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Influence of Ethical Leadership on Corporate Governance in Commercial Banks in Nakuru East Sub County, Kenya

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Abstract:
In the present-day business environment, characterized by a faster communication system, managers of a firm cannot afford to engage in unethical practices because of the detrimental effect it can have on a firm but also the negative publicity that it will create and the consequent effect on the value. Ethical leadership provides a pragmatic methodology for influencing organizations' stakeholders, thus harvesting desirable and sustainable organizational outcomes. This is because ethical leaders demonstrate ethical conduct through their actions and also promote such ethical conduct among their followers. The study sought to examine the influence of ethical leadership on corporate governance in commercial banks in Nakuru East Sub-County, Kenya. The specific objectives of the study were to establish the influence of ethical human resource practices on corporate governance in commercial banks in Nakuru East Sub-County, Kenya; Cross-sectional research design was adopted. The target population comprised of all the 28 commercial banks in Nakuru East Sub-County. A sample of 12 banks was selected using stratified techniques, and then a sample of 108 bank employees will be sampled purposively. Data from the bank employees was collected using questionnaires. The researcher used the Statistical Package for Social Sciences (SPSS) software version 22 to measure the correlation analysis and highlight the relationship between the success of ethical leadership and corporate governance in the listed commercial banks in Nakuru East Sub-County, Nakuru. Descriptive statistics involved the use of absolute and relative (percentages) frequencies, measures of central tendency and dispersion (mean and standard deviation, respectively). Frequency tables and graphs were used to present the data for easy comparison. The study uncovered significant findings regarding the nexus between ethical leadership practices and corporate governance in commercial banks within Nakuru East Sub-county. Notably, ethical human resource practices were found to exert a substantial impact on historical governance. The regression analysis affirmed a robust relationship between ethical leadership variables and corporate governance. The study recommends targeted enhancements in training programs, policy revisions, and stakeholder engagement. These findings contribute valuable insights to the ongoing discourse on ethical leadership in the banking sector, offering practical implications for bolstering corporate governance in financial institutions.

Keywords: *Ethical leadership, corporate governance, commercial banks*

1. Introduction

1.1. Background to the Study

Leadership is a great resource in an organization, and it guides other stakeholders and the organization itself into realizing its corporate objectives. In the present-day business environment, there is a need for effective leadership, which has been enhanced because for an organization to react appropriately in the case of competition and to also realize its objectives, the top leadership play an important role in determining its success or failure (Khademfar&Amiri, 2013). As a result, most organizations are presently examining their strategic goal by developing directions, which start the establishment of moral administration for reasons of business benefit and also productivity. Ogbonna and Harris (2000) point out that employees' performance is influenced by ethical leadership in an organization since it is expected to determine the organizations' capability to define the association's objectives and procedures, create structures, procedures, controls and center abilities for the association which will eventually determine the organizations' adaptation to changes in the business environment. The moral authority revolves around the level of business practice that puts together the parts of culture and moral business hone (Oates & Dalmau, 2013).

Literature shows that the quality of leadership can be linked to organizational performance (Nelson, 2006; Northouse, 2010). Specifically, ethical leadership may influence corporate governance in commercial banks. Organizations with ethical leadership are expected to report higher returns on customer satisfaction.

Top managers generally serve as role models for lower-level employees because of their visibility and authority. This, therefore, implies that when top executives display high degrees of ethical leadership, lower-level employees generally emulate their behaviour and engage in better pro-social behaviour, thus leading to an improvement in the

performance of the organization (Mayer et al., 2009). Empirical research on the influence of ethical governance on organizational performance is scanty. However, various studies have been undertaken that have sought to give insight into the underlying correlation between ethical leadership and corporate governance

Acting morally and doing what is needed for the overall benefit of not just the stakeholders but also the company as a whole is what ethical leadership is all about. (Oates and Dalmau, 2013) This study focuses on components of ethical leadership such as Ethical Human Resource Practices, Ethical Consumer Relations, and Ethical Investor Relations. Ethical Human Resource Practices are policies and values that serve as operational guidelines for the management of people at work (Bedicks & Arruda, 2005; Liao & Teng, 2010). Ethical investor relations refer to how companies manage themselves and their relationships with shareholders. Ethical investors ensure that corporations are honest and transparent and that management is not looking out for its interests to the detriment of others (Lorraine, 2004). Ethical financial disclosure entails full disclosure of the financial information to reduce information asymmetry between the companies. Any firm will be deemed financially transparent if they report on financial policy, investment policy and financial liquidity policy.

Regionally, a number of security exchanges have witnessed an increase in the rate of corporate failures. Nigeria has witnessed lots of corporate failures, most of which have vividly shown the negative effects on the organization's operation that are credited to unethical practices of corporate leaders (Parboteeah et al., 2013).

For the Kenyan scenario, the Commercial Banks in Kenya have, over the years, witnessed ethical leadership challenges.

The organizations have found it difficult to cope with the issue due to increased pressure to improve performance. Recently, a number of Kenyan banks have been put into receivership due to cases of the top management not engaging in ethical practices. As the Kenya Bankers Association, Chief Executive Officer was quoted, and the same vice was found to affect the level of corporate governance. Therefore, for better corporate governance, Kenyan banks have to improve their adherence to ethical practices and follow the latter professional code of conduct, which is expected to lead to an increase in the level of transparency and accountability.

1.1.1. Ethical Leadership

Northouse (2010) defines leadership as the procedure where an individual impacts a group of people to attain a shared objective. Chestnut, Trevi~no, and Harrison (2005) characterized it as 'the exhibit of normatively fitting behaviour through interpersonal connections, individual activities and the advancement of such direct to devotees through two-way correspondence, support, and basic leadership.' Hence, ethical leadership offers devotees moral direction and part displaying while motivating high and good practices (Brown et al., 2005). The moral initiative has been found to achieve different adherent results, including good faith, undertaking essentialness, work self-rule and exertion (Piccolo, Green baum, Den Hartog, and Folger, 2010), work inclusion, full of feeling responsibility, interactional reasonableness, fulfilment with pioneers (Brown et al., 2005), self-adequacy, leader–member trade, authoritative recognizable proof, errand execution, voice conduct and hierarchical citizenship conduct.

Leadership involves steps, techniques or processes that are immediate and guide the conduct of individuals in their workplace. Also, Armstrong (2007) characterized the initiative as the capacity to convince others eagerly to act distinctively to achieve the errand set for them with the assistance of the gathering. Hence, a pioneer has attributes of high calibre and sufficiently solid in moral practices. Furthermore, Oates and Dalmau (2013) noticed that moral administration is acting in the right course for the long-haul advantages of all partners. They likewise contended that moral authority is more concerned about making adjustments to the association's fleeting objectives and longer-term desires to accomplish great results in the association. On the other hand, Brown (2005) found that the blend of uprightness, moral gauges and great working state of representatives are estimations of moral initiative. This shows that a pioneer ought to be both an ethical individual and an irreverent supervisor. Ethical leadership is a procedure that affects the qualities, standards, and convictions of employees lying to the right standards in authoritative practices. It also shows leadership through individual activities and interpersonal connections (Bubble 2012).

