

**BOARD CHARACTERISTICS AND FINANCIAL PERFORMANCE OF SELECTED
MICROFINANCE BANKS IN KENYA**

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DECLARATION

Declaration by the Student

This project my own original work and has not been previously submitted for the purpose of obtaining a degree or any other form of recognition at any academic institution.

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

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DEDICATION

I dedicate this research project to my spouse Abdiaziz, my parents; Mr. and Mrs. Gedi and to my siblings; Kaltuma, Yusra, Mahadia, Abdulatif, Ramla and Umulkheir for the financial support, unconditional love and moral support throughout my career progression

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ABBREVIATIONS AND ACRONYMS

CBK	Central Bank of Kenya
FC	Firm Characteristics
MFBs	Microfinance Banks
MFI	Microfinance Institutions
ME	Management Efficiency
NSE	Nairobi Securities Exchange
ROE	Return on Equity
ROA	Return on Assets
ROI	Return on Investment
SMEs	Small and Medium Enterprises
LSE	London Stock Exchange
NSE	Nigerian Securities Exchange
KNBS	Kenya National Bureau of Statistics
PSE	Pakistani Securities Exchange
NSE	Nigerian Stock Exchange

OPERATIONAL DEFINITION OF TERMS

Board Characteristics: Focuses on distinctive traits and qualities of organizations' boards of directors. Size, gender, and independence of board are factors that were considered in this study.

Board Gender: Proportion of female board members compared to their male counterparts in overall number of board members. Ratio of male to female board members was used.

Board Independence: Relates to board members' need to refrain from interfering with each other's business while directors serve in both executive and non-executive capacities. Ratio of executive to non-executive members of the board was employed.

Board Size Connotes the total number of directors on board of microfinance banks. Log of board's whole director population was used.

Financial Performance: Productivity of business, administration duties and responsibilities, as well as past, present and other predicted costs that are all related to financial performances. Return on assets (ROA) metric was used to assess financial success.

Microfinance Banks: Financial service providers that primarily serve unbanked and low-income people in both urban and rural locations.

Return on Equity It is calculated by dividing net income of a firm by its total equity.

ABSTRACT

Reports on supervision of microfinance banks in Kenya highlighted a steady decline in industry's financial performances as seen by average return on equity, which fell from 26.5 percent in 2009 to 20.8 percent in 2018. Microfinance banks (MFBs) inadequate board governance was revealed when some underperformed and others folded. This resulted from directors' inability to put in place effective and productive oversight, authority, and surveillance measures that may have discouraged top management from engaging in misconduct. Unveiling the intricate web of board characteristics and financial performance, this survey meticulously analyzed the effect of board characteristics on the financial well-being of selected MFBs in Kenya. It delves into the effect of board size, gender representation, and board independence on the financial standing of these institutions. Theoretical framework comprises of agency, resource dependency, institutional and stewardship theories respectively. Explanatory research design was employed, and target population consisted of fourteen (14) Kenyan microfinance banks. Census method of sampling was utilized based on the selection of the fourteen (14) MFBs. Research data was collected over time frame 2015-2022. To illuminate the hidden patterns and relationships within the data, a panel of secondary data extracted from audited financial reports and records was subjected to rigorous scrutiny. Leveraging the statistical prowess of STATA software, panel multiple regression analysis was employed to unravel the intricate connections. Furthermore, correlation and descriptive techniques, encompassing mean, standard deviation, and frequency, were utilized to paint a holistic picture of the data. A significance level of 0.05 was established as the threshold for hypothesis testing. Testing for stationarity, heteroscedasticity, autocorrelation, multicollinearity, and normality is going to be done. Ethical guidelines were followed in course of this study. The outcome unveiled a positive but statistically insignificant effect of board size on financial performance. With such outcome, board size does not affect financial performance of the banks. Board composition of the selected banks affected the selected microfinance banks' financial performance negatively with such effect being significant in Kenya. Board composition as concluded is a key driver of financial performance of the banks. Board independence inversely but insignificantly affected these selected microfinance banks' financial performance in Kenya. The survey concluded that board independence is not a potential driver of financial performance of the banks in Kenya. The survey suggests that the management of selected microfinance banks in Kenya should contemplate reducing the size of the board to enhance financial performance.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The ability of a corporation to uphold board characteristics criteria is just as crucial to an organization's financial performance as its efficacy, originality, and excellent governance (Sayari & Marcum, 2018). The use of board characteristics such as board size, gender and independence ideals may improve company's internal effectiveness as well as its financial performances (Arilyn & Kharismar, 2018). Significant worldwide corporate issues have mechanisms based on board features at their core (Musau, 2020). Ineffective disclosure procedures and lack of transparency reduce effectiveness of board characteristic processes, which has detrimental effects on effectiveness, prudent use of resources, financial outcomes, and long-term viability of organizations globally (Arilyn & Kharismar, 2018). Results of earlier researches on connections between board characteristics and financial performances are quite contradictory. Majority of data point to larger boards as being less successful than smaller boards. The argument concentrates on claiming that bigger boards may encourage individual board members to engage in free riding, among other things. Board of directors, who are responsible for managing company's performances, assessing management's effectiveness, and protecting and maximizing shareholders' funds, is entity's ultimate decision-making division (Sarkar & Sarkar, 2018).

Financial performance is an indicator of how well a company did at leveraging its resources to make money (Helms, 2016). Today, 155 million consumers worldwide are served by numerous of institutions, making microfinance a significant sector. In its most recent incarnation, microfinance is a mechanism that offers viable financial services to groups of people who are generally left out by traditional banking institutions (Yunus, 2017). Nevertheless, only a small

portion of the world's impoverished are currently served through microfinance. Numerous studies have linked a lack of robust and long-lasting MFBs to lower outreach (Helms, 2016). Recent data indicate that governance poses a significant barrier to the expansion and sustainability of MFBs. In order to properly manage the risks that come with managing MFBs, there is a need for optimal financial performances. This is because taking risks is fundamental to microfinance sector, and board of directors are responsible for in charge of determining amount of risks that institutions assume (Benedetta, 2015).

Prior to COVID-19, China's microfinance sector was much more fragmented, but the pandemic's severe challenges have altered that picture and jeopardized the stability of the country's microfinance organizations (Meagher, 2020). Micro Finance Institutions (MFIs) encountered issues connected to liquidity as a result of the institutions' rapid decrease in repayment rates and the requirement to remove deposit balances (Meagher, 2020). The elimination of hunger, the promotion of health and wellbeing, and the promotion of economic stability are among the SDGs that Indonesian MFIs are acknowledged as supporting (ADB, 2017). The market for microfinance services is restricted as a result of increased competition from national banks (Hermanto, Suharto, & Umar, 2018). MFBs in India deal with issues like a lack of a variety of products, poor marketing, high interest rates, late or delayed payments from microloan customers, a lack of funding, disregard for the urban poor, and the expensive nature of transactions (Nasir, 2018).

Microfinance banks in African countries are crucial. MFBs, which are a component of the financial systems of many countries, have a favorable effect on the economic development of those countries, claim Okumu and Oyugi (2018). Profitability analysis has been crucial for this industry because of the sector's contribution to bettering efficient risk transfer and economic

growth (Wanjiru, 2018). The effectiveness of these microfinance banks is impacted by several aspects of their oversight regulation. Consequently, some microfinance organizations may struggle and close their doors, while others prosper and offer big loans (Mwangi, 2017). Due to the rapid failure of MFBs in 2010, the Central Bank of Nigeria (CBN) in Nigeria canceled 103 licenses for microfinance institutions. This failure raises concerns about the MFBs' capacity to maintain a stable financial position in Nigeria. This is vital in building a good corporate governance structure and boost financial stability because MFBs continue to collapse as a outcome of poor management, insufficient internal control systems, and an absence of acceptable risk management (Chenuos *et al.*, 2018). MFIs are extremely important in Ghana, however many of these organizations are struggling to stay alive. As an example, the Bank of Ghana, the regulatory agency, revoked the licenses of almost 70 MFIs in 2015. Many MFIs around the country have battled to stay in business. The demise of about 100 MFIs between 2013 and 2015 also resulted in a variety of problems for its clients. Along with the psychological toll such tragedies have on the victims, the scenario erodes public confidence in the industry (Odoom *et al.*, 2019).

Many MFIs in Kenya are run with a culture of corruption and poor management of their limited financial, human, and time resources (Kahingo, 2018). MFBs in Kenya started to lose money as soon as they were registered with the principal regulator, the country's central bank, in 2009. The performance of Kenya's microfinance banks is being threatened by both new players entering the microfinance sector and competition from commercial banks in the banking industry (Kahingo, 2018). Additionally, one of the major ways they make money is through loans, and as a result of clients' late loan repayments, their performance has been on the decline (AMFI, 2018). The bulk of these microfinance banking firms, according to Otieno, Nyagol, and Onditi (2017), have seen

their profitability decline over time. Six out of the twelve MFBs with licenses reported losses in 2015, compared to two of the nine MFBs with licenses reporting a fall in 2014 (CBK, 2017). According to CBK (2019), just two of the thirteen MFBs registered between 2010 and 2018 did not record any losses. As of 2020 ((CBK, 2021)), there were 14 microfinance institutions operating in Kenya that took deposits.

In order to achieve and maintain public trust as well as certainty in the financial structure, effective boards and corporate control procedures are crucial. As they affect how well the banking industry and global financial system work, they are crucial to excellent performance (Abu, Okpeh & Okpe, 2016). Theoretically, the stewardship perception, which contends that stewards are driven and content when the business achieves its goals, supports effects of board qualities on firm financial accomplishment. The hypothesis highlights the need of governance models that reward the steward and provide the greatest degree of independence based on trust (Lawal, 2012). The resource dependence approach, on the other hand, contends that external directors can get benefits through their connections with other businesses in addition to contributing their expertise by helping to supply the organization with the necessary resources, clients, and consumers (Sarkar & Sarkar, 2018). The agency assumption asserts that separation of ownership and management results in a disparity between the owner's and management's claims to benefits advantages, hence monitoring management decisions becomes crucial for the directors' board to safeguard owner benefits (Abu, Okpeh & Okpe, 2016).

