety net programs, and economic recovery (AFDB,2022).

A fall in national and foreign demand brought on by reduced income and rising food and fuel import costs, as well as sluggish economic activity throughout industries as a result of cost-push dynamics, are predicted to cause growth to slow to 5.9% in 2022 and 5.7% in 2023. Due to rising food and fuel prices, inflation is forecasted to rise to 7%, slightly below the target range of 7.5%. In 2022 and 2023, respectively, the public debt will decrease to 6.5% of GDP and 5.5% of GDP, respectively, thanks to the relaunch of the IMF-supported fiscal reduction and debt adjustment policy. In the following two years, the current account deficit is anticipated to rise even more due to growing fuel and food import costs, hitting 6.1% and 5.2% of GDP, respectively. The 2022 general election could have a detrimental impact, as could an elevation in COVID-19 outbreaks (30% of people had received the vaccine by mid-April 2020), environmental variables, and lack of external resources. Developing election-related educational activities, preserving growth-friendly organizational advancements to build surprise robustness, and managing COVID-19 vaccination tolerance are a few instances of risk mitigation approaches (AFDB,2022).

Following the lifting of restrictions that allowed for the complete restoration of economic operations, in 2021, Kenya's economy began to recover from the COVID-19 pandemic. The economy recovered in 2020 from a 0.3 percent recession to grow 6.8 percent the following year. Effective financial, fiscal, and monetary policy deployment not just had a stabilizing part but similarly helped to create an environment that was conducive to economic recovery. This goes beyond the relaxation of COVID-19 containment measures. Following the Omicron variant's survival in the final quarter of 2021, the creation of a successful vaccine,

and higher commitment to the COVID-19 recommendations, the recovery is still on track. In 2022, the economy is anticipated to expand by 5.7%. (Figure 1.1).

Figure 1.1: Kenya's Economic Performance



Source: CBK

Financial Sector Stability

The financial industry in Kenya should stay robust and healthy in 2022 as a result of adequate capital and liquidity reserves, well-coordinated political improvements, and strict regulatory oversight the National Payments Plan's launch (2022–2025); implementation of the Data Preservation Act (2019) to strengthen information privacy safeguards and counter data breaches; Implementation of Non-Withdrawable Deposit Taking SACCO Laws, Full Administration of the Credit Guarantee Scheme, and Central Bank of Kenya (Amendment) Act No. 10 of 2021, which placed Prior Poorly regulated Digital Operators within CBK's Regulation (CBK,2021).

Banking Sector

Due to increased purchases of government securities, the assets of the banking industry surged by double digits in 2021. As a percentage of net assets, although investments of treasury bonds climbed from 29.6% in December 2020 to 30.5 percent in December 2021, advances and loans (net) decreased from 49.2% in 2020 to 48.5% in 2021. In contrast to increases in loans and advances, investment in government securities increased more quickly between 2021 and 2020. The majority of the funding for bank assets came from client deposits, which rose by 11.0 percent in 2021. In 2021, the banks that offer microfinance performed better. than it was in 2020, but they are still weak and susceptible to shocks (CBK,2022).

Commercial Banks in Kenya

The economy's capacity to finance deficit units and accumulate savings from surplus units depends on commercial banks (Obiero, 2010). One financial metric to take into account when assessing an economy's level of resistance to internal and external shocks is the health of the banking system (Sopan & Dutta, 2018). Through a series of banking acts and prudential regulations, commercial banks in Kenya are represented by the CBK. Goals of Kenya's Mission 2030, which call for a robust, effective, and stable budgetary system to be dynamic and well-functioning, are intended to be attained in part via the acts and prudential regulations (CBK, 2016). seen some commercial banks stumble and fall into receivership (CBK, 2016). The CAMEL Model, which incorporates crucial business traits, has been used for a while by the CBK to ensure banks achieve the goal of financial stability (Beck, 2009). Despite the regulator's initiative, Kenya's banking sector has seen challenging times, causing some commercial banks to collapse and others to go into receivership (CBK, 2016).

Because financial institutions in Kenya were using a large amount of money, as was obvious to the public, it was necessary to adopt the interest restriction law in order to lower credit prices and improve mobility for a sizeable portion of the population (CBK, 2017).

This hasn't actually been the case, as the borrowing limit of 14 percent forced banks to stop lending to risk-free treasury bills at 15 percent, which are most likely not going to default. This action undermined the basic purpose of the cap and the very existence of the banks. For instance, just 1.1 million of Kenya's 3.2 million applicants for loans from commercial banks in May and June 2016 had their requests approved (Kenya Banker Association,2017).

This is another illustration of the fragile financial viability of Kenya's commercial banking system. Commercial banks in Kenya collect deposits from their various clients and companies and then lend these monies to other clients who are willing to pay higher lending charges in order to improve the profit of the commercial bank.

The privatization trend, which began in the 1980s and gathered momentum in the 1990s, as well as the 1982 liberalization of the rules governing bank licensing, both had a significant effect on Kenya's system of corporate governance in the financial sector. As a result, more banks failed to establish efficient governance structures, which had a detrimental effect on

the industry's management and governance standards (Mwangi, 2002). In 1984, it was a noteworthy event when the Rural Urban Credit Finance was put under provisional liquidation. Through the Central Bank, the Kenyan government modified the Banking Act and the Central Bank Act to regulate the volatility in the banking industry. The establishment of the Depositors Protection Fund and the development of regulatory capital were important in achieving this.

The majority of banks have been liquidated or placed under receivership despite several attempts to consolidate the banking system. They claimed that poor internal control systems, inept management strategies, and poor governance were to blame for their demise. Consider the 1986 bankruptcies of Capital Finance, Continental Credit Finance Ltd., and Continental Bank of Kenya as an example. The Consolidated Bank was established by the Kenyan government by combining seven bank failures (Nambiro, 2007). Investors have lost a total of Ksh. 264 billion due to recent issues with corporate governance in Kenya., CMC, Imperial Bank, Mumias, Kenya Airways, Chase Bank, National Bank, CMC and Trans Century are a few of the businesses impacted (Cytonn Investment, 2015). the collapse of Imperial Bank, which is currently under statutory administration, as well as the bankruptcy of Chase Bank in March 2016, took place when the industry was still experiencing problems with subpar governance and management practices.

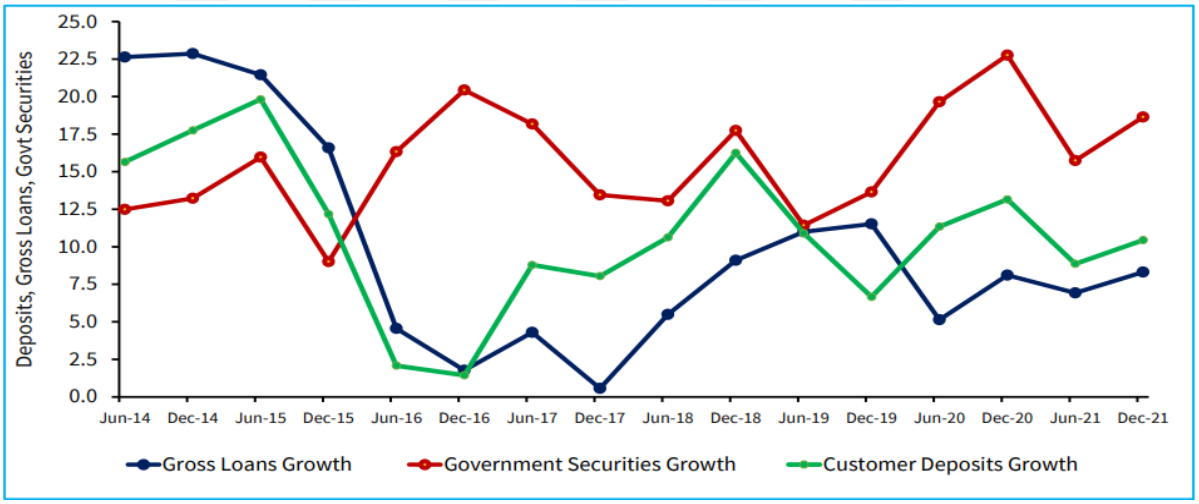
The failure of numerous Kenyan financial institutions was discussed in detail by the Centre for Corporate Governance in 2004. Insider loans, conflicts between the interests of several stakeholders, inadequate regulatory and supervisory systems, careless risk management plans, inadequate internal controls, and slack corporate governance standards are instances of this. In order to fight these unfavorable effects and strengthen the essential responsibilities it plays in the business, the Central Bank of Kenya proposed bolder and more extended actions.

Commercial Banks and Mortgage Finance Companies

Because the acquisition of government securities increased more quickly in 2021, the banks' net assets increased by 11.4 percent (Figure 1.2). As of December 2021, total assets were KSh 6,022.1 billion, up from KSh 5,405.7 billion in December 2020. the growth since the

fourth quarter of 2015 of loans and advances has lagged behind the rise of government securities, which raises the possibility that banks are lowering risk by cutting back on lending to the private sector. The main features of the time period were the banking crisis of 2015–2016 and the severe regulation limiting interest rates. The COVID-19 pandemic undermined a correction that had been made after the abolition of the interest rate limitation statute toward the end of 2019. Banks' tendency, as credit risk increased, to seek out quality and safety during the pandemic was reflected in higher holdings of government securities, more assets denominated in foreign currencies, and increased lending to large firms. The quantity of client deposits increased by 11.0 percent to KSh 4,451.7 billion in December 2021 from KSh 4,011.3 billion in December 2020 as a result of increasing efforts to mobilize deposits, largely through digital channels. This expansion can be partly related to consumers' desire to maintain liquidity (CBK,2021).