Leadership of an organization is characterized by vision, goals, care, and honesty. It also takes part in the amusement of the moral parts of a pioneer's endeavours, and by living amicably with these essential standards, human ventures can thrive and be managed. Notwithstanding, moral pioneers ought to concentrate on good values and reasonableness in basic leadership, consider the effect of hierarchical choices on the outside world, and unmistakably convey to representatives how their activities at function add to the general objectives of the association. Moral pioneers who think about their representatives and need them to perform well will probably make a mentally safe environment for workers to have an effective authority encounter (Walumbwa & Schaubroeck, 2009). In a bank, for example, ethical leadership is expected to have a positive influence on employee performance, intrinsic motivation, and job responses. In addition, a bank leader with solid moral duties can have an effect on the hugeness of assignments and the self-governance of the job. Moral initiative might be seen as an important issue within the association, and this recognition might be converted into solid energy about top administration by workers inside an association (McCann & Holt, 2009).

1.1.2. Corporate Governance

Corporate governance is an internal system that comprises policies, processes, and people who take care of the needs of shareholders and other stakeholders by directing and controlling management activities with objectivity, integrity, and good judgement (Dovonan, 2003). It is also described as a system of structures and processes meant to guide and control the company so that it can ensure economic viability and legitimacy (Cadbury, 1992; Neubauer & Lank, 1998). Effective corporate governance makes sure that companies are managed and governed in their owners' and shareholders' best interests through decentralization of power, fairness, checks/balances, ethical/moral values and openness (Ahmed,

Alam, Jafar & Zaman, 2008; Ogbulu & Emini, 2012; Peters & Bagshaw, 2014). Thus, the failure of Transmile, Enron and Worldcom in the United States, Megan Media and Nasion in Malaysia can be attributed to poor corporate governance (Gompers, Ishii & Metrick, 2003; Hussin & Othman, 2012; Abdul-Qadir & Kwambo, 2012). Ngwube (2013) identified the factors that determine corporate governance as a working board, openness, external regulation and monitoring disclosure of compensation policies and practices, whistle-blowing, power decentralization, strong market institutions; open and well-implemented conflict of interest policy, formal and periodic evaluation of the Chief Executive Officer (CEO)/directors; and honesty between the staff and executives of a firm. Berrone et al. (2007) empirically established that corporate application of ethics has a positive impact on financial performance. Additionally, ethical leadership is related to improved task performance (Piccolo, Greenbaum, De Hartog & Folger, 2010; Walumbwa, Mayer, Wang, Workman & Christensen, 2011).

Concerns about ethical leadership and good governance have been heightened due to the behaviour manifested in both private corporations and public institutions that have been characterized by blatant abuse. The damaging effects of unethical practices have put increased pressure on corporate leadership to maintain and sustain its responsibility for effective delivery and efficient services to clients. Unethical practices and conduct are universal concerns and not limited to Africa, specifically Kenya. It is catastrophic to the public administration as the public can lose confidence in the integrity of the government (Whitton, 2016).

The issue of ethical practices in Kenya has created heated debates for the last few decades. Unethical practices in public corporations and private organizations have been widely recorded and reported in the wake of high-profile scandals. The establishment of anti-corruption commissions and laws to fight corruption has not helped the situation either. Corporate leaders have come under scrutiny because of the part they play in influencing ethical conduct and modelling ethical practices. Their failure to uphold moral leadership has led to the public's lack of confidence in executives and political leaders due to the unmet goals (Minja, 2017)

According to Hassan et al. (2014), most organizational leaders do not report violations of ethical standards in their workplace. This is because of fear of retaliation and doubt that the systems would take the necessary corrective measures. Walumbwa, Fred, and Schaubroeck (2015) suggest that institutions should have ethical leaders. Ethical leadership reduces the fear of employees in reporting misconduct. Leaders should, therefore, be honest, trustworthy, fair and approachable.

Integrity is an idea that is generally used within formal and casual talks of moral initiative, yet it is not unmistakably characterized and understood (Rieke & Guastello, 1). Becker (2016) expressed that uprightness is a moral defence in view of a generally accepted fact or reality instead of only an endless supply of ethics and values by one person or a gathering. It is immovably implanted within the ethical relativist custom in which the impression of proper conduct can change amongst people, groups and societies, thus affecting corporate governance. Trustworthiness is the nature of being straightforward, having good, solid standards, and being morally upright. It is, for the most part, an individual decision to hold oneself to reliable good and moral benchmarks. Honesty is viewed by many individuals as a genuine and reliable activity and one of the strongest pillars of corporate governance. This infers that the measures of honesty include inside consistency as ethicalness and recommends that gatherings holding inside themselves obviously clashing qualities ought to represent the error or change their convictions (Lok & Crawford, 2017). This demonstrates that trustworthiness has been utilized as a part of administration and business morals, which accentuates the consistency in misfortune, consistency amongst words and activities, and good/moral conduct.

Transparency is acting in an open manner and sharing of information. It is a process in which data on existing conditions, choices and activities is made available, reasonable and noticeable (Minja, 2017). Straightforward is portrayed as speaking to the degree to which a person displays an example of transparency and clarity in his/her behaviour toward others by sharing the data expected to decide, putting up with others' information sources, and uncovering his/her own qualities, thought processes, and feelings in a way that empowers devotees to all the more precisely survey the fitness and ethical quality of the pioneer's activities (Lok & Crawford, 2017). This implies that openness contributes to esteeming and making progress toward transparency in one's associations with others, whereby the pioneers and adherents openly share information about each other's actual considerations and sentiments. A transparent organization implies openness of the association framework through clear procedures and systems and simple access to workers' data for moral mindfulness in the association through the sharing of data, which at last guarantees effective corporate governance (Whitton, 2016). Additionally, straightforwardness is normal for business banks and representative of the open, free revelation of data principles, arrangements, procedures, and actions. Organizations with straightforwardness empower employees to follow the guidelines and controls and work as per the benchmarks set for them; the representatives expect great working conditions, acknowledgement, reasonable treatment, vocational development, and inclusion in basic leadership (Becker, 2016). Therefore, transparency enables the employee to have an interest and be more determined to work hard. It also maintains and changes the quality, direction and intensity of ethical leadership in an organization.

1.1.3. Commercial Banks in Kenya

As of 31st December 2020, the banking sector consists of the Central Bank of Kenya as the regulatory authority, forty-four banking institutions (forty-three commercial banks and one mortgage finance company - MFC), four representative offices of foreign banks, six Deposit-Taking Microfinance Institutions (DTMs), one hundred and eighteen Forex Bureaus and two Credit Reference Bureaus (CRBs) (CBK, 2018). Out of the forty-four banking institutions, three have been put under receivership, including Imperial Bank, Dubai Bank, and Chase Bank, leaving us with a total of 41 banking institutions in Kenya (CBK, 2016). According to Central Bank of Kenya (2018), out of the forty-four commercial

banks, thirteen are foreign-owned while thirty-one of them are domestically owned. As of 2018, foreign banks accounted for about 35% of the banking assets in terms of asset holding. Commercial banks dominate the financial sector in Kenya. In a country where the financial sector is dominated by commercial banks, their leadership structures have an immense implication for both the government and private non-financial enterprises and for the economic growth of the country. This is due to the fact that any unexplained disclosure practices (corporate governance) may lead to other institutions losing their key stakeholders to other well-led entities.