1.1.1 Board Characteristics

Board characteristics include its size, diversity, composition, age, duality, independence, and meetings (Odudu *et al.*, 2018). Board characteristics examine the structure and organization

of the board since members of the board are essential to decision- and policymaking. The board has the power to decide on planning and strategy and to give the firm the leadership it needs to achieve its objectives. The sole factor that affects MFBs is having big enough board. Heng, Azrbaijani, and San (2012) found that larger boards can boost performance by forcing management to reduce debt funding in their research of Malaysian firms. Additionally, Ranti (2018) found strong negative correlation between the two and concluded that companies with smaller boards often have greater leverage, which they can use to mitigate their agency problems.

Board size detailed the entire number of all members of the board who have direct impact or takes part in the decision and running of daily activities of the organization. Because the board has power to decide on planning and strategy and to give the firm the leadership it needs to achieve its objectives, having enough board sizes is the only aspect that has impacts on microfinance banks as the board size increases, the agency cost decreases. Belkhir (2019), who discovers a link between board sizes and performances, supports this finding. However, there is a compromise between expenses of this monitoring and advantages of greater monitoring for specific organizations, according to studies examining variability concerns regarding board sizes and business performances (Linck 2018; Boone 2017; Baker & Gompers, 2013).

Larger, more advantageous financial organizations may have a high level of industrial effectiveness. However, large financial institutions may experience decreased performance due to the poor quality of their asset portfolio. High-risk loans result in a bigger accumulation of loans that default, which ultimately lowers productivity (Robin, Salim, & Bloch, 2018). Large banks may reduce expenses and increase revenues as result of economies of scale. However, due to their complex bureaucratic structures, superfluous labor, and poor management of their vast

asset bases, large financial institutions are less advantageous (compared to smaller ones) and are not capable of reducing operational expenses (Abubakar, Sulaiman, & Haruna, 2018). Bank's size is measured as natural log of all the bank's assets.

Board gender entails categorization of the board based on total number of males to directors that are females' members of the board (Hede, 2018). Women directors are typically underrepresented in board structures of companies; however, their inclusion can be rationally justified from the perspectives of equity and maximizing shareholder wealth (PwC, 2019). The detrimental effects of having women in senior management and on corporate boards on the socioeconomic viability of enterprises are becoming more frequently understood (European Commission 2018). Corporate governance regulations have evolved globally in order to integrate women in the power structures of their organizations (Hede 2018). This is often alleged that men prevail on boards of corporations because the many of Kenya's selection member committees are likewise male and have access to their old friends, contacts, and acquaintances. Consequently, this policy that upheld inadequate number of women on the Kenyan corporations boards (Wachudi & Mboya, 2018). Higgs (2013) claims that having female directors stimulates greater participation and, as a result, keeps the idea of fairness alive in the way the company makes decisions. Patterson and Brancato (2019) claim that female directors only make a small decision-making contribution; therefore, increasing the goal of the company's overall wealth maximization. Empirical findings on board diversity and company performance support the notion that having more female directors boosts a company's performance (Smith 2016; Francoeur, 2018). In certain ways, this association is stronger in organizations with weak corporate governance frameworks (Adams & Ferreira, 2019).

Board independence is the level of board members' non-interference in business decisions. It was common practice to use the phrases independent directors, non-executive directors, and other directors equally. Not every non-executive director is independent. The survey found either a strong, weak, or no linkage of board independence with business success. Hermalin and Weisbach are similar (2021) discovered no association of percentage of outside directors and firm performance. The inquiry found that there is either a strong, weak, or no relationship between independence of boards and firm success. Relationship between board independence and management of salaries has only been briefly studied. Both accounting-based and market-based measurements are used to evaluate success of businesses. Accounting-based metrics include profit, EPS, ROA, and ROI. Tobin's q for market value was utilized in several studies to undertake market-based measures in interim. Adequate number of non-executive directors must be independent in a way that indicates they have no major business ties to the issuer or anybody associated with it (directly or indirectly) today or in recent past. This is required in order for board members to be considered independent. In event that Independent Director resigns from a term, such Independent Director shall give full and detailed justification for such resignation. (Page 8 of Article 4 of the CGC of BSE's 2008 document, Principle VII, Board Composition).

Numerous studies have shown a link between improved business success and increased board member independence (as evidenced by a higher number of outsider/independent directors) (Black *et al.*, 2015; Kyereboah-Coleman & Biekpe, 2016). The most important duties of independent directors is to keep an eye on functioning and success of the firm. Effectiveness of a company's monitoring system may reduce agency problems. In order to effectively oversee risk management, control procedures, and governance, the company must select independent directors who have necessary skills. Similar to Hermalin and Weisbach (2021), they found no

correlation between proportion of outside directors and firm performances. The study took advantage of Tobin's Q to evaluate company's performances using a mix of accounting- and market-based measures.

1.1.2 Financial Performance

The way a firm manages its resources from its core activities and generates income over a given time period is reflected in its financial performance. Therefore, this figure is compared to a conventional corporate average of similar enterprises in the same industry. Profitability, liquidity, solvency, financial efficiency, and payback capacity can all be used to measure financial performance (Brealey, Myers & Marcus, 2019).

Profitability is a measure of how much money a business makes by using its productive assets; liquidity is a measure of how well it can pay its bills when they are due; and solvency is a measure of how well it can cover all of its debts even after selling all of its assets. Therefore, financial viability of a business is determined by looking at its net income, operating income, asset performance, or even cash flows. According to Kaplan (2020), accountability is crucial for ensuring that companies attain a performance level that is consistent with their strategic goals. Kaplan further says that the majority of companies typically gauged performance based on financial results. Companies have lately realized, nevertheless, that using just financial metrics to gauge and manage performance is insufficient. Financial reports quantify historical performance but say little about generating long-term value. The Balanced Scorecard was developed by Kaplan and Norton in 1996 to help private sector firms measure financial performance. Their new approach kept financial metrics but added measurements from three other fields which include the customer, internal processes, as well as thoughts on growth and learning.

In the same vein, Yacuzzi (2015) concurs that financial metrics have historically been used to gauge success. However, they are increasingly being viewed as inadequate on their own. One of the biggest worries is that financial reporting sometimes doesn't stimulate investment in new industries and technology, which is necessary for business progress. Corporate balances quantify previous problems but cannot predict the prospective revenue from upcoming commercial and technical prospects. Corporate markets and goods were far more straightforward than they are now when financial metrics were first created. The short tenure of senior executives and the habit of manipulating accounting data all contribute to the tendency of financial measurements to be short-term oriented. Similarly, Enrique (2015) infers that a performance measuring system must be in accordance with business rules and implemented consistently in order to accomplish strategy. In order to encompass the numerous facets of an organization, its goods, and services, it must also be multidimensional.

Return on Equity (ROE), calculated as a percentage, is the company's ratio of earnings to its shareholders' equity, according to Ejike (2019). According to Jaber (2020), ROE is a financial indicator used to evaluate company's performances in relation to assets and capital raised from shareholders. ROE is proportion of a company's net income to total equity made up of financial contributions from shareholders (Jaber, 2020). By demonstrating an earnings margin from shareholders' funds that is higher than the market value of the shares, a business can demonstrate its ability to persuade a new investor (Jeroh, 2018). These factors, like how rapidly a company's management produces financial returns for each unit of resources, investments, or sales, can be used to assess management effectiveness (Memba, 2019). Profitability is based on whether the return on equity outweighs the opportunity costs owed to equity investors, according to ROE

indices of financial performance (Akinwole, 2020). Investors are encouraged to continue providing capital for the company by high return (Nyabaga, 2020). Earnings from operations are divided by company's total equity to calculate return on equity (Chaudhary & Gakhar, 2018). For every penny invested, this profitability ratio displays the return on investment. This statistic is crucial for showing if equity shareholder wealth is being produced and maximized. For the purposes of this study, ROA was calculated as ratio of net income of a company to its shareholders equity.

1.1.3 Microfinance Banks in Kenya

Microfinance bank business is one that accepts payments on current accounts, accepts checks for payment, and accepts deposits from the public that are repayable immediately upon demand, at end of specified period of time, or after notice (CBK, 2015). Nearly 250 MFIs make up Kenya's microfinance sector, 56 of which are registered with the umbrella organization known as the Association of MFIs (CBK, 2017). There are 13 MFBs in Kenya as of December 2017. Some of the major companies in the market include KWFT, Small and Medium Enterprise Programme, Rafiki Microfinance Bank, Century MFI, Sumac MFI bank limited, Uwezo MFI, and Faulu Kenya, among others (King'ori, Kioko & Shikumo, 2017). The Microfinance Act of 2006, which went into force on May 2, 2008, established rules for microfinance banks in Kenya. Before that, these institutions were known as Deposit-Taking Microfinance Institutions (DTMs).

The Act grants CBK permission to manage, regulate, and provide operating licenses of Kenya's MFIs (Murigi & Thuo, 2012). Section 3(2) of same Act granted Finance Minister control of non-deposit taking MFI rules, and as a result, the MFIs were designated as DTMs organizations and subject to specific prudential requirements that were registered with the CBK (Muganga, 2020).

In accordance with the Act, the CBK is authorized to supervise, manage, and issue licenses for the activities of Kenya's microfinance institutions (Murigi & Thuo, 2012). The Finance Minister was given jurisdiction over non-deposit taking MFI rules by Section 3(2) of the same Act, which led to the MFIs being classified as DTMs organizations and subject to particular prudential standards that were registered with the CBK (Muganga, 2020).