Figure 1.2: Growth in Deposits, Loans and Government Securities (percent)

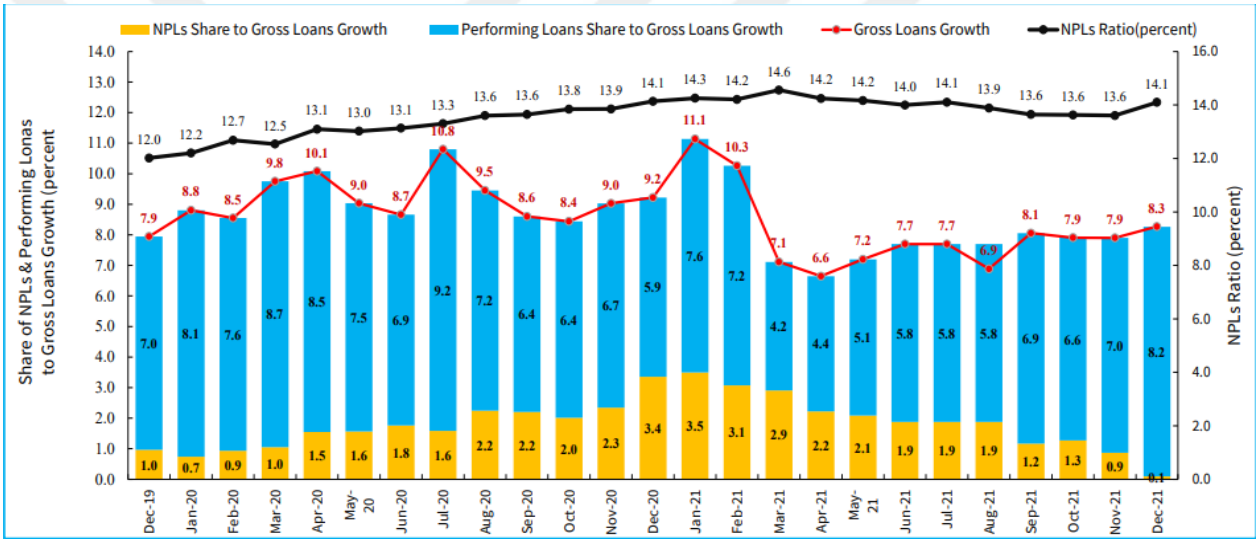


Source: CBK

The sector was able to absorb the COVID-19 shock while remaining composed and resilient a result of robust capital and liquidity buffers and advantageous monetary and financial policies in 2020. In December 2020, the sector's core and total capital amounts were KSh686.7 billion and KSh786.2 billion, respectively. In December 2021, those amounts increased to KSh750.5 billion and KSh883.4 billion. A 16.0% rise in retained earnings as a result of exceptional profitability accounts for the majority of the capital increase. So, from 16.6% and 19.0% in December 2020 to 16.6% and 19.56% in December 2021, respectively,

were the ratios of Core Capital and Total Capital to Total Risk Weighted Assets (TRWA). The minimum criteria for core and total capital, which were 10.5 and 14.5 percent, respectively, were greater than these. The capital for small- and medium-sized banks decreased, indicating low profitability, while it increased primarily for banks in the largest peer group (CBK,2021). As in 2020, credit risk remained high in 2021 (Figure 1.3). NPLs as a percentage of gross loans (NPLs) were 14.1% in December 2021, the same as in December 2020.

Figure 1.3: Bank Assets Quality

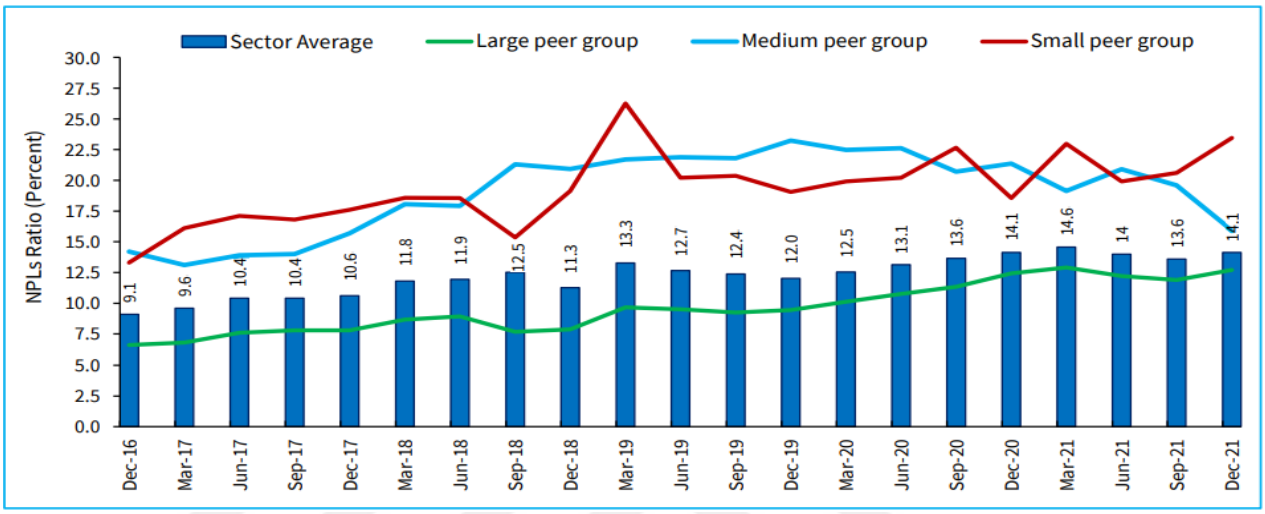


Source: Stress Test on Credit Risk in the Banking Sector for 2021

The annual increase in actual NPLs from Ksh. Ksh 436.1 billion in December 2020 In December 2021, 460.0 billion. But the amount of performing loans that went into the NPLs increased 8.2 percent faster. As a result, both in December 2020 and December 2021, the NPLs ratio was 14.1%. The ratio of performing loans to NPLs increased more quickly by 8.2 percent, bringing it to 14.1 percent in December 2021, the same level as in December 2020. It turned out to be crucial for achieving and maintaining banking sector stability to put financial policy measures in place to mitigate the COVID-19 epidemic's consequences on banks and borrowers. The difference in the high performing loan component between 2020 and 2021 can be attributed to policies like debt restructuring, extending loan repayment terms, and allowing for more flexibility in loan classification. When these restrictions were undone in June 2022, the ratio of non-performing loans (NPL) rose to 14.7 percent, signaling a high credit risk outlook for 2022. Banks in the large peer group had the lowest NPLs ratio,

and asset quality was variable across the banking industry. Based on market share as of December 2021, the CBK has categorized banks into major, medium, and small peer groups.

Figure 1.4: NPLs ratio by bank peer groups



Source: CBK,2021

Banks in the minor peer group's NPLs ratio increased from 18.5 percent in December 2020 to 23.5 percent in December 2021, increasing relative to the industry average. The NPLs ratio, on the other hand, decreased for banks in the medium peer group, going from 21.4 percent in December 2020 to 15.9 percent in December 2021. From 12.4% in December 2020 to 12.7% in December 2021, the proportion of NPLs for banks in the upper peer group increased. A higher capacity to absorb losses may be seen in the banks in the main peer group's ratio of particular provisioning to NPLs (covering ratio), which increased from 47.4 percent in December 2020 to 51.8 percent in December 2021.

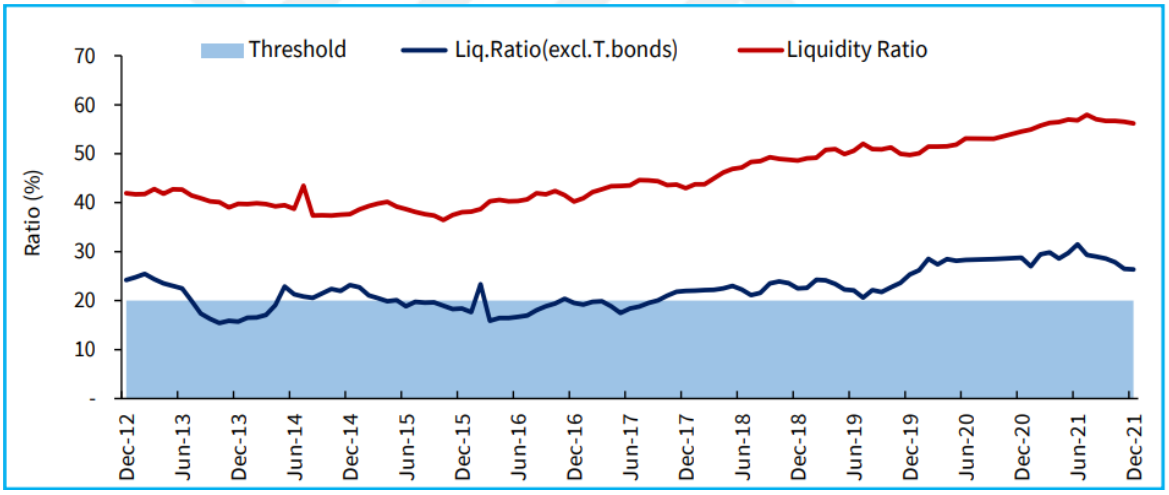
According to the total net assets and profits before taxes as of December 2021, 74.8 and 86.8 percent of the major peer group's participants were banks. In order to develop robust capital buffers and satisfy provisioning needs, high profitability growth is essential. In December 2021, the coverage ratio for banks in the medium and small peer groups fell from 36.8 percent and 31.2 percent, respectively, in December 2020.

As a result, banks in these categories had a higher loss in asset quality even while NPLs expanded more fast. As of December 2021, small peer group banks represented 9.1% of total

net assets and 1.0 percent of earnings before taxes, while medium peer group banks represented 16.1% of total net assets and 12.2% of profits before taxes (CBK,2021).

The liquidity ratio in comparison to the minimum regulatory standard of 20% is another important statistic for evaluating the stability of the banking industry. In December 2021, the sector's overall liquidity ratio averaged 56.2 percent (Figure 1.5). Because Treasury Bonds increased by 31.4 percent, liquid assets increased from Ksh 2,131.0 billion in December 2020 to Ksh 2,384.7 billion in December 2021. liquidity ratio is still higher than the necessary 20 percent level, demonstrating that there is no short- to medium-term price volatility even though Treasury bonds are excluded from the definition of liquid assets.

Figure 1.5: Liquidity Ratios



Source: CBK,2021

This resulted from treasury bond holdings increasing more swiftly, reaching 27.2% in 2021. Because bonds offer greater yields, the 0.8 percent increase in Treasury Bill holdings may indicate a movement to stability.

Table 1.1: Banking Sector Total Liquid Assets

Asset Type	End December 2020		End December 2021		Change in Share (percentage points)	Annual Change (percent)
	KSh '000s	Share (%)	KSh '000s	Share (%)		
Notes & coins	72,235,637	3.39	72,839,185	3.1	-0.3	0.8
Balances at Central Bank	196,020,872	9.20	201,363,789	8.4	-0.8	2.7
Domestic financial institutions balances	-5,416,066	-0.25	-9,754,865	-0.4	-0.2	80.1
Foreign financial institutions balances	247,850,864	11.63	188,699,910	7.9	-3.7	-23.9
Treasury Bills	494,581,006	23.20	498,610,514	20.9	-2.3	0.8
Treasury bonds	1,126,192,284	52.84	1,432,988,202	60.1	7.3	27.2
Total Liquid Assets	**2,131,464,597**	**100.00**	**2,384,746,735**	**100.0**	**0.0**	**11.9**

Source: CBK

In 2021, local banks' holdings in foreign financial institutions decreased 23.9 percent instead of rising 106.1 percent in 2020. The 27.2 percent increase in Treasury bond prices for 2021 lends more credence to the concept that there was a rush to quality and stability and that banks and their clients searched for secure assets to safeguard value and generate profits. A contributing element to the local currency's devaluation may be consumers' increasing access to liquid assets in other currencies as the epidemic expanded.