1.2. Statement of the Problem

The business environment today is characterized by a faster communication system. Managers of a firm cannot dare to engage in unethical practices due to the damaging effect they can have on a firm, but also the negative publicity that they will create and the consequent effect on the value. An important issue in many organizations is practising ethical leadership from the head of management, not only on its effect on the firm's value but also on its stakeholders because unethical leadership might have a negative effect on corporate governance.

Corporate governance has been cited in various research findings as having an effect on the overall performance of the firms; it involves stakeholders, political powers, interests and influence, as well as the overall direction and leadership of the organization (Johnson, Scholes and Whittington, 2006). Ideally, the agency principle theory indicates that good governance practices involve decision-making and placing the best interests of shareholders and stakeholders (Kimei, 2011). The debate on ethical leadership in corporate governance in developing countries, of which Kenya is no exception, has increased because of its ability to promote relationships of accountability, timely information, transparency and integrity among the primary players

Recently, Kenya has suffered a collapse and merging of several banks in Nakuru East Sub-County due to unethical leadership practices by directors and managers of commercial banks. Conversely, no study has been done to document how different factors affect the ethical leadership of commercial banks in Nakuru East Sub–County. To respond to the sustainability of commercial banks, it is important to investigate the factors that would affect the operations of these banks. It is on this basis that this study will seek to analyze the influence that ethical leadership would provide on the corporate governance of commercial banks in Nakuru East Sub–County.

1.3. Research Purpose

The purpose of this study was to examine the influence of ethical leadership on corporate governance in commercial banks in Nakuru East Sub-County, Kenya.

1.4. Research Objective

To establish the influence of ethical human resource practices on corporate governance in commercial banks in Nakuru East Sub-County, Kenya

1.5. Research Question

Do Ethical human resource practices influence corporate governance in commercial banks in Nakuru East Sub-County, Kenya?

1.6. Scope of the Study

The scope of this study was all the commercial banks operating in Nakuru East –Sub-County, Kenya. The target population was 28 commercial banks in Nakuru. The study was carried out from November 2023 to Jan 2024. The study used a cross-sectional research design that targeted both bank employees and managers. The study was based on two theories: Institutional theory and stakeholders' theory.

1.7. Assumptions of the Study

The study will assume that people will answer truthfully. In order to confirm that, the researcher will explain that the study is purely for academic purposes. The study will also assume that the sample selected is representative of the entire population.

1.8. Limitations of the Study

The study faced the following limitations which are likely to hinder access to information sought by the study. The research was undertaken in a short period with limited time for doing wider research. While this study has provided valuable insights, certain limitations should be acknowledged. Firstly, the research was conducted within a specific geographical context, Nakuru East Sub-county, potentially limiting the generalizability of the findings to a broader banking industry. To address this, efforts were made to ensure a diverse and representative sample of respondents from various commercial banks in the region. The reliance on self-reported data introduces the possibility of response bias, but steps were taken to ensure the confidentiality and anonymity of participants, fostering more candid responses. The cross-sectional design limits the establishment of causation, but mitigating this, a comprehensive regression analysis was employed to explore relationships between ethical leadership practices and corporate governance. While the sample size may present constraints, it was carefully selected to reflect the study's scope. Additionally, the study focused on specific dimensions of ethical leadership, providing depth, but future research could benefit from broader exploration. Despite

these limitations, the study employed robust methodologies to maximize the validity and reliability of the findings within the specified constraints.

1.9. Delimitations of the Study

The study will be delimited to Nakuru East Sub-County. It is one of the largest Sub-counties with many commercial banks in the county. The study will try to establish the influence of ethical leadership on corporate governance in commercial banks in Nakuru East Sub-County, Kenya. The researcher will target the commercial banks in the sub-county.

2. Literature Review

2.1. Empirical Review

2.1.1. Ethical Human Resource Practices and Corporate Governance

The success of every organization relies heavily on the efficiency and abilities of employees in terms of skills and talent. This concrete reference to employee skills and abilities reverberates the essence of establishing ethical employee selection and recruitment practices. Practices such as nepotism, tribalism, and favouritism delegitimize the organizational and employment structures of organizations (Durrani & Rajagopal, 2016). This leads to the development of a pool of poorly motivated staff, which is tied to the inefficient recruitment process and, eventually, poor governance within the firm. Organizations that have poor selection procedures attracted unsustainable applicants. As a result of the poor selection procedures, these organizations are inefficient as talented persons may fail to penetrate into the organization. Organizations will, hence, waste a lot of time and money during the training of new recruits. Kalshoven and Boon (2012) opine that proper selection processes of recruits improve corporate governance.

Apart from a credible hiring process, organizations must ensure that employees are continuously trained (Sloan & Gavin, 2010). Opportunities for personal development, such as training, should be provided to each person equally, without favouritism. Ethical employee training and development allow organizations to improve the capacities of their employees and, hence, a smooth implementation of their organizational strategies. It also improves the competitiveness of the workforce. Porter and Spear (2010) further say that it would be wrong to assume that there would be significant differences in the levels of performance between organizations that resort to ethical principles and those that do not. The differences in their approaches regarding their HRM practices may reflect the opposite of what is expected in theory (Suresh, 2011).

In their study, Shacklock et al. (2011) assert that it is important to identify the key factors that motivate employees to ensure that employers influence the behaviours of their employees. Klikauer (2008) claims that knowing the best ways of motivating employees helps boost productivity. HRM functions such as training, selection, development, and job analysis are among the most significant determinants of employee motivation (Wright & Mcmahan, 2011). Fairness in the selection of employees determines the response of employees to duties and instructions. Zhu et al. (2015) found out that ethical leadership underscores fair treatment, collective principles and honesty in conducting various business transactions. The researchers augment their study by asserting that ethical leaders instigate adorable conduct in the business environment and high levels of pride and determination are instilled in the subordinate staff. This, in a way, creates a positive picture of the way the internal workforce perceives their work environment.

There are complex challenges involved in creating the right human resource systems that are congruent and aligned with the strategic mission of an organization (Simmons, 2008). Additionally, such strategies will have to produce high levels of trust and commitment from employees to sustain an environment capable of creating wealth in the long term. The need to employ ethical HRM in organizations can be justified when the argument raised by the Herzberg‘s two-factor motivation theory is considered (Obeidat, 2012). The theory emphasizes differentiating motivation factors from hygiene factors within the work environment. According to Maas (2007), Herzberg believed that both motivation and hygiene factors play a significant role in determining the productivity of employees.