1.2 Statement of the problem

Dependable board features prevent fraud and identifies areas that require more oversight in order to enhance MFBs financial performances. Reports on supervision of MFBs in Kenya highlighted steady decline in industry's financial performances as seen from 26.5% in 2009 to 20.8% in 2018, average ROE decreased (Muchiri, 2018). Financial results of economy's banking sector performances serve as industry barometers (Katrodia, 2012). Despite technical intricacies, top managerial staff is one type of internal control tool employed in banks because board of directors selects, oversees, and pays bank's senior executives (Wachudi & Mboya, 2012). Due to poor board governances, several MFIs underperformed while others went out of business (Mwega, 2009; CBK, 2016; Gathaiya, 2017). Directors' failures to put in place reliable and effective oversight, supervision, and control measures that may have discouraged senior management from misconduct were the cause of this.

One of the best and most effective organizations in Africa is the microfinance bank in Kenya (Mwenda, 2018). This is a result of institutions' participation in loan collection for societal and commercial improvements, which has propelled Kenya's economic growth. Despite the exceptional example of microfinance, the organization's reputation and efficacy have suffered due to weak financial performance, which has sparked disagreement among the relevant stakeholders (Ngugu, 2020). Poor financial results have been affecting Kenya's microfinance

institutions recently (Mwenda, 2018). Old Mutual Holdings purchased Faulu Microfinance, one of the reliable microfinance banks, in 2013. Since 2016, the ROA and ROE of these institutions have been marked by declining numbers. Because it increases banks' worries over their balance sheets, the decline in profitability is a major worry because it offers a risk of financial instability (Kenya financial stability report, 2017). In terms of ROA and ROE, Kenyan MFBs reported total loss of Ksh 1 billion in June 2020, down 30% from Ksh 0.7 billion in same year prior (CBK, 2020). ROA and ROE for MFBs fell by 13.6% in August, forcing these financial firms to modify their Ksh1.12 trillion (38%) loan book of Ksh2.9 trillion. Due to spike in bad debts fees of 150.8% and spending of 11.9% to Ksh404.1 billion, ROA and ROE (profits) of MFB sector declined before taxes by 17.2% to Sh134.1 billion on June 30, 2020 (Central Bank of Kenya, 2020).

Survey of empirical literatures showed that several research using various variables were conducted in both developed and developing economies. In Kenyan banks, income increased when all members of boards owned company equity, per Mandala, Kaijage, Aduda, and Iraya's (2018) research. While Bebeji, Mohammed, and Tanko (2015) discovered sizes of boards had adverse effects on ROE and ROA of Nigerian MFBs, Mbalwa, Kombo, Chepkoech, Koech, and Shavulimo (2014) discovered size of board had positive effects on financial performances of MFB. Nigeria was covered by Akpan and Amran in 2014, while Ntim (2015) focused on South Africa. However, Abu, Okpeh, and Okpe (2016) reached a decision that diversities of gender of boards had no effects on Nigerian MFIs. While Sherif and Anwar (2015) found frequency of board had positive effects on bank performances in MENA region, Johl, Kaur, and Cooper (2015) indicated that frequency of boards had negative effects on firm performances in Malaysia.

Supreme authority fulfills the observational role that is supported by the office hypothesis and providing resources as strengthened by the asset reliance theory (Hidayat and Utama, 2017). In this manner Governments and administrative agencies around the world are increasingly concerned about corporate management due to the growing number of revealed cases of fraud and insider trading exchanges and organizational conflicts that hinder business operations (Saleh, 2016). Despite these efforts, business failures continue to be witnessed in developed and developing countries. Two recent examples are collapses of Enron and World.Com, which were blamed on subpar administration preparations by the senior executive team (Hassan & Lukong, 2012).

Researchers have made some advances to our understanding of how different board characteristics affect a company's performance financially. In Kenya, an inquiry by Mwaura (2017) evaluated effects of board attributes on commercial banks profitability and discovered there is strong positive correlation. However, this study focused on commercial banks, not MFBs. Similarly, Owande (2016) examined how board structure affected commercial banks' monetary performance in 9 Kenyan cities and discovered it had favorable impacts. In contrast to board qualities and MFIs, this study focused on board formation and business banks. Tonui (2018) examined effects of characteristics of boards on financial execution of state partnerships in Kenya and concluded there is clear and significant links between board trademark and financial execution of state partnerships. State entities, not MFIs, were focus of this analysis. In Pakistani, Bashir, Sohail, Rasul and Mehbool (2018) examined board compositions and financial performances of commercial banks. Chijoke-Mgbame, Chijoke, and Boateng (2020)'s research on impacts of gender composition on financial performances of companies was done in Nigeria. Khan (2019) focused on effects of board sizes on listed UK enterprises. These studies

reveal contextual gaps. Because Mandala, Kaijage, Aduda and Iraya (2018) employed correlational study design, there is methodological gap. Noja, Thalassinou, Cristea, and Grecu (2021) conducted their analysis using financial econometric model.

In view of various contextual, conceptual and methodological research gaps, this study aims at assessing effects of board characteristics on financial performances of selected MFBs in Kenya

1.3 Objectives of the Study

This research was guided by a comprehensive framework of overall goals and a well-defined specific objective.

1.3.1 General Research Objectives

To evaluate the effect of board characteristics in driving the financial outcomes of microfinance banks in Kenya.

1.3.2 Specific Research Objectives

- i. To examine the effect of board size on financial performance of selected MFBs in Kenya.
- ii. To determine the effect of board composition on financial performance of selected MFBs in Kenya.
- iii. To investigate the effect of the independence of board members on selected MFBs financial performance in Kenya.

1.4 Research Hypotheses

H₀₁: Board size has no significant effect on financial performance of selected microfinance banks in Kenya

H₀₂: Board composition has no significant effect on financial performance of selected microfinance banks in Kenya

H₀₃: Independence of the board members has no significant effect on financial performance of selected microfinance banks in Kenya

1.5 Significance of the study

This survey would give comprehensive details on characteristics of board and financial performances of Kenyan MFBs. Relationships between board characteristics and financial performances in MFIs were also investigated in the inquiry. Particularly, the survey's outcomes would benefit literature, public policy, and understanding. Future academics would benefit from study's findings, which fill a knowledge gap on effects of characteristics of board on financial performances of MFBs in Kenya.

1.6 Scope of the study

This research was performed on selected Kenyan MFBs. The investigation focused on board characteristics and MFB financial performances. Indicators like board independence, gender, size, bank size, and financial performances were examined. As part of contextual scope, the study concentrated on selected Kenya's thirteen MFBs. Time frame for the study was from 2015 to 2022. Panel regression model was utilized for analysis, with descriptive study approach.

1.7 Limitation of the study

Main shortcoming of the study is that the selected MFBs might be unwilling to provide the desired information since it is deemed sensitive. The institution responded by assuring them in its letter of explanation that the data collected would only be utilized for academic reasons and would be kept in strict confidence. To safeguard the integrity of the study's data, the researcher

meticulously selected only audited financial accounts and annual reports. This decision served as a precautionary measure against potential inaccuracies and misrepresentations in secondary data sources. Additionally, because the study focused on microfinance banks, its findings might only be applicable to MFBs and not other bank sectors. However, the study's findings can be applied to board characteristics and financial performance of MFBs.

1.8 Organization of the Study

The thesis was meticulously planned to guide the reader through the research journey. Chapter one lays the foundation by introducing the research context, identifying the problem at hand, outlining the study's objectives, establishing the hypothesis, highlighting the significance of the research, defining the scope, and acknowledging potential limitations. The conceptual basis for this research is presented in Chapter 2 along with theoretical and empirical examination of board characteristics and performances of MFBs in Kenya. Research approach that was utilized is covered in chapter three. It included descriptions of research design, empirical model, target population, sample design, data collecting, diagnostics tests, and ethical considerations. The analysis of the survey as well as the discussion was provided in chapter four with the fifth chapter documenting the conclusion, summary and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This segment includes an overview of research which corroborates variables investigated as well as review of related hypotheses, description of research gaps, and underpinning gaps found in empirical review of earlier works in the field. This chapter also includes a conceptual model that illustrates underlying relationships of the survey's factors.

2.2 Theoretical Review

The study hypothetical basis comprises of agency, resource dependency, institutional and stewardship theories.

2.2.1 Agency Theory

The agency hypothesis, which Jensen and Meckling (1976) first proposed due to inherent nature of ownership divided with managers, there is dispute regarding interests between principle (owner) and agent (manager). Hypothesis states that even if directors are allegedly coherent, they cannot be trusted to consistently behave in the interests of the company as a whole because they are also often regarded to be self-centered. Primary speculative framework that connects this supervisory position to firm performance theory is the agency theory (Muchemwa, Padia & Callaghan, 2016). The agency rumor is based on assumptions that the staff is a coherent player who seeks to maximize their gains. When interests of principals and agents coincide, there is no interest variance, and both sides work to maximize their efficacy. The agency's hypothesis is criticized on the grounds that it assumes a coherent person is selfish and acts in that way only to reinforce their sense of worth. As a result, there is no belief and no system of Moral ambiguity,

which does not compel the creation of systems for practical ethics Jermias and Gani (2014). It is appropriate for the study and was supported by it because of the role that agency theory plays in board characteristics and financial performance.

2.2.2 Resource Dependence Theory

Pfeffer and Salancik (1978) put forth resource dependency theory. RDT states that because of their connections to outside world, directors have big influences on their company's ability to access resources. According to Speculation, directors of board provide companies with resources in form of knowledge, expertise, and skills in addition to having access to major clients and suppliers (Muchemwa, Padia & Callaghan, 2016).

According to resource dependence theory, board of directors can be utilized as a tool to create links with the external environmental set in order to support the organization's efforts to close knowledge gaps in the areas where organizational goals are being achieved. RDT presupposes that a great board should be composed of individuals with wide range of ties from outside organizations, including as executives, maintenance experts, and public figures who promote company's reputation to acquire access to the essential resources (Muchemwa, Padia & Callaghan, 2016). In order to acquire access to vital resources for their development, this theory focuses on how autonomous firms select their deputies.