1.3 Statement of Problem

Small banks have higher probability of collapsing because of ineffective corporate governance mechanisms. Poor corporate governance can result into 76% of the banks collapsing within the first five years in operation (Mustaghfiroh, 2016). On the other hand, a stable bank is critical in driving the overall growth of the economy because of the intermediation role they play. Small commercial banks in Kenya have faced instability issues partly due to their relatively small size. Based on this context, the current study aimed to investigate how corporate governance affects the financial stability of these small banks in Kenya.

1.4 Research Objectives

The study was guided by the following objectives:

i. To determine the effect board composition on financial soundness and stability of commercial banks in Kenya

ii. To analyze the effect of size of audit committee on financial soundness and stability of commercial banks in Kenya

iii. To investigate the effect of board compensation on financial soundness and stability of commercial banks in Kenya

1.5 Research Hypotheses

The study was guided by the following hypotheses:

i. Board composition has no effect on financial soundness and stabilty of commercial banks in Kenya

ii. Size of audit committee has no effect on financial soundness and stabilty of commercial banks in Kenya

iii. Board compensation has no effect on financial soundness and stability of commercial banks in Kenya

1.6 Justification of the Study

Financial soundness is a significant needle of financial sustainability of a banking system both in advancing and developed countries. In Kenya, commercial banks are classified by the Central bank into three tiers based on their asset bases. Tier III consist of smaller banks that have limited asset base. However, these institutions have faced challenges when it comes to their financial soundness prompting some of them like Giro Commercial Bank and Habib Bank Kenya to enter into acquisition arrangements. The Basel Committee claims that corporate governance is a potent instrument that helps ensure the stability and soundness of any commercial bank. As a result, the current study aimed to investigate how corporate governance and financial soundness interact using data from Kenya's small commercial banks.

CHAPTER TWO: LITERATURE REVIEW

2.1 Theoretical Review

A theoretical review is a critical evaluation of the theories that can be used to support a study. The agency theory, which Jensen and Meckling (1976) created and uses to define the interaction between the agent and the principle, served as the basis for this study. In this relationship, there is delegation of work from the principal to the agent who is a third party (Shapiro, 2005). At a typical firm level, the management team is the agent while shareholders are the owners of the corporation hence principals (Ballwieser, Bamberg, Beckmann, Bester, Blickle, Ewert & Wilhelm, 2012). Thus, due to separation of ownership and management, the shareholders delegate the role of every day working and operation of the firm to the senior management team that is expected to proactively pursue decisions that are in line with the interests of the shareholders (Panda & Leepsa, 2017).

One key interest of the shareholders is seeing their wealth maximized by the management. However, it is not at all time that the management will undertake actions that are well aligned with the interests of shareholders thus creating conflict of interest (Donaldson & Davis, 1991). For instance, the management may undertake a given project requiring heavy initial outflow but motivated with personal gains. As a strategy of dealing with this conflict of interest, the shareholders select the board of directors to provide an oversight role. Thus, the board provides a check and balance on the decisions and actions undertaken by the management to ensure they all aim at maximizing the wealth of the shareholders. Thus, the composition and structure of the board is critical in helping it to play its oversight role on behalf of the shareholders. Furthermore, compensation of the board is an important factor motivating the directors to execute their mandates (Tekin & Polat, 2020).

In order for the directors to effectively monitor the affairs of the corporation, the management should share all the relevant information. Among the undertakings performed by the directors include approval of the decisions to be undertaken by the managers of a corporation as well as monitoring how they are implemented (Tripathi, 2019). However, the critics of this theory argue that it fails to provide an explanation of rationality of the managers

who are subjected to performance-based pay (Ali, 2020). This theory was used to anchor the variable of board composition and compensation as they interact with financial stability.

Evidence indicates that corporate governance contributes towards financial stability of the bank. Anginer, Demirguc-Kunt, Huizinga and Ma (2018) observed that corporate governance that is friendly to shareholders has some associations with systematic risks within the bank. Wong (2021) used the context of Malaysia and provided poor governance of the bank and financial instability increase the risks. Lassoued (2018) similarly covered the context of Malaysia noting the proportion of independent members to the board significantly impacts on financial stability of banks. On the other hand, board size had no significant implication. Li, Kong, Atuahene, Bentum-Micah and Agyapong (2020) used a case of Ghana indicating that the size of the board, duality role of the Chief Executive Officer (CEO), financial expertise of the members to the boards bas well as there are strong and positive predictors of financial stability of the bank. Thus, it was argued, corporate governance is essential for lowering the bank's insolvency risks. Bawaneh (2020) studied corporate governance from the perspective of board composition and the results were mixed. Mwanzia and Ochanda (2017) a lot of commercial banks in Kenya have put in place a amount of instruments to minimize conflicts between shareholders and the management.

2.2 Empirical Literature Review

The subsequent sections relate with review of literature informed by the objectives of the study.

2.2.1 Board Composition and Financial performance, soundness, Stability & Sustainability

The study conducted by Muller and Watkins-Fassler (2021) used a case of Curacao where a relationship between board composition and performance of the bank. It emerged that the size and gender diversity in the board have an inverse interplay with performance. In another study by Naciti (2019), the focus was on board composition and sustainability at the firm level. The measures of board composition covered in this study included diversity, independence and the duality role of the chief executive officer (CEO). It was discovered

that enterprises having more diversity within their boards and clear parting of responsibilities between the chairman and CEO are associated with greater sustainability.

The board composition and financial performance were the main topics of a study done by Khan, Khan, and Zhang (2019). The study's narrow focus was on listed entities on PSX, with a period frame of 2014 to 2018.The proxies of board composition included the size, diversity, independence as well as non-executive directors (NEDs). The investigation showed a direct correlation between non-executive directors (NEDs) and both returns on assets (ROA) and returns on equity (ROE) (ROE).The diversity and size of the board showed an inverse link with financial performance. Müller (2014) sought to appraise the role that the composition of the board plays as far as financial performance was concerned. It was noted that the independence of the board and foreign directorship have strong and direct interplay with firm performance.

The association among the attributes of the board and financial distress was explored by Akhmetova and Batomunkueva (2014) focusing on the Danish and Swedish firms. The proxies of board attributes included the level of independence, size, ownership and duality role of the CEO. The study noted existence of a significant link between these proxies of board attributes and probability of financial distress of the firm. With a focus on Kenyan listed companies, Kiptum (2013) evaluated how the board's composition and financial performance interact. The proxies of board composition included ethnicity, independence, gender and the age and all of them were found to have a direct link with performance. Van-Ness, Miesing and Kang (2010) studied interplay between the composition of directors and financial performance. It was observed that the tenure, size, independence and duality of the board significantly predicted financial performance of the entity.

2.2.2 Audit Committee Attributes and Financial Stability

The focus of a study by Namakavarani, Daryaei, Askarany, and Askary (2021) was specifically on the qualities of the accessible financial information and the audit committee's composition. The attributes of the audit committee were represented by independence and financial expertise. A significant link was registered between these proxies and the quality of financial information. Al-Lawati, Hussainey and Sagitova (2021) focused on essence of

audit committee among financial institutions in Oman. The proxies of audit committee characteristics that were covered include foreign membership, female membership, share ownership and supervisory/financial expertise. The results were that audit committee attributes like size; female membership contributed towards an improvement in performance of the entity.

The focus of the study done by Mieseigha and Adeyemi (2021) was on the attributes of the audit committee and the ability of entities to grow their revenues within the context of Nigeria. The proxies of the audit committee attributes covered in this study included size and financial expertise. It emerged that the attributes of the audit committee and the growth in revenue are insignificantly connected with each other. While size of the audit committee indicated a positive link with growth in revenue, the financial expertise proxy showed an inverse relationship. Within the context of Pakistan, Farooq, Noor, and Fatima (2020) concentrated on the qualities of the audit committee. The membership and opinion of the audit committee were used as proxy measures, and it was discovered that they had a considerable impact on financial difficulty.

The study conducted within the context of Kenya by Machora and Oluoch (2019) mostly focused on the attributes of the audit committee and their link with financial reporting among savings and credit cooperatives (SACCOs). The indicators of audit committee characteristics covered in this study included size, composition and independence. The study observed existence of an inverse interplay between independence proxy and performance of an entity. Buallay and Al-Ajmi (2019) placed a lot of emphasis on the qualities of the audit committee and corporate sustainability reporting. Banks operating in the Gulf Cooperation Council were the study's main area of interest (GCC). It was discovered that the relationship between financial knowledge and sustainable reporting is inverse. The meetings and independence are also critical factors contributing towards sustainable reporting.

The study by Asiriuwa, Aronmwan, Uwuigbe and Uwuigbe (2018) largely concentrated on the attributes of the audit committees and the audit quality focusing listed companies in Nigeria. The size, frequency of meetings, experience, and overall effectiveness of the audit committees were all used as proxy measures, and they all showed a positive correlation with audit quality. From these, only the overall level of effectiveness and size showed significant

effect on effectiveness. Mbobo and Umoren (2016) placed emphasis on the attributes of the audit committees and financial reporting quality within the context of Nigeria. The measures of audit committee attributes used in the study include independence, attendance of meetings, size and existence of charter that significantly influence the financial reporting quality.

In a study conducted by Kallamu and Saat (2015), the focus was on attributes of the audit committees and performance of the firm within the context of Malaysia. The measures of audit committee attributes included independence and nomination as well as audit committee that indicated inverse but significant interplay with performance. Hassan and Ibrahim (2014) appraised how the attributes of governance impacted on manipulation of real activities placing emphasis on manufacturing entities listed within the context of Nigeria. The attributes of the audit committee covered in the study included financial literacy, size, meetings and independence. Of these measures, financial literacy was found to have a significant implication by limiting real activities manipulation. Wakaba (2014) analyzed the characteristics of audit committee and their implication on financial performance with emphasis on listed entities. Audit committee characteristics covered such elements as size, independence, gender diversity ad experience where all were found to have significant connection with performance of an entity.

2.2.3 Board Compensation and Financial Stability

Shaker, Al-Wattar and Adam (2020) conducted a study whose focus was on compensation of the board and its role in financial reporting focusing within the context of Iraq. The study noted existence of a positive connection among compensation of the board and financial reporting. Hossain (2020) studied how remuneration of the directors' impact on performance with the context of Bangladesh. The study established existence of an inverse link between remuneration to directors and performance of the firm. The focus of the study done by Ibrahim, Zin, Kassim and Tamsir (2019) was on remuneration of the directors and its link with performance of telecommunication entities within the perspective of Malaysia. The results showed existence of an inverse association among the compensation of the directors and performance. This finding suggests that increasing director compensation has a detrimental effect on the performance of the firm.