Hygiene factors in an organization consist of working conditions, job status and salary, organizational regulations and policy, interpersonal relationships and job security. Herzberg's study concluded that if the hygiene factors are inadequate, employees will be dissatisfied regardless of the nature of the organization. On the other hand, motivation factors consist of opportunities for getting recognition/promotion, opportunities for growth and a general sense of achievement (C. H. Schwepker, 2005). All these factors influence job satisfaction and thus contribute to motivation within the work environment. Based on the theory put forward by Herzberg, the presence of motivation factors leads to job satisfaction (Maas, 2007). The absence of these factors, however, does not always lead to dissatisfaction, and hygiene factors are, therefore, essential if organizations are to maintain the satisfaction of their employees (Kang, 2010).

Most studies link mediating factors influencing organizational outcomes, such as the development of capabilities, behaviours, attitudes, skills and innovation. Vast studies have asserted that work practices, including ethical recruitment and selection, training, incentive compensation, information sharing and employee satisfaction, positively contribute to corporate governance. Such practices result in enhanced trust, commitment, organizational citizenship and a sense of fairness, and hence, enhanced governance. These practices have made understanding the importance of ethics in human resources crucial for all business leaders (Guerci et al., 2015).

Based on the research of Story and Hess (2010), there is a link between the level of job satisfaction and organizational citizenship behaviour, where employees are willing to go beyond their job requirements. Kacmar et al.

(2011) revealed that organizational citizenship depends heavily on the existence of ethical behaviour in managing the human resources in the organization.

Achieving ethical Human Resource Management (HRM) practices requires human resource planning. Human resource planning is the strategy to acquire, utilize, improve and preserve an organization's human resources (Wooten, 2001b). Human resource planning helps achieve the strategic goals of an organization by aligning the HR management practices with ethical requirements (Truss et al., 2010). Human resource planning provides the framework for employee advancement and job design. In the conclusion of their study, Jiang et al. (2012) showed that organizations that adopt human resource planning utilized their human resources better than those that did not.

Given the significance frequently ascribed to early moral development and the impact of senior leadership decisions in organizations, Trevino (2001) researched the impact of three conceivable sorts of role models on the development of ethical leadership. He termed these roles early childhood role models, professional mentors and top managers. The researcher found out that having had a moral model in one's life at one point emphatically creates room for ethical leadership to be inculcated in the said individual. Similarly, Zhu et al. (2015) opine that such leadership plays a pivotal role in the realization of the growth of virtues such as integrity, respect, equity, and justice. That is to say that the leaders who said that they already had a moral role model at work would probably influence their followers to follow suit. Such idealized influence enables an integrative and reliable business practice devoid of self-centred ideologies but with a demonstration of ethical practices (Obeidat, 2012).

2.2. Theoretical Review

2.2.1. Institutional Theory

The basic premises and concepts of the institutional theory approach provide valuable guidelines for analyzing organizational environment relationships with emphasis on the social expectations, values, rules and norms as the sources of pressure on organizations (Porter & Kramer, 2006). This theory is built on the concept of legitimacy rather than efficiency or influence as a primary organizational goal (Porter & Kramer, 2006). The institutional environment is conceptualized as the organizational field, represented by institutions like regulatory structures, government agencies, courts, professionals, professional norms, interest groups, public opinion, laws, rules and social values. Dacin et al. (2002) opines that this theory assumes that an organization conforms to its environment with pressures from stakeholder groups having an effect on how the firm behaves.

From the assertions of institutional theorists like Suddaby and Seidl (2013), an institutional atmosphere can powerfully affect the growth of formal organizational structures, normally more profoundly than market pressures. On their part, Shin et al. (2014) postulate that innovative structures that enhance technical effectiveness in early-adopting firms get legitimized in the setting. These innovations eventually reach a level of legitimization where failure to adopt them is viewed as negligent and irrational. At this point, existing and new firms will often embrace the structural form even if it does not necessarily enhance the firm‘s efficiency.

Institutional theory, rooted in sociology and organizational studies, provides a lens through which scholars examine how organizations are influenced by and respond to their broader institutional environments. It posits that organizations are not isolated entities but are deeply embedded in societal structures, norms, and cultural expectations. Three main pillars characterize institutional theory: coercive isomorphism, mimetic isomorphism, and normative isomorphism. Coercive Isomorphism: Organizations conform to external pressures to gain legitimacy and avoid sanctions. Coercive isomorphism is driven by external forces, such as government regulations, legal requirements, and industry standards. Scott (1995) argues that organizations often adopt similar structures and practices to comply with coercive pressures, ensuring survival and acceptance within their institutional context.

Mimetic Isomorphism: Organizations imitate successful models, especially in situations of uncertainty. When faced with ambiguity, organizations tend to mimic the practices of others they perceive as successful. DiMaggio and Powell (1983) emphasize that mimetic isomorphism is a mechanism for reducing uncertainty and gaining legitimacy, leading to a homogenization of organizational forms and practices within an industry. Normative Isomorphism: Organizations conform to professional norms and values. Normative isomorphism is driven by professionalization and the desire for professional recognition. Scott (2001) suggests that organizations adopt similar structures and practices to align with professional standards, codes of conduct, and expectations, fostering a sense of legitimacy and acceptance within their professional community.

Institutional theory has been widely applied across various disciplines, including management, economics, and sociology, to understand organizational behavior, change, and adaptation. Notable empirical studies have demonstrated its relevance. For instance, Meyer and Rowan (1977) explored how organizations adopt structures that conform to institutional expectations, emphasizing the isomorphic pressures that shape organizational form and behavior.

Moreover, Oliver (1991) expanded institutional theory by introducing the concept of "strategic responses" to institutional pressures. Organizations, according to Oliver, can strategically choose their responses to institutional demands, demonstrating a degree of agency in navigating their institutional environments. In conclusion, institutional theory offers a robust framework for understanding the complex interplay between organizations and their broader social, cultural, and regulatory contexts. By recognizing the impact of external pressures, imitation, and normative influences, institutional theory provides valuable insights into how organizations shape and are shaped by the institutions surrounding them, contributing to the dynamic landscape of organizational studies.

2.2.2. Agency Theory

In examining the relationship between ethical leadership practices and corporate governance within commercial banks, the Agency Theory emerges as a pertinent framework for understanding the dynamics between principals (shareholders) and agents (management and executives). Agency Theory, pioneered by Jensen and Meckling (1976), provides a lens through which the alignment of interests, monitoring mechanisms, and the mitigation of agency conflicts can be explored. Within the context of corporate governance, Agency Theory posits that conflicts of interest arise due to the separation of ownership and control. Shareholders, as principals, delegate decision-making authority to managers, who act as agents, leading to a potential misalignment of goals. Ethical leadership practices, including transparent communication, accountability, and stakeholder engagement, are mechanisms through which these conflicts can be mitigated.