Supporters of this theory contest the idea that management needs authority and aspires to be respected by peers and superiors. As a result, their passion goes beyond just economic considerations. This is thought to be made possible by the BOD's responsibility in policy affairs managerial perspective (Hidayat & Utama, 2017). RDT suggests utilizing directors of boards as means of communication with outside world to assist management in accomplishing company's

objectives. This presumption is appropriate for the research because it offers hypothetical basis for manager's resource responsibility, as well as access to money and guidance that companies need to progress management performance, corporate operations, and ongoing survival which makes it suitable for the study.

2.2.3 Stewardship Theory

According to stewardship hypothesis, which Donaldson and Davies (1989) proposed, directors who are competent corporate stewards must act ethically and work cooperatively with all stakeholders to realize overall company's aims. The argument holds that managers behave as stewards, safeguarding and using shareholders' funds through business operations to further their own efficacy goals. As a result, the stewardship hypothesis contends that strong relationships between principals and stewards are unquestionably related to corporate performance (Tonui & Olweny, 2018).

Stewardship hypothesis argues that better business performance would be associated with a higher proportion of executives as they logically strive to maximize owner profits. As stated by Hassan and Lukong (2012), decision-making process considers one's capacity to gather information and undertake a lengthy analysis. When a family or a state is the major owner, there is a principle dynamic owner, and boards may no longer be necessary, claim stewardship theory critics. Creation of such boards is motivated by cultural tradition, unquestioning trust in their effectiveness, or a desire to give government-run or family businesses a more corporate appearance (Tonui & 2018 Olweny).

Stewardship perception contends that when managerial success is attained, stewards are satisfied and motivated. Theoretically, managers are custodians of company's resources and are expected

to act in best interests of shareholders (Dharmadasa, Gamage & Herath, 2014). Stewardship hypothesis, in contrast to agency speculation, places more emphasis on role of top executives as stewards, including their accomplishments as part of organizations than on viewpoint of distinctiveness. Stewardship hypothesis states that board members have a duty to serve as stewards in this study by adopting their goals as a component of an organization.

2.2.4 Institutional Theory

This idea was originally put forth by Meyer and Rowan (1977). This theory gives organizational change and its effects on formal structures more attention. It has to do with how an organization legitimizes innovations; whether or not innovations boost efficiency, organizations do so. It is deemed irrational for these businesses to refuse the innovation because they are required to do it. A single person or a whole organization could show resistance (Modum & Ugwoke, 2013). Organizations only adopt institutional myths in order to be taken seriously in a formal environment. The "vocabulary of structures" would be used by organizations to dominate their market. The acceptance and distinctive manifestation of these accepted legitimacy protects the organization's reputation (Amenta, 2005).

A legitimate group has a better chance of surviving in an institutional framework. The organization uses a number of tactics to counteract these negative consequences in the technical environment, where the company's effectiveness and competitive position may be reduced or hampered (Pierson, 2000). The success and consistency of organizational structures in an institutional system are driven by institutional forces. Companies will adopt similar structures due to three forces: normative, mimetic, and coercive constraints (Amenta, 2005). The institutional theory relies on cooperation and interaction among its members to promote production and profitability (Clemens & Cook, 1999). The institutional theory is pertinent to this

study because it explains how corporate board structures, profitability, creativity, and a dynamic work environment are related.

2.3 Empirical Review

The study examined how several reviews on board size, gender composition, independence and financial performance in this segment

2.3.1 Board Size and Financial Performance

Yasser, Entebang, and Mansor (2011) investigated relationships between qualities of boards and banks' financial success. They investigated 30 Karachi MFBs over the course of two years, 2008 and 2009. Selected banks provided secondary information on index, turnover and profit margin and ROE were employed as dependent variables, which also incorporated stewardship and agency theories. As explanatory variables, regressing size of board using system of economics, composition, audit committee, and CEO/Chairman duality was created. CEO/Chairman duality had no effects on ROE, while board sizes, audit committee, and composition all had favorable, substantial effects according to study findings. Conclusions agreed with those of earlier research. This research has several restrictions. Because Pakistan, where prior study was done, has distinct economic environment than Kenya, the study's inclusion of commercial banks as opposed to the present study's concentration on microfinance banks, is another restriction.

From NSE, five Nigerian commercial banks listed were surveyed by Bebeji, Mohammed, and Tanko (2015) during a nine-year period, from March 31, 2007, to March 31, 2015. They assessed ROA and ROE measurements of effects of makeup and size of boards on financial performances of Nigerian banks. From yearly assessments of banks, they gathered secondary data. Data was gathered and examined utilizing multivariate regression modeling and non-

probability techniques for cross-sectional and time series data. In addition to using board size and composition as independent factors, ROE and ROA were also included as dependent variables. ROE and ROA were profit after tax to total assets and equity ratios, respectively. Directors from inside and outside the company made up the board. The study concluded that board size had adversely yet considerably impacted both ROE and ROA of commercial banks using stakeholders', stewardship, and agency theories. That indicated ROA and ROE decreased as board's size increased. However, board's composition significantly and favorably impacted ROE and ROA of selected banks. Overall, board composition had big impacts on how well banks performed. This study was conducted in Nigeria and utilized cross-sectional method of design on listed commercial banks. The present study was on MFBs in Kenya and utilized explanatory research design.

Mohamed and Atheru (2017) investigated board qualities on financial results of a Kenyan MFB. Surveys were distributed to participants to collect primary data from 96 bank's middle and senior management members. Questionnaires asked about diversity of boards in terms of gender, education, experience, and ethnicity as well as board size. Multiple regression models were utilized, and cross-sectional data were analyzed using SPSS statistical software. Applying theories of stakeholders, stewardship and agency, it was found that size of board had negative but significant impacts on financial performances. This result demonstrated that increase in board size decreased earnings. Financial leverage has impacts on both corporate governances and business performances. Although the prior study was on MFB, it only utilized primary data and focused on just one MFB, whereas the current study utilized secondary data to obtain information from thirteen (13) MFBs.

Khan (2019) conducted research on how sizes of board of directors' influences revenue produced by UK businesses. Navigating the labyrinth of corporate governance, researchers meticulously examined 85 companies listed on the London Stock Exchange in the United Kingdom over a five-year period. Through a rigorous process of data extraction from annual reports, board size data was painstakingly compiled. Employing SPSS software as their analytical compass, researchers embarked on a linear regression journey to unravel the complexities of board size dynamics. According to statistical analysis, there is negative correlation between number of board members and company's financial health. The current study examined the impacts of board sizes on MFBs in Kenya using multiple linear regression model. The prior research focused on UK-listed corporations and utilized linear regression model.

2.3.2 Board Gender Composition and Financial Performance

Influences of qualities of boards on financial results of Kenyan commercial banks were examined by Wachudi and Mboya (2012). Every one of Kenya's 42 banks was subject of their inquiry from 1998-2009. They performed stepwise regression analyses using diversities of boards as independent factor and ROA as dependent factor and discovered that commercial bank boards in Kenya were predominately made up of men. 8-typical membership had an average of one (1) female director. Gender diversity had little impacts on how well commercial banks performed. This study validated Campbell and Minguez-(2008) Vera's claim that boards with female directors are not penalized by markets. There were not many female board members, thus it was probable that their efforts would go unnoticed. Possibly, this clarified Tokenism Kanter decried (1977). If representation is less than 15%, there is tokenism in attempt to seem to uphold gender equality. Research made use of ideas of agency and tokenism. The previous study

concentrated on commercial banks and utilized ROA as performance' indicator. This study considered MFBs and utilize ROE as performance measurement technique.

Impacts of boards' qualities on financial performances of Nigerian registered MFBs was assessed by Abu, Okpeh, and Okpe (2016). From yearly filings and declarations of 15 MFBs, secondary survey information for years 2005–2014 were collected using multiple regression method. CEO, independent non-executive board members, and representation of women on boards were found to have minimal effects on Nigerian MFBs. ROA and ROE were used as dependent variables, whereas CEO, women, independent, grey, and foreign directors were used as independent factors. They further discovered directors which were foreign had positive significant impacts on financial success, whereas grey members of boards had negative major consequences. They recommended that more foreigners be recruited to boards since they had expertise, ingenuity, and reputation necessary to review top management's decisions and improve financial results of Nigerian MFBs. The recent study was zero in on Kenyan MFBs for years 2015–2025 while this study focuses on Nigeria's listed MFBs for years 2005–2014.

Chijoke-Mgbame, Chijoke, and Boateng (2020) obtained data on gender compositions of board, auditing panel, and economic performances of Nigeria from all companies listed on NSE over eight-year period. Final samples consisted of 69 firm-year observations for 77 businesses. Annual reports of corporations were obtained from websites, and financial information was given by Thomson Reuters Eikon. Board data was given by Bloomberg. Study's findings demonstrated that having more women on staff greatly increases company's financial success. Previous study was done on Nigerian companies listed on NSE, and it was quite country-specific over an eight-year time frame. Consequently, focus of the current inquiry was on MFBs in Kenya over a nine-year time period.

In Middle East, relationships between gender diversity on boards and firm revenue dispersion was examined by Habash and Abuzarour (2022). Associations between financial success of Palestinian public firms and gender balance in their boardrooms were identified and investigated using panel data between 2008-2015. Official websites and annual reports of companies were used to compile data. The study employed a balanced annual panel dataset encompassing 30 listed companies and 150 observations over four-year periods. The findings unveiled a substantial discrepancy between the legal mandates for gender diversity in boardrooms and the actual representation of women on corporate boards. Notably, the study focused exclusively on gender diversity and revenue distribution of firms in the Middle East. The present study was on other board characteristics such as size and independence on MFBs in Kenya.