In a study showed by Mavrakana and Psillaki (2019), the concentration was on structure and compensation of the board and its implication stability of the bank. The study noted presence of a optimistic association between compensation and performance of the firm. Aslam, Haron and Tahir (2019) did an assessment of remuneration of the directors and the impact to performance at firm level within the context of Pakistan. The study noted that compensation of directors is consistent and supported by the agency theory as they get reward for their initial market performance. Salehi, Jamalikazemini and Farhangdoust (2018) conducted an examination of compensation and the quality of disclosure within the context of Iran. A direct and significant interplay was shown between board compensation and the quality of disclosure.

Lin and Lin (2014) focused on bringing out the connection among compensation of directors and the CEOs. It was discovered from this study that excessive compensation of directors has a link with CEO compensation. The study conducted by Müller (2014) largely focused on board compensation attributes and financial performance. Evidence in this study was obtained from firms listed on London Stock Exchange. The study noted existence of significant interplay between executive compensation and performance. Fernandes (2008) conducted an assessment of compensation of the board and its implication on performance at firm level. The study focused on firms listed in Portugal. It emerged that in firms where there are more NEDs, more wages are paid to them.

2.3 Literature Review and Knowledge Gaps

The chapter has revised studies guided by the specific that present a number of gaps. Some studies create contextual gaps by focusing on other firms like manufacturing firms (Hassan and Ibrahim, 2014) and not commercial banks as well as other countries like Portugal (Fernandes, 2008), Iraq (Shaker, Al-Wattar & Adam, 2020), Malaysia (Kallamu and Saat 2015) among other countries away from Kenya. Other studies create conceptual gaps by focusing on performance (Muller & Watkins-Fassler 2021) and financial reporting (Machora and Oluoch, 2019) as the dependent variable and not financial stability. It is against the backdrop of these gaps that the present study sought to explore how corporate `governance affects financial stability.

2.4 Structural Framework of the Thesis

Consider Figure 2.1.

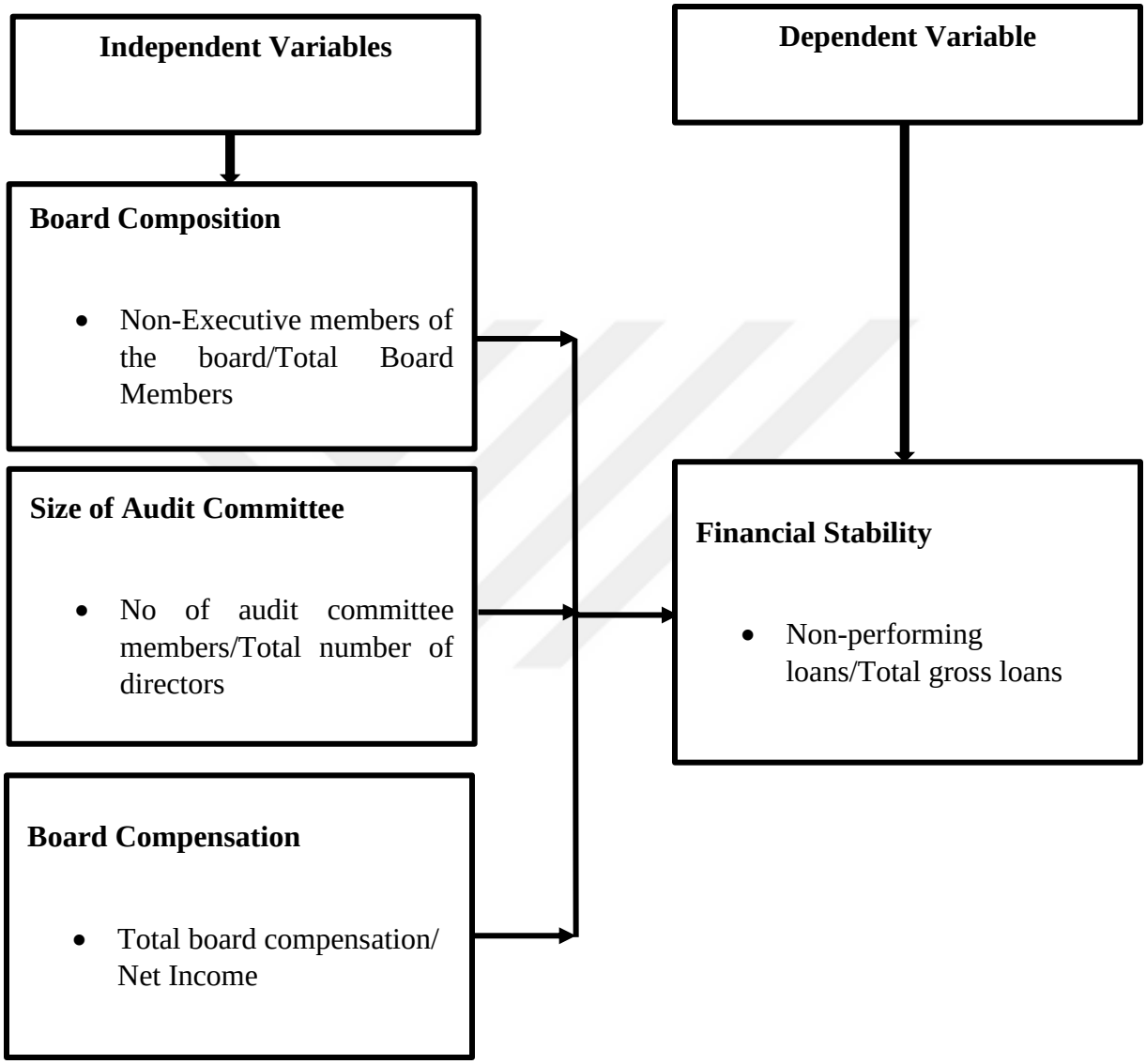


Figure 2.1: Structural Framework of the study

CHAPER THREE: MATERIAL AND METHOD

3.1 Research Design

Research design is the overall plan that guides the researcher in how the study will be conducted. Research design lays the foundation regarding the methods of gathering and analyzing data that are relevant to a particular study. In this study, a cross-sectional descriptive survey approach was used. This design helped in gathering data at a single point in time for analysis and presentation. The structure of executive and non-executive directors on the board, including the chief executive officer, is referred to as the board's composition. Non-executive directors, also known as independent directors, are occasionally appointed from outside the company and may not have any significant financial stakes in the company. They were picked due to their depth of training, expertise, and experience as they may have a big consequence on the board's decision and probably increase the value of the company. (Fields and Keys, 2003). Strategic planning and risk management can benefit from the involvement of independent directors (Farrar, 2005). Another aspect thought to be important to the efficient performance of its tasks is the audit committee's size (Cadbury Committee, 1992). Several corporate governance analyses have recommended a minimum of three audit committee directors (Bhagat, and Bolton, 2008). A larger committee is said to have more organizational standing and power (Braiotta,2000). However, if an audit committee grows too big, it may experience process losses and responsibility diffusion (Karamanou and Vafeas, 2005). Board compensation includes remunerations, amounts, compensation, dividends, and other, as well as recurring or annual rewards associated with performance, long-term performance bonuses, and any other in-kind incentives, with the exception of the Bank's actual, reasonable out-of-pocket costs and fees accumulated to encourage the Board member to carry out his or her responsibilities (BSF,2021).

3.2 Target Population and Sample Size

Population comprises of elements that have common features and these are greater interest to the researcher. A target population is a collection of individuals which provide basis for generalizing the results. This study targeted 24 tier III banks operating in Kenya as laid down

on appendix I. Census[1] was used as the population was relatively small. As suggested by Harris, Holyfield, Jones, Ellis and Neal (2019), census is ideal when the population has less than 200 units.

3.3 Data Collection

Data comprises of raw facts that need to be processed in order to generate insights and inform policy. Data comes in two varieties: primary and secondary. Secondary data for this study was gathered from the Central Bank of Kenya's annual reports and the reports of corresponding banks. Non-performing loans, total gross loans, and net income were extracted from central bank annual reports; information about independent directors, audit committee members, total board members and total board compensation were collected from the respective banks with the aid of document review guide. The period considered for data collection was from 2017 all through 2021 giving a total of 5 years. This period was considered ideal because it was most current.

3.3.1 Source of Information

A friend of mine, Muta Jephnea, my former colleague helped me to get some information from the perspective banks in Kenya. I sent him the list of the banks and the required elements, later on he sent me the feedback, and I really appreciated him. I asked him to distribute a document containing the basic variables of the study, these include total number of audit committee, total board compensation, number of non-executive board members and total board members.

3.4 Data Analysis

The process of converting acquired data into practical information is known as data analysis (Saunders, Lewis and Thornhill, 2009). The acquired data were analyzed using the SPSS tool version 24 in conjunction with means, standard deviations, and correlation and regression analysis to ascertain the nature and strength of the relationships between the variables and to capture the characteristics of the study's variables. The general regression model took the following form:

[1] A census is a survey that is conducted on all observation objects that are a part of a particular population or universe, usually it is used when the population of a study is less than 200 units (OECD,2005).

$Y = \beta_0 + \beta_1 BC + \beta_2 ACA + \beta_3 BCo + \varepsilon$…….

Equation I

Where Y is the financial stability

β_0 is the constant

β_{1-n} are regression beta coefficients

BC is Board composition

ACA is Audit Committee Attributes

BCo is Board compensation

ε is the error term

Equation II below was utilized to forecast the consequence of board composition on financial stability

$Y = \beta_0 + \beta_1 BC + \varepsilon$……...Equation II

Where Y is the financial stability

β_0 is the constant

β_{1-n} are regression beta coefficients

BC is Board composition

ε is the error term

Equation III below was utilized to forecast the effect of audit committee size on financial stability

$Y = \beta_0 + \beta_2 ACA + \varepsilon$……...Equation III

Where Y is the financial stability

β_0 is the constant

β_{1-n} are regression beta coefficients

ACA is Audit Committee Attributes

ε is the error term

Equation IV below was used to predict the effect of board compensation on financial stability

$Y = \beta_0 + \beta_3 BCo + \varepsilon$……...Equation IV

Where Y is the financial stability

β_0 is the constant

β_{1-n} are regression beta coefficients

BCo is Board compensation

ε is the error term

CHAPTER FOUR: FINDINGS AND DATA ANALYSIS

4.1 Introduction to the chapter

The purpose of this chapter is to provide the analysis's outcomes in depth based on the study's goals. The chapter's particular components include the obtained rate and an analysis of each particular aim using descriptive analysis, correlation analysis, and linear regression analysis, which are described in the following sections.

4.2 Obtained data

From the 24 tier III commercial banks that were targeted, complete data was obtained from 19 institutions, since tier III commercial banks in Kenya are relatively small size banks some of them were under receivership while others are in liquidation which makes quite difficult to obtain data from them, these 19 banks representing an obtained data rate of 79.2%. This gained data was adequate and consistent with the assertion of Deutskens, De-Ruyter, Wetzels, and Oosterveld (2004) noted that figures obtained at or above 70% are suitable for analysis and result reporting.