The recruitment practices discussed in the study align with Agency Theory as they directly impact the selection and behavior of executives, influencing their alignment with shareholder interests. For instance, adherence to labor laws and ethical recruitment policies can serve as monitoring mechanisms to ensure that agents act in the best interests of shareholders. Similarly, the study's exploration of Ethical Investor Relations aligns with the Agency Theory's emphasis on effective communication and information flow between principals and agents. The theory suggests that fostering transparency and accountability in relaying investment information to investors can bridge the information gap, enhancing the alignment of interests and reducing agency conflicts.

Furthermore, Ethical Consumer Relations, emphasizing customer satisfaction and service quality, can be viewed through the lens of Agency Theory. Satisfied customers are key stakeholders, and by prioritizing their interests, management acts in the best interest of shareholders who seek long-term value creation. This resonates with the Agency Theory's focus on mechanisms that align the goals of principals and agents. The variables analyzed in the study contribute to the broader understanding of ethical leadership practices as tools for mitigating agency problems within the corporate governance framework. The Agency Theory, with its focus on the relationship between principals and agents, provides a robust foundation for interpreting how ethical leadership practices influence governance outcomes within commercial banks. By adopting an agency perspective, the study can deepen its analysis of how ethical leadership practices contribute to the effective management of agency relationships and, consequently, improved corporate governance.

2.2.3. Stakeholder Theory

A stakeholder’s approach forms a suitable framework for this study because stakeholders are involved in the generation of firms' ethical distinctiveness. Stakeholder theory has also been applied by scholars to investigate social and ethical issues and generate a wide-ranging body of research (Garriga & Melé, 2004). From Fassin's (2012) seminal works titled ‘Stakeholder Management, Reciprocity and Stakeholder Responsibility’, the theory emphasizes the value of corporate social responsibility. The key thesis of this theory is that the firm coordinates and manages the constellation of cooperative and competitive interests of different stakeholders or constituencies (Mainardes et al., 2012). Thus, various organizations have several objectives other than the shareholder's value maximization end, contrary to the proposition of the traditional economic theory.

The stakeholder theory varied in diverse interpretations for its validation as it increasingly became popular (Harrison & Wicks, 2013). Two different procedural strands of literature can be distinguished while applying the theory. On one side, the normative stakeholder literature is mostly theoretical and with an emphasis on ethical standards as the primarily acceptable ways of corporate behaviour, independent of the consequences of these behaviours on the organization‘s performance (Deegan & Blomquist, 2006). There is substantial pressure from firms' stakeholders to become more open and accountable for their decisions. Hence, it is necessary for managers to bring to light more information than what is legally required to satisfy the interests of their stakeholders (Ponnu & Okoth, 2009).

Stakeholder theory, developed and refined by scholars like R. Edward Freeman and Donaldson and Preston in the 1980s, represents a paradigm shift in understanding the purpose and responsibilities of businesses. At its core, stakeholder theory posits that organizations are not only accountable to shareholders but to a broader array of stakeholders who can affect or be affected by the organization's actions. Stakeholders encompass not only shareholders but also employees, customers, suppliers, communities, and even the environment.

2.2.3.1. Primary and Secondary Stakeholders

Freeman (1984) categorized stakeholders into primary and secondary groups. Primary stakeholders, such as employees, customers, and suppliers, have direct and continuous relationships with the organization. Secondary stakeholders, including the community, government, and NGOs, may be indirectly affected or influence the organization but do not engage with it on a daily basis.

2.2.3.2. Stakeholders' Interests and Power

Stakeholder theory recognizes the diversity of interests among stakeholders and their varying levels of power to influence the organization. Mitchell, Agle, and Wood (1997) introduced the Stakeholder Salience Model, which considers the legitimacy, power, and urgency of stakeholders' claims to determine their salience and importance to the organization. Dynamic and Iterative Relationship: Unlike traditional shareholder-centric perspectives, stakeholder theory acknowledges that relationships with stakeholders are dynamic and often require ongoing negotiation and adaptation. Donaldson and Preston (1995) emphasize that stakeholder theory is not a one-size-fits-all approach; rather, it requires a nuanced understanding of the specific context and circumstances surrounding each organization.

2.2.3.3. Ethical Considerations

Stakeholder theory inherently embeds ethical considerations in business decision-making. By recognizing and respecting the interests of a diverse set of stakeholders, organizations can contribute to broader societal well-being and sustainable development. Empirical research within stakeholder theory has explored its application across industries, revealing how firms engage with stakeholders to foster positive relationships. Freeman and McVea (2001) demonstrated how stakeholder management practices positively influence organizational performance, while other studies, such as Clarkson (1995), investigated how companies integrate stakeholder concerns into their strategic decision-making processes.

In essence, stakeholder theory promotes a more inclusive, socially responsible, and sustainable approach to business. By acknowledging the interconnectedness of organizational success with the well-being of diverse stakeholders, this theory provides a holistic framework for decision-makers to navigate the complex landscape of corporate responsibility and ethical business practices.

2.3. Conceptual Framework

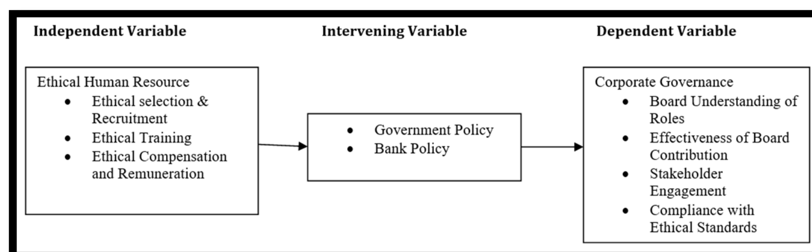

Figure 1: Conceptual Framework
Source: Author (2024)

3. Research Methodology

3.1. Research Design

This study adopted a cross-sectional research design (Kothari, 2004). Cross-sectional research enabled the researcher to apply both quantitative and qualitative research approaches and target different categories of respondents (bank employees and managers). More importantly, the researcher described the way things are in terms of behaviour, attitudes, values and characteristics (Mugenda & Mugenda, 2013). A causal study approach was employed in this research. The causal approach suggests causal linkages between variables by observing existing phenomena and then searching back through available data in order to try to identify plausible causal relationships. It aimed to explore the relationship between ethical leadership and corporate governance in commercial banks in Nakuru East Sub County and the empirical evidence that helps answer the research objective.

3.2. Target Population

Mugenda and Mugenda (2013) describe the target population as the population to which a researcher wants to generalize the results of a study. The study considered all the 28 commercial banks operating in Nakuru East Sub County as of 31st December 2020, licensed and registered under the Banking Act. In all these banks, the researcher will target 3 departments: the management department, the relationship/credit department and the customer relationship department, since these are the departments that deal with ethical human resource issues, customer relations and investor relations. These banks can be largely classified into locally owned and internationally owned, as shown below.

