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# Board Size, Board Independence and the Financial Performance of Parastatal in Kenya: A Case Study of Parastatals Listed in the Nairobi Stock Exchange Market

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**ABSTRACT**

*Parastatals are active in most areas of the Kenyan economy and have been known to make significant contributions to the country's economic progress. Given the present poor financial situation and performance of the majority of states corporations, new and improved parastatal reforms are required. According to the most recent Treasury estimates, key parastatals owe almost $1.33 trillion. The current research explores the many elements influencing the financial performance of Kenyan parastatals using a case study of parastatals listed on the Nairobi Stock Exchange. The overall goal was to investigate the impact of corporate governance on the financial performance of parastatals. The particular goals were to determine if board composition and diversity, board independence, board size, audit committee, and accountability had an influence on the overall performance of parastatals. The study used a descriptive research approach to evaluate the variables influencing the financial performance of parastatals. The enterprises listed on the Nairobi Securities Exchange were the study's target population. Questionnaires were used to collect primary data from respondents. In summary, the research found a favorable association between corporate governance and financial performance of parastatals; consequently, policymakers and parastatal management must guarantee that effective corporate governance is applied to the latter in order to improve performance.*

**Keywords:** Audit Committee, Central Bank of Kenya, Center for Corpora rate Governance, Corporate Social Responsibility, Gross Domestic Product, Nairobi Securities Exchange, Return on Asset, Return on Equity, Resource Dependency Theory, Financial Performance, Board Size, Board Independence, Audit and Transparency

## INTRODUCTION

Parastatals in Kenya are established under the state corporation act cap446 which gives them autonomy. Parastatals were first established in Kenya to provide essential services to the white settlers and ever since they have been used in Kenya by the Government as vehicle of development and their importance cannot be underestimated. According to Wambua (2005), the parastatals sectors share of GDP was 11 percent between 1986 and 1990 and provided thousands of job opportunities too many Kenyans. Managerial autonomy of parastatals has always been an issue from the past in most of the developing countries. For the financial performance of parastatals to be enhanced in countries such as Kenya it is expected that the government should to relieve some of the burden of decision making. Placing enterprise decision outside politics and ministerial bureaucracy is assumed to promote the efficiency of both the government and the parastatals itself. Some government direction and control however are needed and hence making it inevitable to fully remove the government on parastatals bodies.

Financial performance is a comprehensive review of a company's overall status in areas such as Assets, Liabilities, Equity, Expenses, Revenue, and overall Profitability, as determined by a number of profitability formulae. Formulas such as Return on Assets (ROA) and Return on Equity (ROE) may be used to determine financial success.

Since their inception, the financial performance of parastatals has been a significant source of concern. Due to their inefficiency, losses, budgetary obligations, and inadequate goods and services, parastatals are profoundly entangled in the majority of African governments' fiscal issues. Consequently, it is crucial to implement policies and practices that maximize their effectiveness. In order to improve their performance, government and the private sector must also collaborate.

Financial performance of parastatals has been going down over the past years since independence according to study research only 4 out of 28 state own companies are profitable. Kenya faces a fiscal risk from struggling state-owned enterprise which may need as much as 382 billion Shillings in order for them to survive in the next five years.

Organizations across the world are exposed to a dynamic and competitive environment characterized by mergers, acquisition and globalization this has inevitably required companies to change their growth and financial performance strategy in order to thrive in the business environment this requires the parastatals to adopt procedures such as corporate governance. The underlying principle of good governance is demarcation of roles between Board of directors and administrative management. This strengthens the oversight and supervision which are key elements of ensuring accountability in parastatals. According to Braga Shatsri (2011) Organizations that take corporate governance and practices voluntarily are often ranked higher in value than those organizations that do not practice corporate governance.

According to Muelbert, (2009) In terms of performance and service delivery, companies that have completely adopted corporate practices are often distinguished by a dearth of instances of corruption and bribery. AS Gompers et al. (2003) correctly state that excellent corporate governance improves the value and well-being of firms. Corporate governance improves efficiency in all areas of management, including action plans, internal control, performance assessment, and corporate transparency, since it also offers a framework for achieving a company's goals. The Sarbanes-Oxley Act, enacted in 2002 in the United States to restore public trust in corporations and markets, made corporate governance an urgent concern. It is no longer sufficient for a corporation to be successful; it must also show strong corporate governance via environmental consciousness, ethical conduct, and effective corporate government processes. Corporate Governance may also be defined as the actions taken to tackle internal and external management challenges, such as those involving customers, suppliers, and the corporate environment. These ideals can only have an effect if they are shared by the majority of the organization's members. From this vantage point, corporate governance looks to be a role that may aid parastatals.