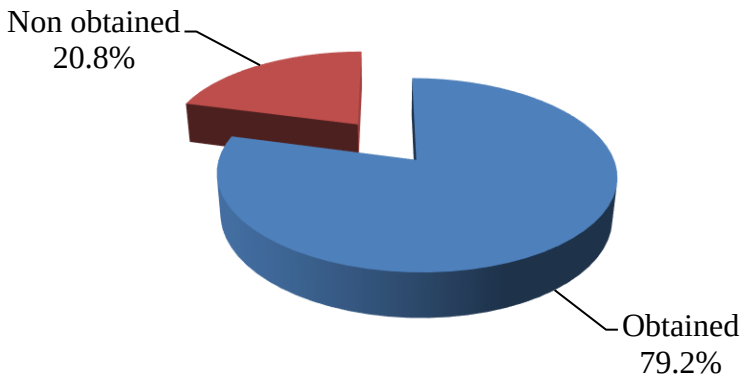


Figure 4.1: Obtained data

4.3 Board Composition and Financial Stability

The findings of the descriptive statistics, correlation, and regression are summarized in the next section.

4.3.1 Descriptive Statistics

The findings of descriptive statistics on board composition were established and summarized in Table 4.1.

Table 4.1: Descriptive Statistics

	Min	Max	Mean	Std. Dev	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Board composition	.25	.44	.3398	.03707	.454	.247	.184	.490

The findings in Table 4.1 specify the rate of mean as 0.3398 with standard deviation of 0.03707. This implies that on average, board composition contributes towards 33.98% towards corporate governance practices among tier III commercial banks in Kenya. The values of Skewness and Kurtosis are taken as 0.454 and 0.184. As pointed out by Kothari (2004), the values of Skewness and Kurtosis within range of – or +2 indicate that the data of the study is normally distributed. This therefore infers that board composition as an independent objective variable of the study was normally distributed which is a desirable property for running regression analysis.

4.3.2 Correlation Results

The sort, direction, and intensity of the relationship among board composition and financial stability were investigated using correlation analysis. The results are reported in Table 4.2.

Table 4.2: Correlation Results

		Financial stability	Board composition
Financial stability	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	95	
Board composition	Pearson Correlation	.700	1
	Sig. (2-tailed)	.000	
	N	95	95

The results in Table 4.2 indicate that board composition is a strong and positive correlate of financial stability among tier III commercial banks in Kenya ($r=0.700$, $p<0.05$). This positive relationship shows that any efforts to improve board composition would see an improvement in financial stability.

4.3.3 Regression Results

In order to make a prediction of board composition on financial stability, linear regression analysis was conducted. The results were determined and summarized as indicated in Table 4.3.

Table 4.3: **Regression Results**

	Unstandardized Coefficients		**Standardized Coefficients**			**Collinearity Statistics**	
	B	**Std. Error**	**Beta**	**t**	**Sig.**	Tolerance	VIF
(Constant)	-.852	.115		-7.424	.000		
Board composition	3.175	.336	.700	9.456	.000	1.000	1.000
R=.700[a]	**R^2=.490**	**Adj. R^2=.485**	**F=89.413**				

The findings in Table 4.3 indicate the value of VIF as 1. As shared by RR, VIF values of the range of 1-10 provide indication that the variable lacks multicollinearity. The coefficient of correlation R is reported as 0.700, this infers that board composition has strong and far-reaching implication on financial stability of tier III commercial banks in Kenya. The value of coefficient of determination R square is given as 0.490, which implies that 49% change in financial stability among tier III commercial banks in Kenya is explained by their board composition. The resultant p-value is given as 0.000 ($p<0.05$), this means that board composition was a significant predictor of financial stability.

The following hypothesis was used to guide the study:

Ho1: Board composition has no effect on financial stability of commercial banks in Kenya

From the results, the $p=0.000$ ($p<0.05$), thus the study rejects hypothesis Ho1 and infers that board composition has significant effect on financial stability. The finding contradicts with Muller and Watkins-Fassler (2021) who used a case of Curacao where an interplay between board composition and performance of the bank. It emerged that the size in the board have

an inverse interplay with performance. The connection among the size of the board and financial distress was explored by Akhmetova and Batomunkueva (2014) focusing on the Danish and Swedish firms. The study noted existence of a significant link between these proxies of board attributes and probability of financial distress of the firm. Kiptum (2013) appraised the interplay between composition of the board and financial performance with a focus on listed entities in Kenya. The proxies of board composition included ethnicity, independence, gender and the age and all of them were found to have a direct link with performance. Van-Ness, Miesing and Kang (2010) examined interplay between the composition of directors and financial performance. It was observed that the tenure, size, independence and duality of the board significantly predicted financial performance of the entity.

4.4 Audit Committee Size and Financial Stability

The size of the audit committee's impact on financial stability was evaluated, and the results were calculated and given in the parts that follow.

4.4.1 Descriptive Statistics

The results of the descriptive statistics were established and given in Table 4.4.

Table 4.4: Descriptive Statistics

	n	Minimum	Maximum	Mean	Std. Dev	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Size of Audit Committee	95	.23	.33	.2865	.03201	.169	.247	-1.344	.490

From Table 4.4, the value of average is reported as M=0.2865, this implies that on average, audit committee size contributes towards 28.65% of corporate governance practices among commercial banks in Kenya.

4.4.2 Correlation Results

The association among audit committee size and financial stability was explored through correlation analysis with a breakdown of the results as summarized in Table 4.5.

4.4.3 Regression Results and Hypotheses Testing

Table 4.5: Correlation Results

		Financial stability	Audit Committee Size
Financial stability	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	95	
Audit Committee Size	Pearson Correlation	.552**	1
	Sig. (2-tailed)	.000	
	N	95	95

From Table 4.5, it is evident that audit committee attributes have strong and optimistic association with financial stability of commercial banks ($r=0.552$, $p<0.05$).

Linear regression analysis was performed between corporate governance and financial stability.

Table 4.6 is a summary of the results.

Table 4.6: Regression Results

	Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
	B	**Std. Error**	**Beta**	**t**	**Sig.**	**Tolerance**	**VIF**
(Constant)	-.604	.131		-4.616	.000		
Audit Committee Attributes	2.901	.454	.552	6.389	.000	1.000	1.000
R=.552	**R^2=.305**	**Adj. R^2=.298**	**F=40.817**				

The results in Table 4.6 indicate that audit committee size as a variable of the study did not have multicollinearity symptom (VIF=1.000). This means that it was suitable to be utilized as a predictor variable in the study. It emerged that 30.5% change in financial stability among commercial banks in Kenya is explained by size of audit committee (R^2=0.305). Table 4.6 further indicate that size of audit committee were significant predictors of financial stability ($p<0.05$).

Ho2: Size of audit committee has no effect on financial stability of commercial banks in Kenya

From the results in Table 4.10, the study established the p-value as 0.000 ($p<0.05$), thus the study rejected hypothesis Ho2 and inferred that size of audit committee have significant effect on financial stability.

4.5 Board Compensation and Financial Stability

The third objective of the study sought to determine the effect of board compensation on financial stability. The findings of descriptive and inferential statistics were determined and presented as shown in subsequent sections.

4.5.1 Descriptive Statistics

A summary of the results from the descriptive statistics carried out on board compensation, one of the study's explanatory variables, is shown in Table 4.7.

Table 4.7: Descriptive Statistics on Board Compensation

	N	Min	Max	Mean	Std. Dev	Skewness		Kurtosis	
							Std.		Std.
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Error	Statistic	Error
Board compensation	95	3.24	5.32	4.2523	.40320	.185	.247	.036	.490

From Table 4.7, the value of average was given as 4.2523; this means that a significant proportion of the revenues generated by the commercial banks in Kenya was utilized in remunerating the directors as a form of compensation for their skills and competences.

4.5.2 Correlation Results

Board compensation was correlated against financial stability and the results were determined and summarized as shown in Table 4.8.

Table 4.8: Correlation Results between Board compensation and Financial Stability

		Financial stability	Board compensation
Financial stability	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	95	
Board compensation	Pearson Correlation	.841	1
	Sig. (2-tailed)	.000	
	N	95	95

Table 4.8 demonstrates a solid and favorable association (r=0.841, p0.05) among board compensation and the tier III commercial banks in Kenya's financial soundness.

4.5.3 Regression Results

Board compensation was regressed on financial stability and Table 4.9 is an overview of the results.

Table 4.9: Regression Results

	Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
	B	**Std. Error**	**Beta**	**T**	**Sig.**	**Tolerance**	**VIF**
(Constant)	-1.265	.100		-12.667	.000		
Board compensation	.351	.023	.841	15.006	.000	1.000	1.000
R=.841[a]	**R^2=.708**	**Adj. R^2=.705**	**F=225.193**				

According to Table 4.9's findings, board compensation accounted for 70.8% of the variation in financial stability among Kenya's commercial banks. The outcomes also display that board compensation had a substantial influence on Kenyan commercial banks' financial soundness (p<0.05). The third hypothesis of the study was as under:

Ho3: Board compensation has no effect on financial stability of commercial banks in Kenya

From the findings, board compensation (p<0.05), and thus the study rejects hypothesis Ho3 and deduce that board compensation has significant effect on financial stability.

Table 4.10: Summary of the Tested Hypotheses

Hypothesis	**P-Value**	**Inference**
Ho1: Board composition has no significant on financial stability of commercial banks in Kenya	P<0.05	Reject **Ho1**

Ho2: Size of Audit committee has no significant on financial stability of commercial banks in Kenya	P<0.05	Reject **Ho2**
Ho3: Board compensation has no significant on financial stability of commercial banks in Kenya	P<0.05	Reject **Ho3**

4.6 **Corporate Governance and Financial Stability**

Table 4.11 is an overview of the results.

Table 4. 11: Corporate Governance and Financial Stability

	Unstandardized Coefficients		**Standardized Coefficients**			**Collinearity Statistics**	
	B	**Std. Error**	**Beta**	**t**	**Sig.**	**Tolerance**	**VIF**
(Constant)	-1.487	.100		-14.825	.000		
Board composition	.349	.357	.077	.976	.331	.408	2.452
Audit Committee Size	1.337	.292	.255	4.579	.000	.819	1.221
Board compensation	.285	.033	.684	8.744	.000	.414	2.413
R=.877[a]	**R^2=.770**	**Adj. R^2=.762**	**F=101.280**				

Table 4.11 implies that when considered jointly, corporate governance and its proxies explained 77% change in financial stability among commercial banks (R^2=0.770). Furthermore, when corporate governance and its elements are examined jointly, only audit committee attributes (size), (p<0.05) and board compensation (p<0.05) had substantial consequence on financial stability of commercial banks.

CHAPTER FIVE: CONCLUSIONS AND IMPLICATIONS

5.1 Introduction to the chapter

The overview of the observations and the findings' conclusion are presented in this chapter, makes comments and recommendations ascending from the conclusion, and also proposes further research advises.