3.3. Sample Size Determination and Sampling Techniques

The study adopted the Nassiuma (2000) method in determining the sample size, which asserts that in most surveys or experiments, a coefficient of variation between 21% and 30% and a standard error between 2% and 5% is usually acceptable. The Nassiuma's formula considers a coefficient variation of 21%, and a standard error of 2% was used in this study. The formula is written as:

$$S = \frac{N\,(CV^2)}{CV^2 + (N-1)e^2}$$

Where:
S = the Sample Size
N = the Population Size
CV = the Coefficient of Variation
e = Standard Error

After replacing the values, the sample size of respondents will be:

$$n = \frac{1{,}260\,(0.21)^2}{0.21^2 + (1{,}260 - 1)\,0.02^2}$$

Therefore, the sample size will be 108 bank employees.

Sampling is the process of selecting a sufficient number of individuals or objects that the selected group contains, elements representative of the characteristics found in the entire group (Orodho & Kombo, 2002). The researcher applied multi-stage sampling techniques to arrive at the sample. First, the banks were sampled using a stratified sampling technique by dividing them categorically into two: international and local banks. The respondents were sampled purposively from the three departments of interest for the study, which comprised the management, relationship/credit and customer relationship departments. A sample of 12 banks was selected, representing 42.9% of all 28 banks. In every bank, 9 employees were picked (3 per the selected department) to sum up to 108.

3.4. Data Collection Instruments

Data were collected using closed-ended questionnaires from the bank employees. Questionnaires will be preferred since they enhance uniformity, covering all the objectives. They also facilitate data analysis, enabling the researcher to establish relationships between the study objectives. The study on ethical leadership and corporate governance in commercial banks employs a diverse set of data collection instruments to capture both quantitative and qualitative insights. Questionnaires utilizing Likert-scale questions are designed to assess perceptions of ethical human resource practices, ethical investor relations, and ethical consumer relations.

3.4.1. Validity of Research Instruments

This study used concurrent validity, and the questionnaire was designed by borrowing some items from previous studies in the same area. To test for concurrent validity, the researcher found correlations between a test score and the relevant criteria scores or results of an established measure of the same or a related underlying construct assessed within a similar time frame (Bhattacharya & Sarkar, 2020; Baker et al., 2007). To ensure that research items in the data instruments measured what they were intended to measure (content validity), the researcher engaged the supervisors who have expertise on the topic under study, and their input will be taken into consideration. The input of the supervisors was also taken into account while formulating a precise set of items to measure the constructs.

3.4.2. Reliability of Research Instruments

A pilot study was conducted in 3 banks in Naivasha Sub-County in Nakuru County to assert the reliability of the research instruments. The researcher used Cronbach's Alpha to determine the reliability of research tools. Items with Cronbach's Alpha greater than 0.7 were considered reliable, while those below the threshold were revised to make them more specific and unambiguous. Cronbach alpha (α) will be employed to compute the correlation coefficient to establish the extent to which the content of the instrument was consistent in eliciting the right responses every time the instrument was administered.

3.5. Data Collection Methods and Procedures

The researcher sought authorization from the Research Ethics Committee at Mount Kenya University, for which a research permit from the National Commission of Science, Technology and Innovation (NACOSTI) will be applied. Upon the relevant authorization, data was collected from bank employees using questionnaires that were administered using the drop-and-pick technique. The respondents were given about 2 hours to fill in the questionnaire.

3.6. Data Analysis and Presentation

The study adopted mixed analysis, using quantitative data analysis techniques for the quantitative data and qualitative data analysis techniques for the qualitative data. Mixed data analysis involves data reduction, data display, data transformation, data consolidation, data comparison, and data integration (Creswell, 2013). First, the study checked the collected data for completeness and wrong responses and removed unusable data to ensure data quality.

In analyzing quantitative data collected through the questionnaire, descriptive statistics like mean and standard deviation were used to summarize data. Inferential statistics such as correlation coefficients will be used to test the correlation (non-causal relationship) between variables, while regression analysis was used to test the causal relationship (degree of influence of social entrepreneurship adoption antecedents on sustainable community development) as well as test the hypotheses at 95% confidence interval of 5% significance level.

In analyzing qualitative data collected through the interviews, content analysis was used. Content analysis helped the study determine the presence of concepts, themes, patterns, and keywords to interpret, understand, and draw insightful meanings and conclusions from the data (Creswell, 2013).

The regression model will be as follows:

$$Y = \beta_0 + \beta_1 X_1 + e$$

Where:

Y = Corporate governance

X_1 = Ethical Human Resource

β_0 is the intercept and β_1 are the coefficients

e = error term

4. Data Analysis and Presentation

4.1. Response Rate

Response rate indicates the total number of questionnaires filled out and returned with complete responses against the number distributed. The study targeted 108 employees from commercial banks in Nakuru East Sub-County. From table 1 below, a response rate of 89.96% was achieved, meaning that the data was good enough to be analyzed. Kothari (2010) indicated that a response rate of 50% is desirable and that above 80% is good.

Response Rate	Frequency	Percent
Returned Questionnaires	95	89.96%
Unreturned Questionnaires	13	12.04%
Total	108	100%

Table 1: Response Rate

4.2. Demographic Characteristics

This section highlights the demographic characteristics of the respondents who participated in the study.

4.2.1. Distribution of the Respondents Based on the Department

The study sought to understand the distribution of respondents based on department. The department of the respondents was deemed important as it would provide insights into the departmental dimension of ethical leadership and corporate governance. The results are shown in figure 2.

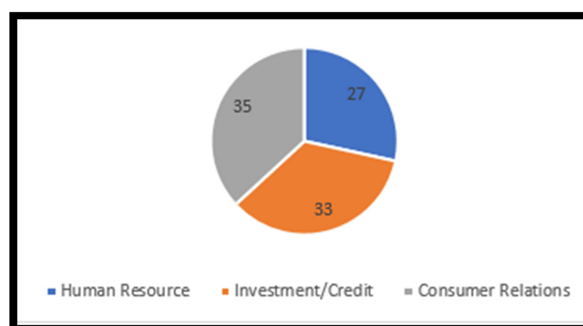

Figure 2: Department of the Respondents

The results indicate that all the departments which were selected purposively were well represented. This implies that the study obtained a well-diversified set of data on ethical leadership and corporate governance.

4.2.2. Distribution of the Respondents Based on the Level of Education

The researcher also sought to establish the level of education of the respondents as it helps to understand the ethical leadership aspects of corporate governance in commercial banks in Nakuru town. The results are presented in figure 3 below.