Poor governance, on the other hand, cripples an organization such that it cannot fulfill its aims and goals, so losing the goodwill and support of its shareholders. This is seen by the recent collapse of once massive organizations as a consequence of ineffective governance. The poor financial performance of the majority of government parastatals, notably Kenya Airways, Mumias Sugar, and Uchumi Supermarkets, may be ascribed to weak governance. This prompted researchers and practitioners to investigate why so many parastatals are on the verge of collapse.

The majority of African countries have initiated efforts to simplify corporate governance in both the public and private sectors. In 1999, the business sector in Kenya embraced the private sector initiative for corporate governance to establish a national code of corporate governance best practices. In Kenya, the Capital Markets Authority (CMA), the Nairobi Securities Exchange (NSE), the Central Bank of Kenya (CBK), and the Center for Corporate Governance (CCGC) continue to be the major proponents of good corporate standards among businesses. Corporate governance requires transparency and openness. The organizations Bods must guarantee the correct use of finances. This may be achieved by implementing the essential steps to assess and audit the financial performance reports.

***Statement of the Problem***

There are so many indicators of low performance by the parastatals in Kenya hence the need to research on this area. The stagnation and collapse of a number of once-great parastatals in Kenya, such as Mumias sugar, Kikomi Kenya, Webuye Paper Factory, Kenya Railways, and Kenya Bus Service, is strong evidence that there are problems in the administration of Kenyan parastatals. The present stagnation of this company in Kenya implies that the business has failed to appropriately apply the governance measures that assure employment and service delivery equality and justice.

Corruption is a major organization challenge that has not been fully addressed. Government enterprise mangers and BODs in Kenya are constantly under pressure to reform and an eliminate corruption practices to live up to the new higher standards of public service delivery as per the vision 2030. Given that the core mandate of parastatals in Kenya is service delivery and ensure protection of consumer interests the Board owes it to the general public to ensure transparency and accountability in their overall performance. It is on this reason that the study finds it imperative for the implementation of corporate governance. This research is therefore designed to give answers to this question on poor financial performance and consequently proffer explanation to facts related to the poor performance of government owned corporations in Kenya.

Clearly Corporate governance is importance for any organizational success. The variables that enhance in corporate governance in organizations such as Board Independence, Board composition Board diversity, and many others have been significantly impactful to the positive performance of privately owned organization which is not the case for most of the parastatals in Kenya.

The central problem with state-owned parastatals in Kenya, particularly those listed on the NSE, is the inadequacy of their governance mechanisms in a corporate context, as seen by the repeated and ongoing failure of their enterprises. The majority of parastatals have substandard board representation as a result of issues such as poor monitoring, less effective board meetings, decreasing financial performance, theft and misuse of parastatals assets, and limited or no statutory audits.

Poor financial management and the absence of a solid governance framework make it unavoidable for parastatals to continually underperform, causing them to lag behind the private sector. Due to this, the services provided by the parastatals have been subpar and unreliable, eroding residents' faith in them. An examination of corporate governance in a state-owned corporation revealed corporate governance tries to satisfy each and every essential person in a company, resulting in fewer conflicts and fraud. This is because corporate governance seeks to satisfy all of the firm's major players. This motivates the evaluation of the effects of corporate governance structure on business settings.

***Objectives of the study***

***General Objective***

The general objective of the study was to establish the effect of corporate governance on financial performances of parastatals in Kenya.

***Specific Objectives***

i. To determine the effect of Board size on financial performance of parastatals in Kenya.

ii. To assess the effect of Board independence on financial performance of parastatals.

***Significance of the Study***

With the increased rate of corporate struggle in management and performance especially with the fluctuating economic status and civil unrest within the country. Most boards and shareholders have had to improvise governance mechanisms structure, this is in quest to restore the public confidence in the performance of the parastatals in Kenya.

