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Effect of Board and Senior Management oversight Guideline on Financial performance of Commercial Banks in Kenya

Banking failures coupled with declining profitability have been experienced in the Kenyan banking sector for a couple of years. This comes even after the Central Bank of Kenya has made concerted efforts to address the problem by introducing the risk management guidelines in 2005. Additionally, in its report on the financial of the Kenyan banking sector for 2016/2017, banks profitability recorded a decline compared to the previous year. This situation raises the issue of whether these guidelines have had any effect on enhancing bank performance. The objective of this study was to determine the effect of Board and senior management oversight on the financial performance of commercial banks in Kenya. This study was guided by Stakeholder theory. A descriptive research design was used for the study and the study's target population comprised of all the 42 commercial banks licensed by the central bank to operate in Kenya. Sampling was not required since the study adopted a census of all the banks. Both secondary and primary data were used in the study. Primary data was obtained using structured questionnaires while the secondary data was collected from the audited financial reports of the commercial banks. Data analysis was done using both descriptive and inferential statistics with the help of Statistical Package for Social Sciences (SPSS) version 24. The study established that board and senior management was a statistically significant predictor of the financial performance of the commercial banks in Kenya $P(t\ 0.25, 71 > 5.344) < 0.05$. The findings of this study are beneficial to the Central Bank of Kenya in informing the review of the guidelines, management of commercial banks in making decisions, and other scholars in the same area of study to provide literature.

Key Words

Financial Institutions, Risk Management Guidelines, Financial Performance

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