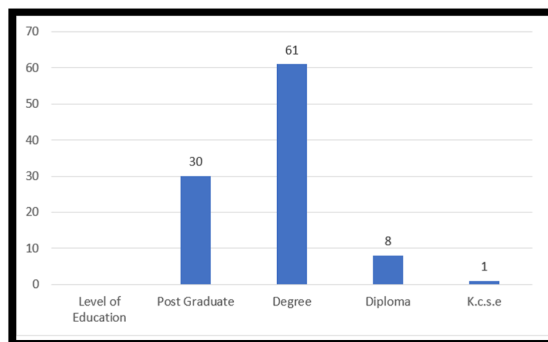

Figure 3: Level of Education of the Respondents

From the results in figure 3, it was established that substantial 58% of the participants hold at least a bachelor's degree, suggesting a prevalent presence of individuals with foundational knowledge in business and management principles. Furthermore, 28% of those with postgraduate qualifications bring advanced expertise to the study, potentially offering a deeper understanding of ethical leadership and corporate governance. 8% with diplomas may contribute practical insights, while 1% with KCSE qualifications provide perspectives from a more foundational level. This diverse educational composition enriches the study by encompassing a range of viewpoints, from theoretical and advanced insights to more practical and fundamental understandings of ethical leadership within the context of commercial banks in Nakuru East Sub-County.

4.2.3. Distribution of the Respondents Based on Years of Service

The study also sought to find out the length of service the respondents had served at the commercial banks. The length of service is important in understanding the governance principles set at the commercial bank. The results are shown in figure 4.

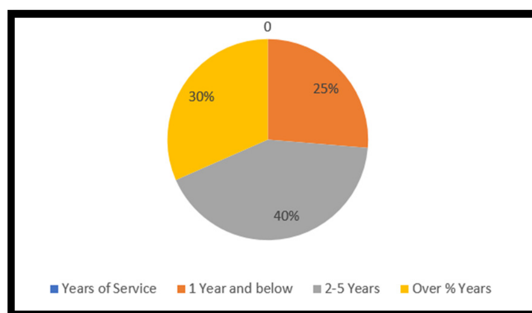

Figure 4: Length of Service

The distribution of respondents based on years of service in the commercial bank within the context of the study on the "Influence of Ethical Leadership on Corporate Governance in Commercial Banks in Nakuru East Sub-County" reveals a diverse range of professional experiences. Notably, the 40% with 2-5 years of service represent a substantial mid-level segment, likely possessing a balanced understanding of the bank's operations and corporate governance practices. The 30% of participants with over 5 years of service bring a seasoned perspective, potentially offering valuable insights into the historical evolution of ethical leadership and governance within the commercial banking sector. Additionally, the 25% of respondents with less than one year of service constitute a noteworthy group of newcomers, offering fresh perspectives and possibly shedding light on recent developments or changes in the ethical landscape. This varied distribution across years of service enhances the study's richness by incorporating perspectives from individuals with different levels of experience, contributing to a more comprehensive exploration of ethical leadership and corporate governance in commercial banks in Nakuru East Sub-County.

4.3. Descriptive Statistics

Results in this section describe the study variable in light of data collected. Descriptive statistics through both quantitative and qualitative data were presented.

4.3.1. Ethical Human Resource Practices and Corporate Governance

The first objective of the study sought to establish the effects of ethical human resource practices on corporate governance in commercial banks in the Nakuru East sub-county. Human resources is a key component of corporate governance as it helps realign ethical governance in commercial banks. To achieve this, a set of 5-point Likert questions were asked on process management where 1 was No extent and 5 was very great extent and the results are shown in table 2.

	N	Min	Max	Mean	Std. Dev.
The bank's recruitment practices have affected the historical governance of the bank	95	1	5	4.19	.876
The bank's recruitment policy is based on academic qualifications	95	2	5	3.88	.853
The bank's recruitment practices fully adhere to the labor laws	95	2	5	3.97	.782
The ethics training positively influences transparency and integrity.	95	1	5	4.43	.932
Staff members are periodically given opportunities through workshops and seminars to discuss the ethical	95	1	5	4.24	.854
The bank has an ethical policy for reviewing the salaries of the employees	95	1	5	3.74	.984

Table 2: Ethical Human Resource Practices

The research findings on ethical human resource practices within the context of corporate governance in the banking sector present a nuanced perspective. Notably, the bank's recruitment practices are perceived to have a substantial impact on historical governance, as indicated by a mean score of 4.19 and a standard deviation of 0.876. This suggests a

general consensus among respondents on the influence of recruitment strategies on the bank's historical governance, with a moderate level of variability in individual perceptions. Additionally, the recruitment policy, primarily based on academic qualifications, receives a mean score of 3.88 and a standard deviation of 0.853, reflecting a moderate level of agreement among respondents with some variability in opinions. This finding underscores the importance of academic qualifications in shaping the bank's hiring practices and potentially influencing corporate governance.

Furthermore, the research reveals that the bank's recruitment practices are perceived to fully adhere to labor laws, with a mean score of 3.97 and a standard deviation of 0.782. This suggests a generally positive perception of the bank's compliance with legal standards in its hiring processes, with a relatively low level of variability in opinions. Ethics training emerges as a notable strength, with a mean score of 4.43 and a standard deviation of 0.932, indicating a strong consensus among respondents regarding its positive influence on transparency and integrity within the organization. The provision of opportunities for staff members to discuss ethical issues through workshops and seminars also receives positive feedback, reflected in a mean score of 4.24 and a standard deviation of 0.854. However, the bank's ethical policy for reviewing salaries of employees is perceived less positively, with a mean score of 3.74 and a relatively high standard deviation of 0.984, suggesting more diverse opinions and potential areas for improvement in this aspect of corporate governance. The findings agree with those of Jiang et al. (2012), who found that attaining ethical human resource management (HRM) practices necessitates implementing human resource planning. Human resource planning encompasses the strategies employed to acquire, utilize, enhance, and preserve the human resources within an organization. By aligning HR management practices with ethical standards, human resource planning plays a crucial role in realizing an organization's strategic objectives. Additionally, it establishes the framework for employee advancement and job design.

4.3.2. Corporate Governance in Commercial Banks in Nakuru East Sub–County

The dependent variable of the study was corporate governance. Corporate governance was included in the study as it is the core mandate of private organizations, mostly commercial banks.

	N	Minimum	Maximum	Mean	Std. Deviation
To what extent do you believe the board of directors in commercial banks in Nakuru East Sub-County demonstrates a clear understanding of their role in corporate governance?	95	1	5	3.83	.922
In your opinion, how effectively does the board of directors contribute to formulating and overseeing corporate governance policies within commercial banks in Nakuru East Sub-County?	95	2	5	4.32	.863
To what extent do commercial banks in Nakuru East Sub-County actively engage with stakeholders (e.g., customers, employees, and the local community) in their corporate governance initiatives?	95	3	5	4.17	.720
In your opinion, how well do commercial banks in Nakuru East Sub-County balance the interests of different stakeholders in their corporate governance decision-making processes	95	2	5	4.14	.952
To what extent do you perceive that commercial banks in Nakuru East Sub-County comply with ethical standards and legal requirements in their corporate governance practices?	95	3	5	4.18	.715

Table 3: Corporate Governance

Firstly, the extent to which the board of directors demonstrates a clear understanding of their role in corporate governance receives a mean score of 3.83 and a standard deviation of 0.922. This suggests a moderate level of agreement among respondents about the board's comprehension of their governance responsibilities, with a relatively higher level of variability, indicating differing opinions among participants. Secondly, respondents express a strong belief in the effectiveness of the board of directors in contributing to the formulation and oversight of corporate governance policies, as reflected in a mean score of 4.32 and a standard deviation of 0.863. This indicates a robust consensus among respondents on the board's efficacy in shaping and supervising governance policies, with a moderate level of variability suggesting nuanced opinions. Furthermore, the perceived active engagement of commercial banks in Nakuru East Sub-County with stakeholders in their corporate governance initiatives is notably positive, with a mean score of 4.17 and a standard deviation of 0.720. This suggests a general alignment in opinions about the proactive involvement of banks with stakeholders, coupled with a lower level of variability.