The research looks to determine some of the effect of corporate governance on the final financial outcome of State Corporation listed companies in the NSE. Given the first-hand study from the companies listed, reliable results from this research were valuable in enhancing corporate decision making not only public parastatals but also other private enterprises to further enhance the continued growth of the economy. Different organizations and enterprise can therefore be able to refer to the study in their various processes of determining and designing governance structure and appropriate practices that are instrumental in impacting increased financial performance in Kenya. The study stands to benefit corporate managers and directors who will be able to know the importance of best corporate governances in parastatals.

This will assist managers in shifting their emphasis to practicing good governance and avoiding concerns such as corruption and preferential treatment of subordinates. Various BODs have also been replacing management teams on a regular basis, which appears to be very costly and unsustainable due to compensation of outgoing managers and salaries for the incoming team; consequently, having established guidelines for corporate practices, it is intended to ensure the efficient operation of parastatals. The board of directors should, as a general rule, foster an environment that encourages staff to be open and transparent in their operations.

The study also stands to benefit the government of Kenya who are the owners and have a great responsibility of overseeing the performance of parastatals and the government should be able to eradicate poor governance that has been observed in most of the parastatals almost leading to their collapse. Having initiated the culture of corporate governance the GOK stands to reap big in the study findings. This will help the collapsing parastatals to get back on their feet again.

The study findings will go a long way toward bridging the knowledge gap in the area of corporate governance in parastatals. Over the course of more than a century of study in this topic, scholars have reached consensus on the possibility of strong performance in government parastatals provided they implement sound business practice. However, differing viewpoints exist on whether all the behaviors have an influence on any company or if certain practices are more appropriate for one organization than another.

## LITERATURE REVIEW

A theoretical framework is a set of guidelines for conducting research (Grant and Osanloo, 2014). A theoretical framework is related to and reflects the research questions and is based on current theories in the subject of study. It is the bedrock upon which research is built. It assists researchers in locating and contextualising formal theories in their studies.

***Agency Theory***

The concept of agency theory was represented more frequently in the 1980s by two scholars Michael Jensen and William Meckling 1976 in international financial seminars and conferences. Agency theory refers to the so-called conflict or the conflict of interest between the agent and the owner.

According to Zhou & Zhang, (August, 2021). Agency theory refers to the problems companies have to face due to separation of ownership of the business owners and the manager.

When agency conflicts appear, there are likely to be agency costs involved. Agency cost is the cost of maintaining an effective agency relationship. Agency costs include cost of monitoring and selecting of an appropriate strategy of collecting information to achieve business efficiency and also monitoring cost to control agent's action. Agency theory has introduced the concept of agency conflicts and cost arising from that conflict

According to many findings in a company there is separation between ownership and control in other words the real owners of the company do not participate in the management of the company hence the agency cost will occur due to information asymmetry between managers and shareholders.

Managers have more information about the company situation and hence they will use the management rights to benefit themselves, hence the conflict of interest and agency cost arises.

***Stewardship Theory***

Stewardship theory originates from the field of business management as opposed to agency theory and is found in politics, public relations and educational studies. Stewardship theorists assumes that the entrusted person or the steward will place higher value on mutual interest rather than self-interest.

This theory asserts that there is no conflict between owners and managers and that the purpose of governance is to identify the procedures and structure that permit the most efficient coordination between the two parties. According to the stewardship idea, there is no difficulty with executive control, which means that organizational administrators tend to be consistent with their activities.

The notion of stewardship places more emphasis on goal convergence among the parties participating in corporate governance than on the agent's self-interest. In stewardship theory, the economic advantages of the primary are a consequence of fewer transaction costs and a decreased need for economic incentives and supervision. In general, they have neglected the primary agent and stressed the manager's position as the agent.

Guzeh, P. M. (2012) In order to maximize shareholder wealth, managers should have greater autonomy in running the firm's affairs. This is because failure of the firm will be attributed to the managers, whereas success will boost their morale and provide bonuses and additional incentives, which will motivate them to work harder in achieving success of the firm. Stewards equipped with the pertinent logistics, authority, and knowledge should work in the best and most productive interest of the company, so enhancing its value.