5.2 Summary of the findings

The primary objective of this study was to determine how the board of directors' makeup influenced the soundness and stability of Kenya's small commercial banks. More specifically, the study attempted to evaluate the effect of the audit committee's size on those banks' financial stability as well as the impact of board compensation. Utilizing secondary data from yearly reports of the central bank of Kenya, reports from those banks, and information gathered by my friend, the study's target population consisted of 24 tier-one small commercial banks in Kenya. 19 banks provided data for the study, and the remaining five banks' data could not be located due to receiverships and liquidation status. This resulted in 79.2% of gained data and 20.8% of non-gained data.

Descriptive analysis, correlation analysis, and regression analysis were all employed in the study to investigate the influence of board composition on the financial stability of Kenya's small commercial banks. The descriptive study's mean value was 0.3398, which showed that board composition influences corporate governance procedures among Kenya's small commercial banks by 33.98%. According to the correlation results, there is a momentous and favorable link among board composition and financial stability among Kenya's small commercial banks (r=0.700, p0.05). Because of this strong correlation, attempts to change board composition should result in increased financial stability. The findings of the regression analysis demonstrated that the board composition of small commercial banks in Kenya accounted for 49% of the change in financial stability, as shown by the coefficient of determination R square reported as 0.490. According to the reported coefficient of correlation R, which is 0.700, the board composition of small commercial banks in Kenya has a significant and far-reaching impact on their financial stability. Because the board composition was a significant predictor of financial stability, the p-value was 0.000 (p0.05).

The purpose of the study was to examine how the size of the audit committee influenced the financial soundness of Kenya's small commercial banks. Correlation analysis, regression analysis, and descriptive analysis were utilized. The descriptive study exhibited the value of mean as 0.2865, this showed that the size of audit committee contributes towards 28.65% of corporate governance practices among small commercial banks in Kenya. The correlation outcomes stated that the size of audit committee have strong and positive relationship with financial stability among small commercial banks in Kenya (r=0.552), with P-value of 0.000 while the significance level was 5%. The regression analysis outcomes have shown coefficient of determination R square is reported as R^2=0.305, It emerged that 30.5% change in financial stability among small commercial banks in Kenya is explained by size of audit committee.

The study intended to ascertain the impact of board compensation on the financial stability of Kenya's small commercial banks. Three types of analysis were used: descriptive, correlation, and regression. The descriptive study unveiled the mean as 4.2523, this means that a significant proportion of the revenues generated by the small commercial banks in Kenya was utilized in remunerating the directors as a form of compensation for their skills and competences. The coefficient of correlation was r=0.841, this shows that the relationship between board compensation and financial stability was positive and strong, and also the P-value was 0.000 it was less than 5% significance level so that board compensation was a significant predictor on financial stability of small commercial banks in Kenya. Regression results has shown the value of coefficient of determination R square as 0.708, this indicates that board compensation explained 70.8% change in financial stability among small commercial banks in Kenya. The study has used a null hypothesis assuming that there are no significant effects of all objectives on financial stability of small commercial banks in Kenya, therefore the study rejects all the hypothesis after the results shown that all the objectives have significant impact on financial stability of small commercial banks in Kenya.

Corporate governance and financial stability were experienced, all three independent variables are connected jointly to take out financial stability, the results show a coefficient of determination R square as R^2=0.770, this indicates that corporate governance and its proxies explained 77% change in financial stability among commercial banks. Moreover,

when corporate governance and its elements are examined cooperatively, only size of audit committee ($p<0.05$) and board compensation ($p<0.05$) had significant effect on financial stability of small commercial banks.

5.3 Conclusion

The study's particular context was small commercial banks in Kenya, there is proof that corporate governance plays a significant part in forecasting financial soundness and stability. According to the correlation findings, corporate governance and financial stability have a good working relationship. As a result, putting policies in place to improve corporate governance may help to rise and develop the financial stability of the financial organization.

5.4 Implications of the Findings

5.4.1 Implication of the Findings in Practice

The findings of the study imply that the corporate governance practitioners should develop relevant mechanisms of improving on corporate governance frameworks guided by board composition, audit committee attributes as well as board compensation. The audit committee members in respective small commercial banks in Kenya should effectively execute their oversight role on strength of the internal control systems which should be in place to mitigate all risks that can be a threat to viability of the business. Without doubt, some of the world-famous scandals like the Enron Corporation took place due to weak internal control systems.

5.4.2 Contribution of the Study to Policy Makers

The policy makers at the Central Bank of Kenya should be more active to safeguard the policies and regulations on corporate governance as established in the Prudential Regulations are fully implemented and practiced among small commercial banks in Kenya. This will go a long way to boosting the public confidence and safeguarding the deposits of the customers in the event that the financial institution collapses. Other policy makers in the Kenya Bankers Association (KBA) should also be more active in developing policies with regard to corporate governance and the need for their members to adhere to these best industry practices.

5.4.3 Contribution of the Study to Body of Knowledge

The study has contributed to understanding that corporate governance is an important factor that cannot be overlooked as far as financial stability of an institution is concerned. However, the contribution of corporate governance towards financial stability depends on whether it is considered jointly or in isolation. When considered in isolation, board composition, audit committee attributes and board compensation are the constructs and practices of corporate governance that significantly contribute towards financial stability. However, when considered jointly, only size of audit committee and board compensation are core drivers of financial stability of banking entities.

5.4.4 Contribution of the Study to Theory

The findings of the study towards understanding of board composition, audit committee attributes and board compensation as monitoring mechanisms established in the agency theory aimed at mitigating the conflicts between the shareholders and the management of the corporation. The study has donated to an understanding that competitive remuneration of the board of directors can improve their oversight role and this would motivate the top managers to undertake actions that contribute towards financial stability.

5.5 Limitations of the Study

Despite the rigorous execution of this study, there were some restrictions that requires careful consideration and generalization of the findings. The study was limited to a relatively smaller sample size of 24 small commercial banks in Kenya. This limited sample size limits generalization of the results to findings to the entire banking industry in Kenya. The other limitation of the study is in regard to time. The study was limited to relatively smaller period of time of 5 years. More specifically, the study focused on the period 2017-2021. This means that any significant event within the banking industry that occurred before 2017 or after 2021 was not factored in the analysis even if it had potential to alter the results of the findings.

5.6 Suggestions for Further Research

The focus of further studies should be on other additional institutions within the larger financial sector like insurance firms, savings and credit cooperatives (SACCOs), and microfinances among other firms. This will allow robust generalization of the findings to the

study. The focus of future studies should be on bringing a greater time period to support impact analysis. The study also suggests that the medium and large commercial banks in Kenya should enhance and improve their corporate government practices, although they are toughly regulated by central bank of Kenya they still need maintain and expand corporate governance practices in order to achieve their goals. On the other hand, researchers should do further studies about these commercial banks since these banks operate for a long period of time.

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APPENDICES

Appendix 1: List of small Banks in Kenya

1. Victoria Commercial Bank Limited
2. Guaranty Trust Bank Limited
3. Bank of Africa Ltd
4. Gulf African Bank Limited
5. African Banking Corporation Ltd
6. Sidian Bank Ltd
7. Habib Bank A.G Zurich
8. Credit Bank Ltd
9. First Community Bank Ltd
10. UBA Kenya Bank Ltd
11. Development Bank of Kenya Ltd
12. Guardian Bank Limited
13. Mayfair CIB Bank Ltd
14. M Oriental Commercial Bank Limited
15. Kingdom Bank Limited
16. DIB Bank Kenya Ltd
17. Consolidated Bank of Kenya Limited
18. Paramount Bank Ltd
19. Middle East Bank (K)
20. Access Bank Plc
21. Spire Bank Limited
22. Imperial Bank Ltd*
23. Chase Bank (K) Ltd**
24. Charterhouse Bank Ltd*sns

***Bank in Receivership **Banks in Liquidation**

APPENDIX 2: Document Review Guide

Data Sheet.

Bank Name……...				
Year	**No. of Non-Executive members of the board**	**No. of Audit Committee members**	**Total board members**	**Total board compensation**
2021				
2020				
2019				
2018				
2017				

Source: Researcher (2022)

Appendix 3: Document Review Guide; Measurements

Variables	**Measurements**	**Formula**
Financial Stability	Non-performing Loans/Total Gross Loans	$\frac{\text{Non} - \text{Performing Loans}}{\text{Total Gross Loans}}$
Board Composition	Non-Executive Members of the Board/Total Board Members	$\frac{\text{Non} - \text{Executive Members of the Board}}{\text{Total Board Members}}$
Size of Audit Committee	No of audit committee members/Total number of directors	$\frac{\text{No of audit committee members}}{\text{Total Number of Directors}}$
Board Compensation	Total board compensation/ Net Income	$\frac{\text{Total board compensation}}{\text{Net Income}}$

Source: Researcher (2022)

Appendix 4: Data Extracted from the Annual Reports of CBK and Applied in the Analysis

APPENDIX VI

BANKING SECTOR GROSS LOANS AND NON-PERFORMING LOANS- DECEMBER 2017

	BANKS	Gross Loans and Advances, Ksh. M		Gross Non-Performing Loans, Ksh. M	
		Dec-16	Dec-17	Dec-16	Dec-17
1	KCB Bank Ltd	373,031.31	411,666	28,333	34,182
2	Standard Chartered Bank (K) Ltd	132,497.35	139,406	15,038	17,621
3	Barclays Bank of Kenya Ltd	176,348.53	177,224	11,472	12,615
4	Bank of India	19,354.22	20,771	272	435
5	Bank of Baroda (K) Ltd	38,089.50	43,943	3,392	2,666
6	Commercial Bank of Africa Ltd	105,082.15	107,038	7,450	7,798
7	Prime Bank Ltd	40,170.01	39,763	1,855	2,252
8	Co - operative Bank of Kenya Ltd	241,394.75	7,232	11,273	18,714
9	National Bank of Kenya Ltd	68,615.72	68,153	29,987	27,658
10	M-Oriental Commercial Bank Ltd	7,108.71	7,741	856	809
11	Citibank N.A. Kenya	28,241.78	38,080	805	1,724
12	Habib Bank A.G. Zurich	5,361.37	5,680	158	592
13	Middle East Bank (K) Ltd	4,014.75	3,242	1,193	1,438
14	Bank of Africa (K) Ltd	37,480.16	33,589	10,794	10,571
15	Consolidated Bank of Kenya Ltd	10,317.36	9,882	2,038	2,481
16	Credit Bank Ltd	8,360.64	10,171	676	877
17	Transnational Bank Ltd	7,026.35	7,365	891	1,595
18	Chase Bank Ltd*	-	-	-	
19	Stanbic Bank (K) Ltd	118,483.10	135,443	7,013	10,359
20	African Banking Corporation Ltd	15,022.00	16,371	2,840	3,535
21	Imperial Bank Ltd *	-	-	-	-
22	NIC Bank PLC	112,509.00	118,459	12,650	13,265
23	Ecobank Kenya Ltd	27,392.64	21,456	5,359	8,287
24	Spire Bank Ltd	8,319.31	6,867	1,322	2,349
25	Paramount Bank Ltd	6,242.85	6,345	778	778
26	Jamii Bora Bank Ltd	10,497.28	9,929	2,141	2,106
27	Guaranty Trust Bank (Kenya) Ltd	13,418.47	13,746	994	1,421
28	Victoria Commercial Bank Ltd	15,292.83	18,887	-	17
29	Guardian Bank Ltd	9,604.09	10,303	787	1,122
30	I&M Bank Ltd	104,302.16	126,983	5,072	17,669
31	Development Bank of Kenya Ltd	10,082.53	10,710	2,594	2,310
32	SBM Bank (Kenya) Ltd	-	6,680	-	3,917
33	Diamond Trust Bank (K) Ltd	141,702.28	156,843	5,520	11,901
34	Charterhouse Bank Ltd **	-	-	-	-
35	Mayfair Bank Ltd	-	235		-
36	Sidian Bank Ltd	14,487.83	12,330	2,459	2,596
37	Equity Bank Kenya Ltd	221,038.83	221,698	15,457	14,758
38	Family Bank Ltd	53,485.10	46,928	7,015	9,478
39	Gulf African Bank Ltd	16,685.77	20,144	1,617	1,962
40	First Community Bank Ltd	11,925.98	10,995	3,853	4,399
41	DIB Bank Kenya Ltd	-	291		-
42	UBA Kenya Bank Ltd	3,126.70	3,309	69	152
43	HFC Ltd	56,785.56	52,630	6,193	8,212
	Total	**2,272,898.96**	**2,158,530**	**210,219**	**264,617**