2.3.3 Board Independence and Financial Performance

Using dynamic panel threshold analysis, Mamatzakis and Bermpei (2015) investigated how shared board ownership affects performances of investment banks in US. From 2000-2012, profitability, ROA, and ROE served as dependent variables; explanatory variables included CEO duality and authority, independence, size, and ownership of boards. DEF Bank scope, 14A, monetary, and annual filings from 10-K Bankers were secondary panel data sources. In their investigation, they used steward and agency theories. Analysis determined an 8.54 percent threshold for board share holding. Increase in ownership had detrimental impacts on performances at 1% level of significance, according to banks whose board share ownership was below threshold. On the other hand, at 5% level of significance level, Efficiencies of 48 banks with board ownership of shares over threshold was good. This demonstrated how management's interests and those of companies were compatible. Performance was negatively impacted by sizes of boards. However, CEO power had favorable impacts on investment banks'

performances, which was consistent with stewardship theory. Dynamic Panel analysis was utilized for the aforesaid study on investment banks in US. The current study was conducted using multiple regression analyses and based on context of MFBs in Kenya.

Board compositions and financial results of Pakistani commercial banks were examined by Bashir, Fatima, Sohail, Rasul, and Mehboob (2018). From 2008-2014, they took samples of 30 listed banks (public, private, and specialty banks). Leverage, board sizes, institutional ownerships, director independence, and annual general meetings were viewed as factors that were independent, whereas ROA, EPS, and ROE were regarded as dependent variables. Yearly reports from banks listed on Pakistan Stock Exchange were adopted to gather secondary panel data. Multiple regression analyses were used and found that board independence, size, and non-executive directors on boards had no impacts on EPS, ROA, or ROE. The study found that even though Pakistan has complex share ownership structure in place, its execution was difficult since results were inconsistent. Agency theory was used in the investigation. Prior study took place on commercial banks in Pakistan with time period of 2008-2014. This inquiry differs since it concentrated on MFBs in Kenya with time frame of 2015-2022.

Mandala, Kaijage, Aduda, and Iraya (2018) investigated relationships between composition of boards and financial performances of Kenyan MFBs. Secondary data panels on type, activity, composition, duality, and sizes of boards were gathered over ten-year periods (2006–2015) as explanatory factors, while ROA and revenue growth rate were used as dependent variables in correlational research strategy. Research looked at 3,989 financial businesses and five Kenyan authorities. It was found that largest influence on revenue growth rates occurred when there is shared ownership among board members, but other variables, In Kenyan financial institutions, factors including independence, CEO duality, size, and gender diversity did not significantly

affect their financial results. Paradigms of agency, stewardship, upper echelons, and resource dependence were applied. The previous study adopted correlational research design and obtained information from years 2006-2015 while the recent study adopted descriptive research approach and obtain information from 2015-2022 which is more current.

Venturing into the realm of corporate governance, Noja, Thalassinou, Cristea, and Grecu (2021) embarked on a quest to unravel the intricate connections between board independence and the financial well-being of European enterprises. Utilizing secondary data spanning until the end of 2019 culled from the Eikon database, they meticulously examined a sample of 144 businesses representing the diverse landscape of 25 European nations. To delve into the depths of their investigation, they employed a combination of network analysis and financial econometric research methods. Analysis's findings showed that board independence had no appreciable impacts on firms' financial performances. This study addressed a research gap left by earlier study's use of financial econometric model for analysis by examining the data using descriptive statistics and inferential analysis.

2.4 Summary of Literature and Research Gaps

Table 2.1 summarizes literature assessments on board characteristics and financial performances of microfinance banks.

Table 2.1: Summary of Literature Review and Research Gaps

Author (s) and Contexts	Objectives	Key Findings	Research Gaps	How the current study filled the gaps
Yasser, Entebang, and Mansor (2011)	Relationship between board qualities and banks' financial	Chairman duality had no effects on ROE, while size, audit committee,	Focused on Pakistan commercial banks	This survey was conducted on microfinance banks in Kenya

	success	and composition of boards all had favorable, substantial effects.		
Wachudi and Mboya (2012)	Effects of characteristics of boards on financial outcomes of Kenyan commercial banks	According to the survey, gender diversity had little impact on how well commercial banks performed	Commercial banks were targets of previous study	MFBs were the target of this investigation
Mamatzakis and Bermpei (2015)	How shared board ownership affected performances of investment banks in US	Board share ownership over threshold showed favorable effects on performances	Banks in US were used for the study	Kenya's MFBs were the focal point of this study
Bebeji, Mohammed, and Tanko (2015)	Impacts of sizes and composition of boards on financial performances of Nigerian banks	Concluded board size had adversely yet considerably impacted both ROE and ROA of commercial banks using stakeholders', stewardship, and agency theories. That indicated ROA and ROE decreased as board's size increased	The study was conducted in Nigeria,	Kenya's microfinance banks were the focus of this study
Abu, Okpeh, & Okpe (2016)	Impacts of qualities of boards on financial performances of Nigerian listed MFBs	The study found gender diversity; CEO and independent non-executive board members had little impacts on	Nigeria's listed MFBs was the point of focus	This research was on MFBs in Kenya

		Nigerian MFBs		
Mohamed and Atheru (2017)	Investigated how board qualities affected financial results of a Kenyan MFB	The sizes of boards had negative but significant impacts on financial performances, while board gender diversity had no bearing on banks' financial performances and board education, ethnic diversity, and experience had positive and significant impacts.	MFBs in Kenya using primary survey	This survey adopted a secondary approach using panel data
Bashir, Fatima, Sohail, Rasul, and Mehboob (2018)	Looked at relationships between compositions of board and financial performances of Pakistani commercial banks	Board independence, size, and non-executive directors on boards had no impacts on EPS, ROA, or ROE	Pakistan was considered as premise of the study	Kenya was used as context of this study with focus on MFBs
Kaijage, Aduda, and Iraya (2018)	Investigated relationships between compositions of boards and financial performances of Kenyan micro financial	The study found that largest influence on revenue growth rate occurred when there is shared ownership among board members, but	Microfinance banks in Kenya were used with focus on 3,989 financial businesses and five Kenyan authorities for periods 2006 to	Microfinance banks was used as target audience of this study for periods 2014-2020

	banks.	other variables had no discernible effects on financial performances of financial institutions in Kenya.	2015	
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Source: Literature Reviewed (2022)

2.5 Conceptual Framework

The conceptual framework acts as a tentative foundation for understanding the phenomenon being explored, offering a structure for the study's model and the inquiries it seeks to address. This study's conceptual model identifies board characteristics (size, composition, and independence) as independent factors influencing financial performance, which is considered the dependent variable. The research framework is depicted in Figure 2.1.

Independent Variable (Board Characteristics)

Dependent variable

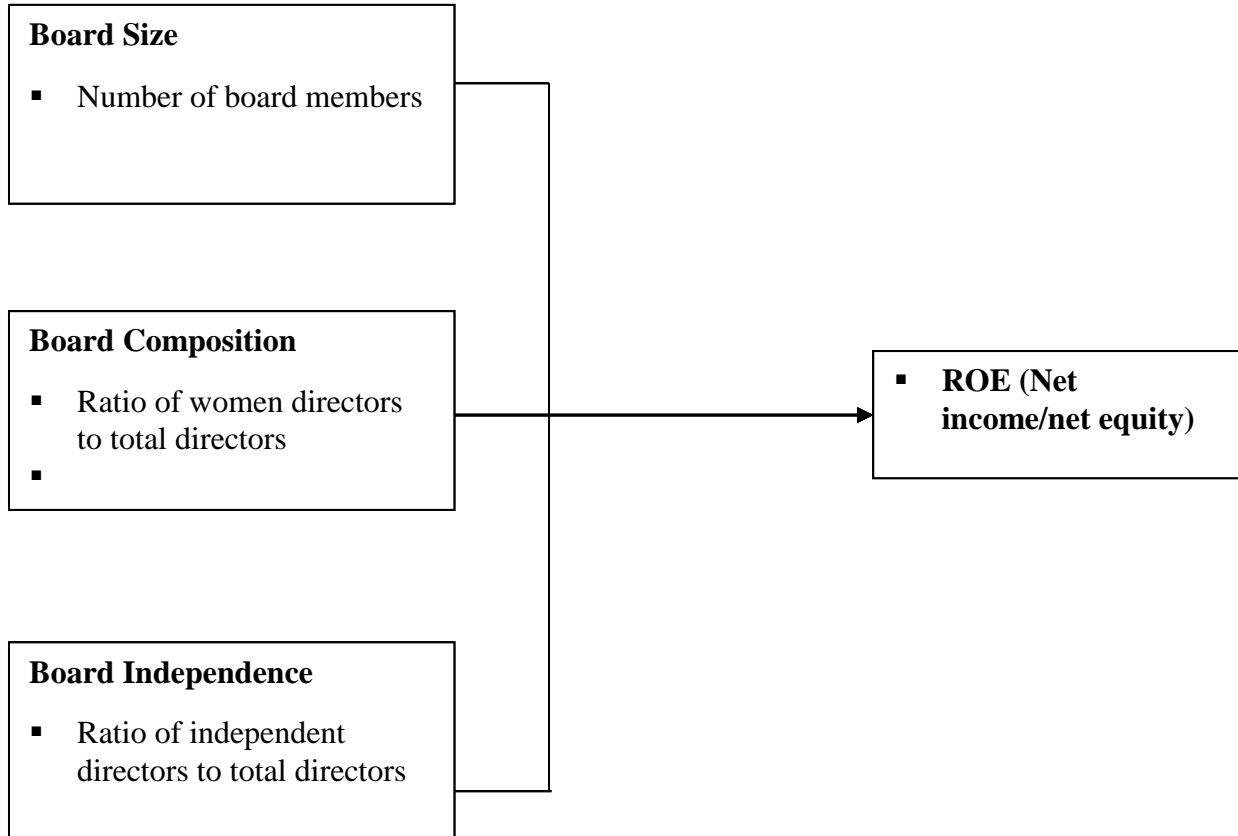


Figure 2.1: Conceptual Framework
Source: Researcher (2022)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

In this segment, study design, population to be studied, empirical models, operationalization and variable measurements, sampling strategy, data collection tool, procedure, analysis, and visualization were all explained.