(Argyris, 1964). The controls used by principals in the agency theory are absent in the stewardship theory because proponents of the stewardship theory consider controls as demotivating to managers and as having the potential to impede their capacity to optimize the business. The trust-based stewardship theory is often seen as in opposition to agency theory. This theory explains how a collaborative relationship can exist when people intrinsically motivated to work for others or for the good of organization. The agents are empowered and entrusted to successfully accomplish the tasks and responsibilities under the management. Xu, Y. (2022).

***Resource dependence theory***

The theory states that organizations need for external resource creates dependence on exchange partners and thereby a potential source for adversity. Resource dependence theory (RDT) argues that control is made easier when a subsidiary unit is dependent on corporate headquarters for critical resources (Rao, 2007).

The emphasis of resource dependence theory is the relationship between an organization and its environment. It implies that companies without essential resources will seek other resources. Survival is dependent on resources and, thus, the environment for organizations. When they hold precious resources that the organization cannot access elsewhere, outside entities are able to exercise some degree of influence on the organization. Significant organizational effort is devoted to negotiating the ongoing availability of essential resources. In addition, formal organizational positions serve to regulate and stabilize the flow of resources between the organization and its environment. In order to obtain greater influence over the operations of external entities that may provide necessary resources, an organization must sacrifice part of its autonomy. Consequently, organizations face a tension between the goal to retain organizational autonomy and the desire to lessen the uncertainty caused by the absence of a continuous resource stream. Additionally, resource dependence acknowledges that coalitions inside organizations have diverse interests (Pfeiffer & Salangi 1978). Those members of an organization who need resources will strive to exert influence and control over the group. Obtaining rare and essential resources confers authority within an organization.

***Empirical Literature Review***

***Board size and financial performance***

The board size is the number of directors serving on the board at any particular moment. The influence of board size on the success of a company has been varied. The results of empirical investigations on the association between the factors have been equivocal. Lipton and Lorch (1992) suggested a maximum of seven or eight board members.

The empirical evidence about the optimal board size's effect on a company's success is equivocal. Some contend that when the size of a board increases, it becomes less likely that it will work successfully and may lead to a diminished feeling of individual responsibility and an increase in difficulties. Due to the difficulties associated with big groups, an increase in board size may severely impede board operations. Larger groups are often more difficult to organize and may have communication issues, resulting in decreased corporate performance. A huge board might result in unproductive outcomes, since conversations in large groups are often difficult and time-consuming, and may lead to member conflicts. It is well acknowledged that larger boards have a detrimental effect on performance.

Using 452 big U.S. corporations, Yermack (1996) empirically examined these claims and found a negative correlation between board size and performance.

Other scholars, on the other hand, argue that a larger board may be more effective in monitoring financial reporting because the company may be able to appoint directors with relevant expertise and skills, resulting in a broader range of knowledge and experience. As a result, investors believe that the addition of non-executive directors may enhance board capabilities and advising.

Lundgren and Wells (1998) discovered that companies with smaller boards perform better and are more highly valued than those with bigger boards. Monitoring is more effective with smaller boards. This is a result of decreased coordination costs and bureaucratic issues, which enables them to create greater business performance.

However, this view has recently been challenged by other researchers (e.g., Dalton et al. 1999) who argued that the size of directors has a negative relationship with all the financial performance metrics (ROA, ROE, and EPS). It is widely accepted that enormous board size has a negative impact on performance.

### *2.2.2 Board Independence and Financial Performance*

Board composition is concerned with problems pertaining to the board of directors' membership. Directors may generally be divided into three types. Insider or management directors are paid employees like the CEO, president, or CFO. Related or associated outside directors are people who have a pre-existing tie with the company, including family members, relatives, and former executives. Independent outside directors are individuals who have no personal nor commercial ties to the company.

A board comprised of directors with diverse sets of expertise, industry experience, educational qualifications, and ethnic and gender diversity may be better equipped to handle a variety of issues facing the company and to provide executives with advice and consultation from a variety of perspectives.

Fernandes et al. (2018) found that optimal board membership and structure may boost the efficacy of the board. Complex organizations, such as banks, need a big board in order to have adequate resources for monitoring and advising, and they must also find the optimal mix of internal and external board members to enhance conversation and provide diverse perspectives inside the board.