**- The banks are in receivership hence excluded*

***- The bank is under statutory management*

Source: Commercial Banks Published Financial Statements (December 2017)

Source: CBK,2017

BANKING SECTOR GROSS LOANS AND NON-PERFORMING LOANS- DECEMBER 2018					
	Banks	Gross Loans and Advances, Ksh.M		Gross Non-Performing Loans, Ksh.M	
		Dec-17	Dec-18	Dec-17	Dec-18
1	KCB Bank Kenya Ltd	411,666	434,361	34,182	30,012
2	Co - operative Bank of Kenya Ltd	262,553	257,566	18,714	28,953
3	Equity Bank Kenya Ltd	221,698	231,026	14,758	17,064
4	Barclays Bank of Kenya Ltd	177,224	186,984	12,615	13,910
5	Diamond Trust Bank Kenya Ltd	156,843	152,287	11,901	11,036
6	Standard Chartered Bank Kenya Ltd	139,406	133,166	17,621	21,661
7	Stanbic Bank Kenya Ltd	135,443	155,498	10,359	16,644
8	I&M Bank Ltd	126,983	144,434	17,669	21,115
9	NIC Bank PLC	118,459	117,786	13,265	15,830
10	Commercial Bank of Africa Ltd	107,038	118,271	7,798	9,271
11	National Bank of Kenya Ltd	68,153	66,123	27,658	31,461
12	HFC Ltd	52,630	49,215	8,212	13,334
13	Family Bank Ltd	46,928	47,023	9,478	8,138
14	Bank of Baroda Kenya Ltd	43,943	43,439	2,666	3,903
15	Prime Bank Ltd	39,763	38,188	2,252	2,821
16	Citibank N.A. Kenya	38,080	27,255	1,724	819
17	Bank of Africa Kenya Ltd	33,589	26,255	10,571	9,509
18	Ecobank Kenya Ltd	21,456	14,733	8,287	3,192
19	Bank of India	20,771	19,153	435	1,347
20	Gulf African Bank Ltd	20,144	23,616	1,962	2,572
21	Victoria Commercial Bank Ltd	18,887	22,810	17	696
22	African Banking Corporation Ltd	16,371	0	3,535	4,232
23	Guaranty Trust Bank Ltd	13,746	13,342	1,421	2,526
24	Sidian Bank Ltd	12,330	14,108	2,596	2,942
25	First Community Bank Ltd	10,995	10,691	4,399	4,940
26	Development Bank of Kenya Ltd	10,710	10,031	2,310	2,879
27	Guardian Bank Ltd	10,303	9,715	1,122	960
28	Credit Bank Ltd	10,171	13,440	877	1,113
29	Jamii Bora Bank Ltd	9,929	9,112	2,106	6,344
30	Consolidated Bank of Kenya Ltd	9,882	10,027	2,481	2,539
31	M-Oriental Commercial Bank Ltd	7,741	8,018	809	773
32	Transnational Bank Ltd	7,365	7,646	1,595	1,850
33	Spire Bank Ltd	6,867	6,109	2,349	2,686
34	SBM Bank Kenya Ltd	6,680	23,602	3,917	16,311
35	Paramount Bank Ltd	6,345	6,172	778	1,069
36	Habib Bank A.G. Zurich	5,680	6,451	592	581
37	UBA Kenya Bank Ltd	3,309	3,465	152	442
38	Middle East Bank Kenya Ltd	3,242	3,064	1,438	1,227
39	DIB Bank Kenya Ltd	291	2,132	-	8
40	Mayfair Bank Ltd	235	3,184	-	-
41	Chase Bank Kenya Ltd*	-	-	-	-
42	Imperial Bank Ltd *	-	-	-	-
43	Charterhouse Bank Ltd **	-	-	-	-
	Total	**2,413,851**	**2,488,117**	**264,617**	**316,712**
Source: Banks Published Financial Statements					
**- The banks are in receivership.*					
***- The bank is under statutory management*					

Source: CBK,2018

Appendix VI : BANKING SECTOR GROSS LOANS AND NON-PERFORMING LOANS- DECEMBER 2019					
	BANKS	Gross Loans and Advances, Ksh. M		Gross Non-Performing Loans, Ksh. M	
		Dec-18	Dec-19	Dec-18	Dec-19
1	KCB Bank Kenya Ltd	434,361	468,258	30,012	34,786
2	Equity Bank Ltd.	231,026	290,564	17,064	26,185
3	The Co - operative Bank of Kenya Ltd	257,566	281,516	28,953	31,156
4	NCBA Bank Kenya Plc	118,271	244,395	9,271	30,516
5	Absa Bank Kenya Plc	186,984	205,304	13,910	13,519
6	Stanbic Bank (Kenya) Ltd	155,498	163,859	16,644	19,345
7	Diamond Trust Bank (K) Ltd	152,287	155,307	11,036	12,892
8	I&M Bank Ltd	144,434	152,807	21,115	18,799
9	Standard Chartered Bank (K) Ltd	133,166	144,483	21,661	20,058
10	National Bank of Kenya Ltd	66,123	60,677	31,461	25,175
11	Family Bank Ltd.	47,023	54,389	8,138	8,244
12	Bank of Baroda (K) Ltd	43,439	49,335	3,903	4126
13	HFC Ltd	49,215	45,822	13,334	12316
14	Prime Bank Ltd	38,188	38,932	2,821	4,555
15	SBM Bank (Kenya) Ltd	23,602	27,226	16,311	14,980
16	Citibank N.A. Kenya	27,255	27,068	819	1,116
17	Gulf African Bank Ltd	23,616	24,578	2,572	3,613
18	Victoria Commercial Bank Ltd	22,810	24,542	696	1204
19	Ecobank Kenya Ltd	14,733	24,118	3,192	4,783
20	Bank of Africa (K) Ltd	26,255	22,546	9,509	8,998
21	African Banking Corporation Ltd	18,620	20,115	4,232	3556.7
22	Sidian Bank Ltd	14,108	15,846	2,942	3258
23	Credit Bank Ltd	13,440	15,797	1,113	1,592
24	Guaranty Trust Bank Ltd	13,342	14,872	2,526	2,747
25	Bank of India	19,153	13,608	1,347	1,212
26	First Community Bank Ltd	10,691	11,833	4,940	4,699
27	Jamii Bora Bank Ltd	9,112	10,766	6,344	6,083
28	Guardian Bank Ltd	9,715	9,892	960	944
29	Development Bank of Kenya Ltd	10,031	9,801	2,879	3341
30	Consolidated Bank of Kenya Ltd	10,027	8,929	2,539	2,632
31	M-Oriental Commercial Bank Ltd	8,018	7,455	773	1,411
32	Transnational Bank Ltd	7,646	7,313	1,850	2,196
33	Paramount Bank Ltd	6,172	7,177	1,069	1,263
34	Habib Bank A.G. Zurich	6,451	7,000	581	787
35	Middle East Bank (K) Ltd	3,064	6,153	1,227	870
36	Spire Bank Ltd	6,109	5,114	2,686	2,632
37	DIB Bank Kenya Ltd	2,132	5,067	8	50
38	Mayfair Bank Ltd	3,184	4,606		67
39	UBA Kenya Ltd	3,465	3,841	442	883
40	NIC Bank PLC***	117,786		15,830	
41	Chase Bank (K) Ltd*				
42	Imperial Bank Ltd *				
43	Charterhouse Bank Ltd **				
	Total	2,488,117	2,690,910	316,712	336,588
	*- The banks are in receivership.				
	**- The bank is under statutory management				
	*** NIC Bank PLC merged with Commercial Bank of Africa to form NCBA Bank Plc hence no values for NIC in 2019				
	Source: Banks Published Financial Statements				