3.2 Research Philosophy

Origin, nature, and growth of knowledge are of importance to philosophy of research. Researcher's fundamental worldviews are based on source and character of knowledge (Saunders, Lewis, & Thornhill, 2012). Four main study philosophies are identified in scientific literature for business research: reality, positivism, interpretivism, and heavily organized concepts. Reality uses techniques chosen to fit subject and may be qualitative or quantitative; positivism uses large, quantitative, but also qualitative, samples; and interpretivism uses small samples.

The current investigation made use of positivist philosophy. Positivist paradigm is highly organized, uses enormous samples, and is based on idea that constant fundamental principles govern every event (Comte, 1896). Statistics, causal connections between factors, and verification of theories are its main interests. Additionally, positivist paradigm prevails because it can be used in research undertakings that place a strong premium on strictness, impartiality, and authenticity in a study rather than on experience and intuition (Dudoviskiy, 2016). Positivist philosophy supports application of scientific techniques to solve problems. In deciding whether to accept or reject hypothesis, one must first formulate it and then quantitatively assess it

(Saunders et al., 2012). Variables' operationalization is done in so that they can be measured using information from big samples and hypothesis testing

3.3 Research Design

Research design gives a guide for collecting and analyzing data, which helps to find answers to research questions. According to Saunders, Lewis, and Thornhill (2009), it establishes foundation upon which investing seeks to collect, measure, and data evaluation. According to Creswell (2014), a study aims to combine importance of study rationale with cost-effectiveness in procedure by referring to array of settings for data collection and analysis. The structure that research design provides for gathering and analyzing data aids in answering issues that studies raise. It outlines principles on which objectives of data collection, measurement, and analysis are founded (Saunders, Lewis & Thornhill, 2009). The study applied explanatory research design

3.4 Empirical Model

A model is a visual representation of physical relationships between research variables. Relationships between independent and dependent variables are mathematically significant. As a result, empirical links between characteristics of boards and MFBs' financial performances was established. Panel regression model is going to be utilized. Regression model for this study which matched section-specific study goals and hypotheses for further research was on the regression function below:

$$ROE_{it} = \beta_0 + \beta_1 BS_{it} + \beta_2 BG_{it} + \beta_3 BI_{it} + \varepsilon$$

Where:

ROE = Return on Equity

BS = Board Size

BG = Board Gender Composition

BI = Board Independence

t = Time Scope

i = Firm

$\beta_1 - \beta_4$ = Coefficients

ε = Error term

3.5 Operationalization and Measurements of Variables

Table 3.2: Operationalization and Measurement of Variables

Type	Variable	Operationalization of variables	Measurement of variables	Measurement Scale
Dependent Variable	Financial Performance	Efficiency with which banks operate in producing profits on investment assets	ROE Net income/shareholders' equity	Ratio
Explanatory Variable	Board Independence	Degree of non-interference of board in decision-making process	Ratio of independent directors to total directors	Ratio
Explanatory Variable	Board size	Entire number of members of the board	Total number of directors	Number

Explanatory Variable	Board composition	Number of males to female in the board membership of companies	Ratio of women directors to total directors	Ratio
Explanatory Variable	Bank Size	Total amount the bank has at its own disposal for transactional purposes	Total asset of the banks	Log

Source: Researcher (2022)

3.6 Target Population

Kothari (2011) defines a population as a collection of things whose traits can be seen throughout a study examination. According to Ott and Longnecker (2015), target population refers to individuals chosen from a certain community to serve as samples for a study. With respect to the ongoing research, all MFBs in Kenya constituted the target population. There are fourteen (14) MFBs as licensed by Central Bank of Kenya.

3.7 Sampling Design

This entails choosing representatives of the populace. According to Mugenda and Mugenda (2013), findings from researcher's sampled elements can be used to form an appropriate conclusion about phenomenon and then generalize it to include all members of population. Conclusions drawn from these investigated segments of population are expected to be trustworthy and appropriate for drawing inferences. This study would employ purposive sampling to choose thirteen (13) out of the fourteen (14) MFBs in Kenya. This study is an

appropriate fit for adopting purposive sampling because it allowed for selection of solely those who understand the study's objectives and who have information that is relevant to those objectives. Thirteen (13) out of the fourteen microfinance banks were focused on by purposive sampling technique since these are banks that fully operated within the study period.

3.8 Data Collection Instrument

The study employed to employ secondary data to obtain information from KNBS and CBK microfinance banks audited financial accounts for the period from 2014 to 2021.

3.9 Data Collection Procedure

Authentication license was provided for the study that Kenyatta University's graduate school permitted by NACOSTI. License to be acquired ensured smooth collection of research data from financial accounts which was obtained through CBK and KNBS.

3.10 Diagnostic Tests

In the investigation, panel regression model which is associated with result spuriousness was applied. Implementation of conventional linear model diagnostic tests was used to screen out erroneous model products in order to confirm study results' efficacy and dependability. Diagnostic tests, comprising stationarity, multicollinearity, autocorrelation, heteroscedasticity, and normality, were performed.

3.10.1 Stationarity Test

To identify the optimal estimation to be undertaken for this study, it is required to ascertain the order of the variables' integration. Therefore, integration arrangement of controlled variables could be $I(0)$, $I(1)$, $I(2)$, or mixture of these orders of integration. Stationarity refers to study

variable's variance and means remaining constant over course of investigation. According to Gujarati (2003), means and variances of variables must be effective and consistent to be considered stationary. Fisher-type unit-root test was used in this study to assess presence of stationarity among variables at 5% level of significance. In contrast to alternative hypothesis, null hypothesis asserts unit root exists for at least all panel variables.

3.10.2 Normality Test

Balance in data's tilting to right or left of normal distribution curve is implied by study's data being normal. Hair *et al.* (2014) made the argument that normalcy involves striking balance between kurtosis and skewness. To ascertain origin of data distribution, Shapiro Wilk test for normalcy was performed. Data is going to be from source with normal distribution, as opposed to alternative, according to null hypothesis. Significance level was set at 5% for this test.

3.10.3 Multicollinearity Test

When there is a strong correlation between explanatory factors, multicollinearity is likely present. Multicollinearity, according to Cooper *et al.* (2008), is a significant degree of collinearity that impairs accuracy of parameter estimates. Variance Inflation Factor (VIF) test was used with a margin of 5 to determine the multicollinearity issue. VIF number under 5 indicates low, as opposed to high multicollinearity greater than five, is desirable for the study.

3.10.4 Heteroscedasticity Test

Presence of heteroscedasticity results in bigger mistakes, which causes study's conclusion to be inaccurate (Field, 2009). Inconsistency in variance of error terms across data indicates presence of such an issue in regression estimation. At significance level of 0.05, Breusch Pagan-Godfrey test was employed to determine whether this issue exists in the study. As a result, covariance is

homoscedastic as opposed to alternative, which is null hypothesis. In event of this problem, the study used robust standard estimate as measure.

3.10.5 Autocorrelation Test

An inaccuracy in one era is presumed to be unrelated to another in the next. Presence of autocorrelation is defined as case where such errors are associated. Two categories of autocorrelation exist: positive and negative. Estimations' standard errors are lower than actual error standardized when autocorrelation is positive. 0.05 significance was used as criterion for this test's Breusch-Godfrey analysis. Robust standard error was calculated in situation of serial correlation problems.

3.11 Data Analysis and Presentation

After being gathered, research data was analyzed. Panel data was utilized, and panel regression model was utilized to analyze data with STATA. Fundamental or general feature of data was explained via descriptive analysis. It determines dataset's dispersion in proportion to its mean. After that, inferential analysis using panel regression was carried out in a precise order based on investigation's specific goals in order to assess study's hypotheses. The test was conducted using standard 5% significance threshold.

3.12 Ethical Considerations

According to Mugenda & Mugenda (2013), research ethics refers to laws and regulations that must be observed before, during, and after a study. All research followed established professional standards and moral principles. The survey obtained a letter of authorization from Kenyatta University's Graduate School in order to carry out the research. Interaction with

NACOSTI is necessary for this letter in order to acquire clearance for research. Necessary institutions were contacted after receiving research approval in order to gather data.

CHAPTER FOUR
RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

In the section detailing the outcomes, two primary divisions are evident. The first section provides the descriptive analysis of the study which provided the basic features of the research data. The subsequent segment concentrates on the findings derived from inferential statistics. The principal aim of this section was to authenticate the study's outcomes by contrasting them with previously documented research findings.

4.2 Descriptive Statistics

The presentation of the table offers a summary of the factors descriptive statistics for the analyzed information. The table also presents the minimum and maximum values, providing a range of values for each variable in the study. As a result, a summary of the result is provided in Table 4.1.

Table 4.1 Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
Financial Performance	104	-.0794225	.1289847	-.58382	.04661
Board Size	106	7.915094	1.746386	4	12
Board Composition	107	.2167489	.1431753	0	1
Board Independence	104	.2875815	.1274526	.125	.625

Source: Study Data (2023)

The descriptive analysis findings unveiled mean financial performance of the designated microfinance banks stood at -0.0794225, accompanied by a standard deviation of 0.1289847. The dataset utilized for appraising the financial performance indicated that all data points fell within the spectrum of -0.58382 (the lowest value) and 0.04661 (the highest value). Additionally,

the survey results indicated average board size of the chosen microfinance banks was 7.915094, with a standard deviation of 1.746386. The board size data ranged from a lowest of 4 to a extreme of 12. These findings imply that the board size influence on the selected microfinance banks in Kenya exhibits variability across the banks, as evidenced by the standard deviation value.