Recent studies show that the composition of the company's board is crucial in the establishment of CSR activities (Mason & Simmons, 2014.) That can explain be able to explain that an increase in the number of women can influence the social environmental policies of the company which can result to more competitive advantages. Women also have been noted to exhibit upper moral scores than men and tend to uphold high ethical requirements. Previous studies have shown that business with independent board appear to report better outcome. Hussein and Kiwia discussed the link concerning female executives and the success of 250 US firms (2010) and found that well performing organizations appoint more women as executives. There are also a number of studies whose data support a clear no correlation between the output ratio of an organization and the gender of boards.

External board members strengthen board monitoring and advising capacity and play a crucial role in decreasing agency disputes, according to Dahya and McConnell (2007). Internal board members, on the other hand, provide both their inside knowledge and their experience to the board. Many companies favor an insider-dominated board over an outsider-dominated board.

According to Nguyen, Locke, and Reddy (2014), board diversity has a beneficial effect on company performance as a result of enhanced monitoring and control, resulting in increased firm performance.

### *Conceptual Framework*

Dickson et al., 2018) defines conceptual framework as a structure that the researcher believes will best describe the natural course of the topic under investigation. The theoretical review, empirical research, and other significant concepts can be linked to the conceptual framework to enhance and systemise the researcher's knowledge (Peshkin, 1993). It explains how the statement of the problem will be explored. The conceptual framework depicts an integrated approach to an issue under investigation (Liehr and Smith, 1999). Based on the literature review discussed above, the relationship between the variables can be depicted by the diagram below to guide the research.

**Figure 1 : Conceptual Framework**

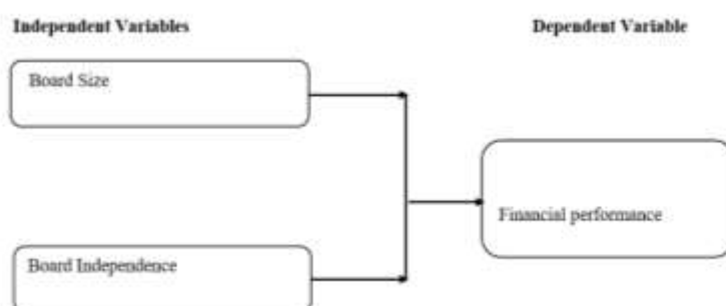


**Table 1: Operationalization of Variables**

| Variable | Indicator | Measurements |
|---|---|---|
| **Board Size** | • Number of Directors | Questionnaire<br>Open and close ended |
| **Board Independence** | • Board Independence from non-executive directors<br>• Expertise<br>• Size and Activity | Questionnaire<br>Open and close ended |
| **Financial Performance** | • Return on Assets<br>• Return on Investments | Questionnaire<br>Open and Close ended |

## RESEARCH METHODOLOGY

### *Research Design*

The research design is a system, framework, or plan that is used to provide solutions to research questions and is structured as a descriptive cross-sectional study, often known as a survey.

The link between corporate governance and the financial performance of parastatals in Kenya was investigated using a descriptive research approach. The researcher surveyed the listed parastatals on the Nairobi stock market. The researcher examined the components in their native state without modifying them. The approach also enabled the researcher to generate descriptive statistics that helped to clarify the connections between the variables.

### *Study Population*

The total number of parastatals operating in Kenya currently is 127 that are listed in the security exchange. The entire 127 formed the target population this study.

It is from the 127 parastatals that that the researcher sampled the 27 parastatals that were considered for the study.

### *Sampling and Sampling Techniques*

A sample is a limited part of a statistical population which is studied to gain information about the whole population. Sampling on the other hand is choosing a given number of subjects from a particular population as a representative of that population.

The information obtained from a sample should be true and should give a clear representation of the population therefore a small sample should be considered because larger sample tend to have huge errors.

The study consisted of 27 respondents that were drawn from the population. There are 127 parastatals listed in the NSE but the researcher randomly selected 27 of those.

From the selected sample the researcher selected one respondent in order to achieve a sample size of 27. Simple random sampling was applied in selecting the respondent and the selected people included chief financial officers and CEOs.

### *Data Collection Instruments*

The research included both qualitative and quantitative primary and secondary data. Primary data information was collected directly from respondents. Utilizing a standardized questionnaire, the basic data was gathered.