Source: CBK, 2019

Appendix VI: BANKING SECTOR GROSS LOANS AND NON-PERFORMING LOANS- DECEMBER 2020					
	BANKS	Gross Loans and Advances, Ksh. M		Gross Non-Performing Loans, Ksh. M	
		December 2019	December 2020	December 2019	December 2020
1	KCB Bank Kenya Ltd	468,258	544,837	34,786	66,810
2	Equity Bank Kenya Ltd.	290,564	355,630	26,185	42,825
3	Co - operative Bank of Kenya Ltd	281,516	307,324	31,156	51,781
4	NCBA Bank Kenya Plc	244,395	259,698	30,516	35,995
5	Absa Bank Kenya Plc	205,304	229,677	13,519	17,099
6	Stanbic Bank (Kenya) Ltd	163,859	176,597	19,345	25,038
7	Diamond Trust Bank (K) Ltd	155,307	165,948	12,892	19,747
8	I&M Bank Ltd	152,807	160,665	18,799	20,178
9	Standard Chartered Bank (K) Ltd	144,483	152,711	20,058	22,337
10	National Bank of Kenya Ltd	60,677	74,774	25,175	26,438
11	Family Bank Ltd.	54,389	63,111	8,244	9,391
12	Bank of Baroda (K) Ltd	49,335	51,151	4,126	6,342
13	HFC Ltd	45,822	41,836	12,316	10,799
14	Prime Bank Ltd	38,932	44,531	4,555	4,838
15	SBM Bank (Kenya) Ltd	27,226	36,760	14,980	16,225
16	Citibank N.A. Kenya	27,068	39,726	1,116	1,120
17	Gulf African Bank Ltd	24,578	22,928	3,613	4,028
18	Victoria Commercial Bank Ltd	24,542	25,442	1,204	1,679
19	Ecobank Kenya Ltd	24,118	26,884	4,783	4,377
20	Bank of Africa (K) Ltd	22,546	21,850	8,998	8,689
21	African Banking Corporation Ltd	20,115	21,961	3,557	3,425
22	Sidian Bank Ltd	15,846	20,409	3,258	2,337
23	Credit Bank Ltd	15,797	17,512	1,592	2,017
24	Guaranty Trust Bank Ltd	14,872	15,714	2,747	3,269
25	Bank of India	13,608	20,980	1,212	996
26	First Community Bank Ltd	11,833	14,572	4,699	5,258
27	Kingdom Bank Limited	10,766	8,907	6,083	6,787
28	Guardian Bank Ltd	9,892	9,248	944	1,181
29	Development Bank of Kenya Ltd	9,801	10,149	3,341	3,420
30	Consolidated Bank of Kenya Ltd	8,929	10,130	2,632	2,436
31	M-Oriental Commercial Bank Ltd	7,455	7,742	1,411	1,812
32	Access Bank (Kenya) PLC	7,313	3,481	2,196	159
33	Paramount Bank Ltd	7,177	7,883	1,263	1,346
34	Habib Bank A.G. Zurich	7,000	6,847	787	836
35	Middle East Bank (K) Ltd	6,153	7,639	870	790
36	Spire Bank Ltd	5,114	3,827	2,632	2,711
37	DIB Bank Kenya Ltd	5,067	8,789	50	125
38	Mayfair CIB Bank Ltd	4,606	5,056	67	129
39	UBA Kenya Ltd	3,841	3,178	883	1,295
40	Imperial Bank Ltd *	-	-	-	-
41	Chase Bank (K) Ltd**	-	-	-	-
42	Charterhouse Bank Ltd **	-	-	-	-
	Total	**2,690,910**	**3,006,104**	**336,588**	**436,067**
*Bank In Receivership					
**Banks In Liquidation					
Source: Commercial Banks Published Financial Statements					

Source: CBK,2020

APPENDIX VI: BANKING SECTOR GROSS LOANS AND NON-PERFORMING LOANS-DECEMBER 2021

	BANKS	Gross Loans and Advances, Ksh. M		Gross Non-Performing Loans, Ksh. M	
		Dec-20	Dec-21	Dec-20	Dec-21
1	KCB Bank Ltd	544,837	584,441	66,810	92,193
2	Equity Bank Ltd.	355,630	420,774	42,825	35,470
3	Co-operative Bank of Kenya Ltd	307,324	334,274	51,781	43,312
4	NCBA Bank Kenya Plc	259,698	255,664	35,995	40,909
5	Absa Bank Kenya Plc	229,677	256,465	17,099	19,817
6	Stanbic Bank (Kenya) Ltd	176,597	200,941	25,038	22,504
7	Diamond Trust Bank (K) Ltd	165,948	171,866	19,747	27,151
8	I&M Bank Ltd	160,665	172,615	20,178	18,563
9	Standard Chartered Bank (K) Ltd	152,711	147,917	22,337	23,283
10	National Bank of Kenya Ltd	74,774	79,236	26,438	26,542
11	Family Bank Ltd.	63,111	73,529	9,391	11,056
12	Bank of Baroda (K) Ltd	51,151	58,165	6,342	6,088
13	HFC Ltd	41,836	39,339	10,799	8,673
14	Prime Bank Ltd	44,531	47,577	4,838	5,199
15	SBM Bank (Kenya) Ltd	36,760	37,408	16,225	12,850
16	Citibank N.A. Kenya	39,726	53,765	1,120	1,020
17	Gulf African Bank Ltd	22,928	22,486	4,028	3,623
18	Victoria Commercial Bank Ltd	25,442	31,291	1,679	4,342
19	Ecobank Kenya Ltd	26,884	27,223	4,377	4,389
20	Bank of Africa (K) Ltd	21,850	26,337	8,689	8,352
21	African Banking Corporation Ltd	21,961	23,654	3,425	4,665
22	Sidian Bank Ltd	20,409	23,834	2,337	2,820
23	Credit Bank Ltd	17,512	17,784	2,017	5,022
24	Guaranty Trust Bank Ltd	15,714	18,332	3,269	2,528
25	Bank of India	20,980	22,552	996	627
26	First Community Bank Ltd	14,572	19,037	5,258	5,487
27	Kingdom Bank Limited	8,907	8,072	6,787	6,010
28	Guardian Bank Ltd	9,248	7,665	1,181	1,257
29	Development Bank of Kenya Ltd	10,149	10,218	3,420	2,995
30	Consolidated Bank of Kenya Ltd	10,130	9,858	2,436	2,712
31	M-Oriental Commercial Bank Ltd	7,742	7,212	1,812	1,934
32	Access Bank (Kenya) PLC	3,481	3,128	159	202
33	Paramount Bank Ltd	7,883	7,934	1,346	1,518
34	Habib Bank A.G. Zurich	6,847	6,359	836	739
35	Middle East Bank (K) Ltd	7,639	6,648	790	524
36	Spire Bank Ltd	3,827	3,405	2,711	2,587
37	DIB Bank Kenya Ltd	8,789	9,965	125	1,492
38	Mayfair Bank Ltd	5,056	5,649	129	212
39	UBA Kenya Ltd	3,178	2,808	1,295	1,342
	Total	**3,006,104**	**3,255,429**	**436,067**	**460,008**
	Source: Banks Published Financial Statements				

Source: CBK, 2021

Appendix 5: Data Extracted from the perspective banks with document guide review and Applied in the Analysis

	Year	Board composition	AUD Committee size	Board Compensation	Financial Stability
1	2017	0.333	0.333	13.922	0.514
1	2018	0.333	0.333	18.928	0.001
1	2019	0.364	0.273	83.923	0.031
1	2020	0.417	0.250	5.845	0.049
1	2021	0.300	0.300	146.454	0.066
2	2017	0.400	0.300	29.613	0.074
2	2018	0.400	0.300	32.880	0.103
2	2019	0.400	0.300	44.943	0.189
2	2020	0.400	0.300	15.193	0.185
2	2021	0.400	0.300	33.548	0.208
3	2017	0.333	0.250	-1674.750	0.288
3	2018	0.364	0.273	256.343	0.315
3	2019	0.333	0.250	92.904	0.362
3	2020	0.333	0.250	-2.688	0.399
3	2021	0.364	0.273	-79.616	0.398
4	2017	0.333	0.250	21.481	0.097
4	2018	0.417	0.250	33.587	0.097
4	2019	0.364	0.273	108.049	0.109
4	2020	0.400	0.300	67.755	0.147
4	2021	0.444	0.333	28.118	0.176
5	2017	0.300	0.300	122.230	0.189

5	2018	0.300	0.300	60.655	0.216
5	2019	0.250	0.250	234.124	#DIV/0!
5	2020	0.300	0.300	18.221	0.177
5	2021	0.273	0.273	668.306	0.156
6	2017	0.333	0.333	586.952	0.170
6	2018	0.333	0.333	-24.796	0.211
6	2019	0.333	0.333	-77.723	0.209
6	2020	0.333	0.333	404.311	0.206
6	2021	0.333	0.333	383.452	0.115
7	2017	0.333	0.250	66.677	0.029
7	2018	0.333	0.250	9.521	0.104
7	2019	0.333	0.250	0.000	0.090
7	2020	0.333	0.250	32.362	0.112
7	2021	0.333	0.250	12.408	0.122
8	2017	0.333	0.333	750.335	0.081
8	2018	0.333	0.333	38.754	0.086
8	2019	0.333	0.333	113.046	0.071
8	2020	0.333	0.333	42.527	0.101
8	2021	0.333	0.333	979.500	0.115
9	2017	0.400	0.300	-4156.610	0.323
9	2018	0.400	0.300	36.676	0.400
9	2019	0.400	0.300	-46.726	0.462
9	2020	0.400	0.300	46.614	0.397
9	2021	0.364	0.273	88.361	0.361
10	2017	0.333	0.250	732.920	0.022

10	2018	0.400	0.300	904.286	0.046
10	2019	0.333	0.250	2721.734	0.128
10	2020	0.333	0.250	221.548	0.230
10	2021	0.364	0.273	71.536	0.407
11	2017	0.333	0.250	408.126	0.257
11	2018	0.333	0.250	29.845	0.216
11	2019	0.333	0.250	89.693	0.287
11	2020	0.333	0.250	182.179	0.341
11	2021	0.364	0.273	664.474	0.337
12	2017	0.300	0.300	106.752	0.082
12	2018	0.273	0.273	93.039	0.109
12	2019	0.300	0.300	271.639	#DIV/0!
12	2020	0.300	0.300	133.506	0.095
12	2021	0.273	0.273	84.078	0.128
13	2017	0.333	0.250	1802.056	0.120
13	2018	0.333	0.250	117.966	0.105
13	2019	0.333	0.250	59.339	0.080
13	2020	0.300	0.300	542.141	0.189
13	2021	0.333	0.250	539.721	0.234
14	2017	0.333	0.333	-250.792	0.204
14	2018	0.333	0.333	-12.513	0.212
14	2019	0.333	0.333	-20.159	0.696
14	2020	0.333	0.250	-39.703	0.565
14	2021	0.333	0.333	-32.153	0.762
15	2017	0.333	0.250	-61.556	0.198

15	2018	0.333	0.250	-41.560	0.251
15	2019	0.333	0.250	-15.311	0.253
15	2020	0.364	0.273	-29.361	0.295
15	2021	0.400	0.300	29.542	0.012
16	2017	0.333	0.250	265.248	0.125
16	2018	0.400	0.300	266.313	0.123
16	2019	0.364	0.273	72.551	0.173
16	2020	0.300	0.300	289.946	0.176
16	2021	0.364	0.273	146.175	0.171
17	2017	0.300	0.300	-315.366	0.297
17	2018	0.300	0.300	-448.244	0.444
17	2019	0.308	0.231	13364.706	0.400
17	2020	0.333	0.333	497.686	0.141
17	2021	0.273	0.273	55.248	0.103
18	2017	0.333	0.333	41.469	0.127
18	2018	0.333	0.333	531.537	0.217
18	2019	0.333	0.333	-133.252	0.140
18	2020	0.300	0.300	-609.710	0.300
18	2021	0.300	0.300	-12.992	0.021
19	2017	0.333	0.250	-7.963	0.159
19	2018	0.300	0.300	-21.678	0.342
19	2019	0.333	0.250	-60.758	0.440
19	2020	0.300	0.300	-96.941	0.515
19	2021	0.364	0.273	-11.995	0.708

Source: Researcher (2022)