In the study, board composition was examined, and it was found that the mean average was 0.2167489, with a deviation of standard from the mean of 0.1431753. The data used for this assessment had a range of 0 to 1. Another factor considered was board independence, having average score mean of 0.2875815 and a deviation from standard mean of 0.1274526. This suggests that the data slightly deviated from the mean of the investigation. The range of values for board independence fell between 0.125 and 0.625.

4.3 Diagnostic Tests

The diagnostic tests conducted in Chapter 3 aimed to ensure the adherence to the underlying regression assumptions. These assessments were crucial in determining whether the CLRM assumptions were met, as the accuracy and consistency of the parameter estimates in the regression models would be compromised if these assumptions were violated (Cox, 1992). The validation of the regression model was based on the outcomes of various diagnostic tests, which are discussed in this investigation. These tests included assessments for: Normality, Heteroskedasticity, Multicollinearity, Stationarity, Autocorrelation and Hausman test (Barker & Shaw, 2015). By examining the outcomes of these tests, it was possible to evaluate the suitability of the CLRM for analysis and determine the validity of the regression model (Warha, Muhammad & Akeyede, 2018).

4.3.1 Normality Test

To verify the normality of the residuals, the researcher employed the Shapiro-Wilk test, a robust tool widely recognized for its sensitivity in identifying departures from normality (Mishra *et al.*, 2019). The detailed results of this normality assessment are offered in Table 4.2.

Table 4.2 Shapiro-Wilk test for Normality

Variable	Obs	W	V	z	Prob>z
Financial Performance	104	0.75502	20.900	6.758	0.00000
Board Size	106	0.98369	1.414	0.771	0.22026
Board Composition	107	0.87835	10.628	5.263	0.00000
Board Independence	104	0.85326	12.519	5.618	0.00000

Source: Study Data (2023)

The survey set out to test whether the residuals, the discrepancies between the observed and predicted values, conformed to a normal distribution. The output unraveled that only the residuals for board size adhered to this pattern. Consequently, given the p-values falling below 0.05, the survey rejected the null hypothesis (H₀), indicating non-normality in the data. However, considering the sample size exceeded thirty, the study could reasonably assume the data stemmed from a normally distributed source, justifying the continuation of regression estimation. Ghasemin and Zahediasi (2012) posit that if the outcomes can be applied to a sufficiently large sample size, the parameters should approximate a normal distribution.

4.3.2 Stationarity Test

Time series data is typically expected to exhibit stationarity over a specific time period. However, in many instances, such data is considered non-stationary, indicating that the mean and variance of the time series vary over time. Consequently, it is crucial to test for stationarity to ensure spurious-free outcomes. The test was occasioned by a Fisher-type test that was employed.

The null hypothesis for this test assumes the existence of a unit root in the variable. The outcomes of the stationarity test can be found in Table 4.3.

Table 4.3 Fisher-type unit root test

Variable	Statistic	P-value	Comment
Financial Performance	103.2133	0.0000	Stationary
Board Size	55.9333	0.0004	Stationary
Board Composition	151.7857	0.0000	Stationary
Board Independence	77.9404	0.0007	Stationary

Source: Study Data (2023)

The outputs in Table 4.3 unveil a reassuring truth: all the variables examined in this study, from financial performance to board characteristics, possess stationarity at a significance level of 0.05. This averred the absence of unit roots, ensuring that the mean and variance of these variables remained steadfast throughout the investigation. This stability safeguards the researcher from the perils of misleading or erroneous outputs.

4.3.3 Multicollinearity Test

To unveil the potential presence of multicollinearity, variance inflation factor analysis was employed to calculate the tolerance and variance inflation factors (VIF) within the survey. To safeguard against the adverse effects of multicollinearity, it was imperative for the explanatory variables to exhibit VIF values below 10 and tolerance values exceeding 0.1 (Field, 2009). The outcomes of this assessment are meticulously accessible in Table 4.4.

Table 4.4 Tests for Multicollinearity

Variable	VIF	1/VIF
Board Size	1.16	0.862935
Board Composition	1.12	0.891070
Board Independence	1.06	0.941090
Mean VIF	1.11	

Source: Study Data (2023)

A close examination of Table 4.4 reveals the VIF values for board size, board composition, and board independence, which were 1.16, 1.12, and 1.06, respectively. The average mean VIF was calculated to be 1.11. Referring to Field's (2009) guidelines, we can conclude that the explanatory variables did not exhibit significant multicollinearity as their VIF values remained below 10 and their tolerance values surpassed 0.1. This reassuring finding implies that the variables were free from multicollinearity concerns, ensuring the acceptability of the model's multicollinearity level.

4.3.4 Heteroscedasticity Test

The study also investigated the hypothesis that the errors exhibited variance that is constant, known as homoskedasticity, by conducting a heteroskedasticity analysis. The null hypothesis, which assumes constant error term variance, was tested using the Breusch-Pagan-Godfrey evaluation test to establish the presence or absence of heteroskedasticity. The empirical results were evaluated based on a significance level of 0.05. The outcomes of this analysis can be found in Table 4.5.

Table 4.5 Breusch-Pagan/Cook-Weisberg test for heteroskedasticity

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity

Ho: Constant variance

Variables: fitted values of Financial Performance

chi2(1) = 7.36

Prob > chi2 = 0.0067

Source: Study Data (2023)

The study's statistical analysis revealed a discrepancy between the observed probability chi-square value of 0.0067 and the predetermined significance level of 0.05, indicating a violation of the constant error term variance assumption. This deviation could potentially undermine the precision of the parameter estimates derived from the study. Nevertheless, acknowledging these heteroscedasticity concerns, the study employed robust standard errors, a technique recognized for its reliability in parameter estimation under heteroscedastic conditions.

4.3.5 Autocorrelation Test

An autocorrelation test was performed in the survey to see whether there was any temporal relationship among the residuals. For this, the Breusch-Godfrey (B-G) autocorrelation test was used because the assumptions state that the errors should not show any time-related association. There was no autocorrelation or serial correlation as asserted by the null claim. The analysis' conclusions are listed in Table 4.6.

Table 4.6 Breusch-Godfrey test for Autocorrelation

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	10.41785	Prob. F(2,96)	0.0001
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Obs*R-squared	18.19000	Prob. Chi-Square(2)	0.0001
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Source: Study Data (2023)

Delving into the outputs presented in Table 4.6, the survey uncovered a p-value that dips below the threshold of 0.05, signaling the undeniable presence of serial correlation. This unwelcome outcome casts doubt on the accuracy of the model's estimated parameters, rendering the study's conclusions unreliable and unfit for drawing definitive insights. These findings paint a stark picture that the investigation deviates from the established principles of classical least squares regression. However, this hurdle was deftly overcome by employing robust estimation, a technique that adequately handles the complexities of serial correlation.

4.3.6 Model Specification Test

Panel estimation explores the intricacies of a set of observations unfolding over a defined period. To discerningly evaluate the estimated parameters, both fixed and random effect models are meticulously examined, scrutinizing their potential discrepancies. The Hausman Test emerges as a beacon in this quest, casting light upon the validity of the effect random model over its fixed effect counterpart. The null hypothesis, the guiding principle of this test, champions the effect random model as the preferred choice. The illuminating outcomes of the test await revelation in Table 4.7.

Table 4.7: Model Specification Results

	(b)	(B)	(b-B)	sqrt(diag(V_b-V_B))
	Fixed	Random	Difference	S.E.
Board Size	.0081192	.0192526	-.0111335	.0114884
Board Composition	-.2330912	-.2620407	.0289495	.0655228
Board Independence	-.2483834	-.075884	-.1724994	.1633656

Chi2(3)	2.10
Prob>chi2	0.5516

Source: Study Data (2023)

The outputs in Table 4.7 unfolded a compelling narrative: the null hypothesis, steadfastly defending the random effect model's supremacy, emerged as the preferred. This unwavering support for the random effect model was further reinforced by the analysis, which unambiguously favored its nuanced approach over the fixed effect model's rigid structure. The prob > chi2 value of 0.05516, a decisive triumph over the significance level of 0.05, firmly cemented the random effect model's reign as the preferred choice. Thus, the study wholeheartedly embraced the random effect model's elegance and adaptability.

4.4 Regression Analysis

Equipped with the insights gleaned from the Hausman test, the study embarked on exploring, employing a random effect regression model to dissect the research hypotheses. This model served as the foundation for constructing a panel regression model, a sophisticated tool that illuminated board characteristics effect on the performance of select Kenyan microfinance banks financially. The outcomes of this meticulous investigation are profoundly obtainable in Table 4.8.

Table 4.8: Regression Results

Financial Performance	Coef.	Robust Std. Err.	Z	P>z	[95% Conf. Interval]
Board Size	.0192526	.0118623	1.62	0.105	-.0039971 .0425023
Board Composition	-.2620407	.0938262	-2.79	0.005	-.4459366 -.0781447
Board Independence	-.075884	.251051	-0.30	0.762	-.5679349 .4161668
_cons	.2716567	.8735654	0.31	0.756	-1.4405 1.983813

R-Square	0.1532
Wald chi2(3)	9.95
Prob > chi2	0.0190

Source: Study Data (2023)

Drawing as of the outcome presented in Table 4.8, the random effect model was found to be significant in examining how board characteristics affect the financial performance of selected Kenyan microfinance banks. The Wald Chi-square value of 9.95, which corresponded to 0.0190 p-value indicated the model significant. The outputs also designated board characteristics had an effect that is significant on the banks' performance financially, with a R-square of 15.32% illustrating that board characteristics accounted for a moderate proportion of the variations in the performance of selected Kenyan microfinance banks financially. The intercept of the regression line was positive, with a value of 0.2716567.