The questionnaire consisted of closed-ended questions and was conducted using the drop-and-pick technique. The questionnaire had five distinct components. The first four parts were pertinent in gathering pertinent data on the four corporate governance traits that were crucial to the research, whereas the fifth portion was pertinent.

Secondary information was acquired. The secondary data includes annual reports and financial statements from parastatals. Other secondary data were gathered from the Internet, publications, and periodicals.

### *Data Collection Methods and Procedures*

Data was gathered through administration of questionnaire to a cross section respondent drawn from various categories. The respondent was to fill the questionnaire and then collected by researcher. That helped in reducing instances of non-respondent. Follow ups were done through telephones emails and interviews to ensure a viable response rate for the study

The questionnaires were scrutinized for errors omissions ambiguity legibility and relevance.

### *Data Analysis*

Qualitative data were grouped into categories and analyzed thematically. The frequency of the data obtained in relation to each objective of the study were recorded and percentage worked out. Before processing the response, the completed questionnaires were edited for completeness and consistency

### *Ethical Considerations*

The purpose of ethics is to guarantee that all participants are safe from harm. Given the sometimes delicate interactions between the researcher and responder, this study was designed with adequate precautions based on ethical concern and need. Therefore, the material gathered throughout the research period was kept strictly confidential and used for academic purposes only.

### *Informed Consent*

Before conducting research, the researcher visited the organization in order to seek information from the organization management. The research also involved the management on the extent on which information was collected.

### *Voluntary Participation*

No responder was compelled to participate, since participation in the study was entirely voluntary. However, sufficient education and discussions were required to convey the significance of the findings to the target audience.

### *Confidentiality*

The data that was obtained from the Organization was purely used for educational purpose and no information was produced without the consent of the organization.

The respondent was assured that that the information they share was confidential and all respondent were not allowed to give their personal details.

## RESEARCH FINDINGS AND DISCUSSION

### *Board size*

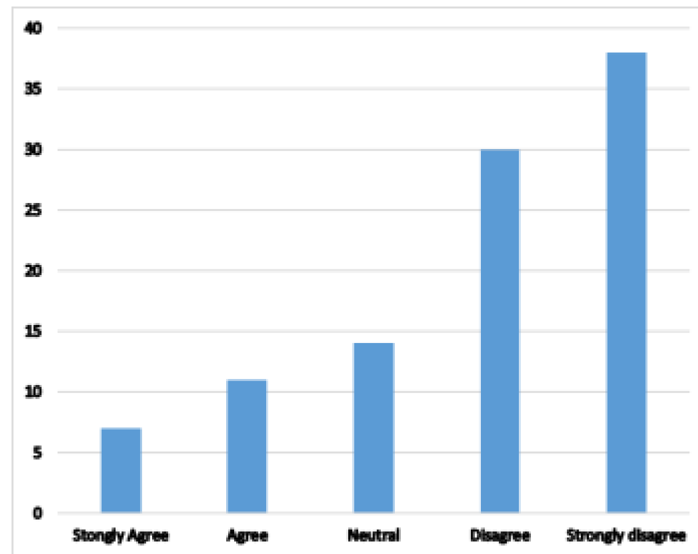
### *Number of Directors*

The research was to find out if the number of directors had an impact on the financial performance and the results were tabulated as shown below

**Table 2 : number of director's impact on the financial performance**

| Category | Frequency | Percentage |
|---|---|---|
| Strongly Agree | 2 | 7% |
| Agree | 3 | 11% |
| Neutral | 4 | 14% |
| Disagree | 8 | 30% |
| Strongly Disagree | 10 | 38% |
| **Total** | **27** | **100%** |

**Figure 2 : Board size and financial performance**




The study showed that 38% disagreed that the size of the board had an impacting on the financial outcome of a company 30% disagreed 14% were neutral, 11% agreed while 7% strongly agreed that the size of the board mattered

***Board Independence***

***Expertise***

This was to find out by the researcher if the level of expertise has an impact on financial performance

**Table 3 : Level of expertise and financial performance**

| Category | Frequency | Percentage |
|---|---|---|
| Strongly Agree | 7 | 25% |
| Agree | 15 | 55% |
| Neutral | 1 | 4% |
| Disagree | 1 | 4% |
| Strongly Disagree | 3 | 16% |
| **Total** | **27** | **100%** |

The study showed that 25 of the sample strongly agreed with the fact that board expertise has an impact on financial performance of the parastatals while 55 % also supported the statement, 4% were neutral while 4% disagreed with the statement and 16% strongly disagreed.

**Board Independence from Non-Executive directors**

This study was to help know from the employees how the board should be governed

**Table 4 : Board independence from non-executive directors has an impact on financial independence**

| Category | Frequency | Percentage |
|---|---|---|
| Strongly Agree | 10 | 37% |
| Agree | 4 | 14% |
| Neutral | 6 | 22% |

| Disagree | 4 | 14% |
|---|---|---|
| Strongly Disagree | 3 | 13% |
| **Total** | **27** | **100%** |

According to the study above 37% of the respondent agreed that board independence from non-executive directors had an impact on financial independence while 14 % supported the statement, 22% were neutral, and 14% disagreed with the statement while 13% strongly disagreed with the statement.

**Figure 3 : Board independence on financial outcome**

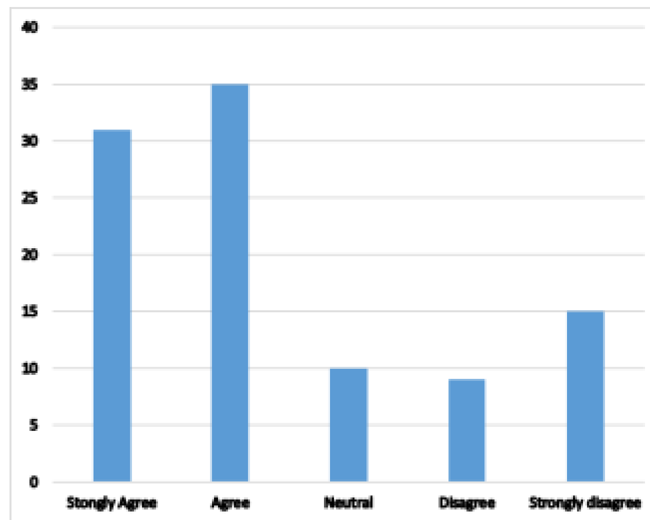



Figure 3 shows the extent to which board independence has effect on financial out

## SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

### *Summary of the findings*

This research focused on the link between corporate governance and financial performance of parastatals in Kenya. Corporate governance characteristics that were considered relevant for the research were Board size and Board independence.

The data revealed that Board size had a smaller effect on a company's financial performance, whereas Board independence had a positive correlation with financial performance.

Good corporate governance practices are favorably associated with the financial success of parastatals in Kenya, according to the study's conclusion. This governance characteristics are excellent predictors of financial success, but they should not be evaluated in isolation from other elements such as the industrial environment and political environment.

### *Recommendation*

Following the findings presented and the conclusion given a number of recommendations can be taken up by companies both private and public towards ascertaining the best fit board of governance. First the size and activity of the organization should be considered when determining the size of the board. A larger organization should opt for a more sizeable board and a small board should do the same too

Secondly maintaining absolute transparency concerning the various activities in the quest to achieve financial success and organization growth and development

Thirdly is maintaining the independence of the board all the selected board members should not have any other vested interest within the company in order to achieve its objectives and make reasonable decisions and judgment.

Lastly board should be diversified and well-structured in terms of organization. This will promote smooth running and operation of the state parastatals

### *Board Size*

The values for board size did not have a significant relationship with the financial performance. Thus, the larger the board size the most likely that there be no impact on the financial performance.

Lager board size indicate board members above 10 members while smaller board size comprise of less than 8 members as was found in previous study

The research showed that company with large board might have to deal with more conflict among board members and therefore difficulty in reaching a consensus. This research was in line with the previous researcher who concluded that large boards can be less effective

### *Board Independence*

The board's independence is a crucial aspect in assessing financial management, as shown by both a study of the relevant literature and primary data. Board independence helps parastatals to make good decisions without intervention from the outside or internal disagreements.

Effective Board independence inspires more impartiality in the decision-making process, and this has a substantial impact on the organization's financial success in the long run.

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