The effect of board characteristics was analyzed on the performance of selected microfinance banks in Kenya financially. The results indicated a coefficient for board size was statistically insignificant at the 5 percent level with 0.105 p-value, suggesting size of board has no effect that is significant positive on the selected Kenyan microfinance banks' financial performance. However, an enhancement in the board size would amount to the enhancement of the banks' financial performance by 0.0192526%. Board composition noted a negative effect that is significant on performance financially, having -0.2620407 as coefficient and a corresponding 0.005 p-value. This implies that an upsurge in board composition would pilot to a decline in performance by 0.2620407% financially for selected Kenyan microfinance banks. Board independence was establish having an inverse but statistically insignificant effect on performance financially, with a coefficient of 0.075884, indicating that an improvement in board

independence would consequence in a fall of 0.075884% in the financial performance of the banks.

4.5 Hypothesis Testing

Driven by well-defined objectives, the study embarked on a quest to unravel the effect board characteristics on performance financially. Hypotheses, meticulously crafted from the threads of board size, board composition, and board independence, served as the guiding compass of this investigation. With keen interest for significance, each hypothesis was rigorously evaluated at a discerning 0.05 threshold, ensuring the veracity of the findings.

4.5.1 Board Size and Financial Performance of Selected Microfinance Banks

The survey's central aim was to unveil the effect of board size on financial performance of select Kenyan microfinance banks. This hypothesis, rigorously scrutinized at a 5% significance level, revealed an unwavering allegiance to the null hypothesis, suggesting that board size plays an insignificant role in shaping the financial fortunes of these institutions. While a positive effect emerged, it remained statistically insignificant, leading to the unequivocal conclusion that board size, despite its subtle influence, does not hold sway over financial performance of the banks. The outcome contradicts Yasser, Entebang, and Mansor (2011) who noted that board size significantly and positively affected performance of banks financially. Bebeji, Mohammed, and Tanko (2015) also concluded that board size had adversely yet considerably impacted both ROE and ROA. Mohamed and Atheru (2017) established that the size of board had negative but significant impacts on financial performances. Khan (2019) further unveiled an inverse linkage of the number of board members and company's financial health. The investigation's

contradictory conclusions may have resulted from the various measurement methods used in the studies and the particular circumstances under which the research was conducted.

4.5.2 Board Composition and Financial Performance of Selected Microfinance Banks

The inquiry also required to interpret board composition effect on the performance of select Kenyan microfinance banks financially. With a sensitive observation set at a level of significance of 0.05, the null hypothesis, which asserted board composition insignificant effect on financial performance, was put to the test. The findings, however, unraveled a compelling narrative that board composition, with a p-value defying the 0.05 threshold, emerged as a formidable force shaping the financial destinies of these institutions. Consequently, the null hypothesis was dethroned, paving the way for the recognition of board composition's pivotal role in steering these banks towards financial success. This output corroborates Chijoke-Mgbame, Chijoke, and Boateng (2020) who averred that having more women on staff greatly increases company's financial success. The contradictions to the outcomes aligned from Abu, Okpeh, and Okpe (2016) who arrived at the conclusion that CEO, independent non-executive board members, and representation of women on boards were found to have minimal effects on Nigerian MFBs. the output opposed Wachudi and Mboya (2012) who discovered that gender diversity had little impacts on how well commercial banks performed. The observed variation from the findings could be ascribed to the different contextual grounds that the surveys were performed.

4.5.3 Board Independence and Financial Performance of Selected Microfinance Banks

The investigated aim was to evaluate board independence effect on the performance of selected microfinance banks in Kenya financially. An employed significance level of 5 percent was utilized to assess the null hypothesis, which stated that board independence has insignificant

effect on the financial performance of Kenyan selected microfinance banks. Resulting from the results of the analysis, the null hypothesis was supported, indicating that board independence insignificant effect on the performance of these banks financially in Kenya. The product aligned with Bashir, Fatima, Sohail, Rasul, and Mehboob (2018) who noted that board independence, size, and non-executive directors on boards had no impacts on EPS, ROA, or ROE. Mandala, Kaijage, Aduda, and Iraya (2018) unveiled that largest influence on revenue growth rates occurred when there is shared ownership among board members, but other variables, In Kenyan financial institutions, factors including independence, CEO duality, size, and gender diversity did not significantly affect their financial results. Noja, Thalassinou, Cristea, and Grecu (2021) also uncovered that board independence had no appreciable impacts on firms' financial performances.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter delved into the essence of the outcomes, distilling the research objectives into a concise summary. The results then served as the bedrock of the conclusions and recommendations, which was used to propel further inquiry into this realm. Beyond these tangible outcomes, the survey explored how the research expands the frontiers of knowledge, setting the stage for future discoveries.

5.2 Summary of the study

This inquiry delved into the intricate effect of board characteristics on the performance of selected microfinance banks financially in Kenya. By scrutinizing board size, composition, and independence, the survey sought to unravel their effect on these banks' financial performance. Drawing upon agency, resource dependency, institutional, and stewardship theories, the researcher embarked on a rigorous investigative journey. Employing a combination of descriptive and panel regression techniques, the survey meticulously analyzed the gathered data, revealing the intricate dynamics at play.

The descriptive analysis painted a picture of negative averages but positive deviations, hinting at an underlying variability in financial performance with board size demonstrated positive average mean and deviation from the standard mean. However, the regression analysis yielded an insignificant opposing result: a positive but insignificant effect of board size on performance financially. This seemingly contradictory finding invites deeper exploration to uncover the nuanced dynamics at play.

The resulting output as revealed by descriptively indicated positive mean and deviation from the standard mean regarding board composition of the selected microfinance banks in Kenya. The outcome which also emanated from the regression technique noted that board composition of the selected banks affected the selected microfinance banks' financial performance negatively with such effect being insignificant in Kenya.

Descriptively, the outcome discovered that board independence displayed a positive mean and standard deviation values of the selected microfinance banks in Kenya. Doubling from the descriptive outcome, regression output uncovered that board independence inversely but insignificantly affected these selected microfinance banks' performance in Kenya financially.

5.3 Conclusion

The study's specific objectives unfolded a varying of conclusions. By investigating board characteristics effect on the performance of the selected microfinance banks financially in Kenya, the researcher delved to the elaborate effect of board characteristics. The outputs revealed that board size, contrary to expectations, exhibited a positive and insignificant effect on financial performance. Based on this outcome, the study concluded that board size does not play a major role on the determination of financial performance of these banks in Kenya.

Uncovering from the outcome, the study's findings unveiled that board composition held an inverse yet significant influence on the performance of the selected microfinance banks financially in Kenya. With regard to the outcomes, the survey concluded board composition acts as a vital factor in shaping the financial fortunes of these institutions.

The study's further looked at the effect of board independence on financial performance of the banks. The outcome displayed that board independence insignificantly affect negatively the

financial performance of these banks in Kenya. In view of this outcome, the survey concluded that board independence is not a significant determinant of the banks' financial performance in Kenya.

5.4 Recommendations

The investigation suggests the management of selected microfinance banks should contemplate reducing the size of the board to enhance financial performance. The survey unfolded board size positively and insignificant impact on performance financially. Therefore, by downsizing the board, the banks may improve their financial performance by reducing resources expended on maintaining the board's size.

Regarding the analysis of the specific objective, it was discovered that board composition had a negative and significant impact on the performance of selected microfinance banks in Kenya financially. Consequently, the survey suggests that the board composition should be adjusted to include more females, promoting gender balance in decision-making processes that significantly affect the performance financially of these Kenyan banks.

The outputs of the investigation revealed an inverse yet insignificant influence of board independence on the performance of selected microfinance banks financially in Kenya. This outcome inform the suggestion that policy that allows for the independence of the board should be reviewed to reduce the level of interference which could deter the executive directors from taking smart decisions that would lead to higher gains on shareholders returns in Kenya.

5.6 Contribution to Knowledge

The outcomes have made numerous important additions to the current understanding of the link of board attributes and the success of specific microfinance institutions in Kenya financially. The

research has had a noteworthy impact on the development of theories, practical improvements, and policy creation, all of which were explored in this section. The study was based on a variety of theoretical frameworks, such as agency, resource dependence, and stewardship theories, thereby broadening the scope for the application of these theories to Kenyan microfinance banks.

The outputs of the inquiry successfully examined the research hypotheses concerning the board size, board composition, and board independence impact on the performance financially of chosen microfinance banks in Kenya. The research enriches current knowledge by demonstrating that board size and board independence do have insignificant effect on the financial performance of these institutions.

Panel regression allows for the amalgamation of multiple predictor variables into a single equation, enabling a comprehensive evaluation of the intricate effect of a set of board characteristics, including board size, composition, and independence, and the performance of selected microfinance banks financially. This study endeavored to identify the most plausible and well-fitting model to illuminate these dynamics, contributing to the existing knowledge base on this critical topic.

5.7 Suggestion for Further Research

The investigation is centrally on Kenyan selected microfinance banks. The findings suggest that advance research can be conducted to understand why board size and board independence have an insignificant performance impact financially on these banks in Kenya. Additional inquiries can explore the board characteristics effect on the performance financially of selected microfinance banks using primary data. Furthermore, an investigation can be performed to

determine board characteristics effect on the stability of all microfinance banks financially in Kenya.

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APPENDICES

Appendix I: Microfinance Banks in Kenya

- Kenya Women MFB Ltd
- Rafili MFB Ltd
- Remu MFB Ltd
- Faulu MFB
- Daraja MFB Ltd
- Choice MFB
- Century MFBs
- Caritas MFB
- Maish MFB
- Uwezo MFB
- U & I MFB
- Sumac MFB
- SMEP MFB

Appendix II: Secondary Data Collection Schedule

Time	Board Size (Number of Board Members)	Board Gender Composition (Ratio of individual directors to total directors)	Board Independence (Ratio of women directors to total directors)	ROE (Net income/Net Equity)
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				