Additionally, respondents believe that commercial banks in the region effectively balance the interests of different stakeholders in their corporate governance decision-making processes, with a mean score of 4.14 and a standard deviation

of 0.952. This finding suggests a moderate level of agreement among participants, albeit with a higher degree of variability in opinions on stakeholder interest balancing. Lastly, respondents perceive a high level of compliance by commercial banks in Nakuru East Sub-County with ethical standards and legal requirements in their corporate governance practices, as indicated by a mean score of 4.18 and a standard deviation of 0.715. This reflects a strong consensus among respondents regarding the banks' adherence to ethical and legal norms in their governance practices, with a lower level of variability in opinions. The findings portray a generally positive perception among respondents regarding various aspects of corporate governance in commercial banks in Nakuru East Sub-County, with some variability in opinions, particularly regarding the understanding of the board's role and the balancing of stakeholder interests.

4.4. Inferential Statistics

In this study, the regression analysis was used to determine the effect of ethical leadership on corporate governance in Commercial banks in Nakuru East Sub County. A regression model was applied to determine the relative importance of the variable with respect to the status of corporate governance in respective commercial banks.

4.4.1. Regression Analysis Results

Regression analysis was performed to determine the effects of the predictor variable on the corporate governance in Commercial banks in Nakuru East Sub County. The results are shown in table 4.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.765a	0.582	0.536	0.634

Table 4: Model Summary
a. Predictors: (Constant), Ethical Human Resource

The model had a coefficient of determination (R^2) = 0.582, which indicates that 58.2% of the variation in corporate governance was explained by the independent variable in the model, leaving 41.8% of the variations to be explained by variables not in the model. The model, therefore, provided a strong fit. Adjusted R^2 indicates the true behaviour of R^2 that varies in accordance with the changes in independent variables.

4.4.2. Analysis of Variance (ANOVA)

The researcher sought to compare means using analysis of variance. ANOVA findings (P-value of 0.001) in table 5 show that there is a correlation between the predictor variable (Ethical Human Resource) and response variable (corporate governance in Commercial banks).

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	.852	4	.213	1.034	.001
Residual	6.173	90	.206		
Total	7.024	94			

Table 5: Analysis of Variance
Dependent Variable: Corporate Governance

4.4.3. Regression Analysis

The researcher further conducted a multiple regression analysis, and the findings of the multiple regression model using corporate governance as the dependent variable measure are depicted in table 6.

Model		Unstandardized Coefficients		Standardized Coefficients		
1		B	SE	B	t	p
	(Constant)	.260	.460		.565	.023
	Ethical HR	.313	.137	.254	2.729	.001

Table 6: Multiple Regression Analysis

The established linear regression equation becomes:

Y = 0.260 + 0.313X1 + e

Where:

Constant = 0.260, which shows that if Ethical Human Resource was all rated as zero, corporate governance would be 0.260.

X1=0.313 shows that one unit change in ethical human resource practices results in a 0.313 unit increase in corporate governance.

5. Summary, Conclusion and Recommendations

This chapter focuses on the summary of major findings of the study; both descriptive and inferential. This is followed by a presentation of the conclusions inferred from the findings. The relevant recommendations are then suggested. Finally, the chapter outlines the areas suggested for further research.

5.1. Summary

The major study findings are summarized in this section. It outlines the summary of the findings in line with the objectives of the study.

5.1.1. Ethical Human Resource Practices and Corporate Governance

The study explored the effects of ethical human resource practices on corporate governance in commercial banks in Nakuru East Sub-County. Notably, the findings indicate a strong consensus among respondents regarding the substantial impact of the bank's recruitment practices on historical governance, with a mean score of 4.19. The recruitment policy's emphasis on academic qualifications also received a moderate level of agreement (mean = 3.88). Positive perceptions were observed in adherence to labor laws (mean = 3.97), ethics training (mean = 4.43), and opportunities for staff to discuss ethical issues (mean = 4.24). However, the ethical policy for reviewing salaries had a lower mean score of 3.74, suggesting room for improvement.

5.1.2. Corporate Governance in Commercial Banks

Regarding corporate governance, respondents perceived a moderate understanding of the board's role (mean = 3.83) and a strong belief in the board's effectiveness in formulating and overseeing governance policies (mean = 4.32). The active engagement of banks with stakeholders (mean = 4.17) and the balancing of stakeholder interests (mean = 4.14) were positively perceived. Moreover, commercial banks were seen to comply well with ethical standards and legal requirements (mean = 4.18).

The regression analysis demonstrated a strong fit of the model, explaining 58.2% of the variation in corporate governance. ANOVA findings suggested a significant correlation between the predictor variables (Ethical Human Resources) and the response variable (Corporate Governance in Commercial Banks).

The regression model provided coefficients for Ethical Human Resources (0.313), indicating their respective positive contributions to corporate governance. The established equation allows for the prediction of corporate governance based on these ethical leadership variables.

5.2. Conclusion

The study drew conclusions in respect of Ethical Human Resource in relation to corporate governance in commercial banks in Nakuru east Sub County.

5.2.1. Ethical Human Resource Practices and Corporate Governance

The findings regarding ethical human resource practices underscore the critical role of recruitment strategies in shaping historical governance in commercial banks. The positive perceptions surrounding adherence to labour laws, ethics training, and opportunities for staff discussions highlight the importance of ethical considerations in human resource management. However, the less favourable perception of the ethical policy for reviewing salaries indicates a potential area for improvement. Overall, fostering ethical human resource practices is crucial for aligning with corporate governance objectives.

5.2.2. Corporate Governance in Commercial Banks

The study's examination of corporate governance in commercial banks reveals generally positive perceptions among respondents. The board's understanding of its role, effectiveness in policy formulation, active engagement with stakeholders, and adherence to ethical standards and legal requirements were all positively perceived. While there is room for improvement in some aspects, the overall positive feedback indicates a foundation of sound corporate governance practices within commercial banks in Nakuru East Sub-County.

The regression analysis provides statistical support for the relationships between ethical leadership variables (Ethical Human Resources) and corporate governance. The model's strong fit and the significant coefficients for the variable underscore their importance in influencing corporate governance outcomes. The results validate the hypothesis that ethical leadership practices positively contribute to the overall governance framework in commercial banks.

5.3. Recommendations

Based on the findings related to Ethical Human Resources in relation to corporate governance in commercial banks in Nakuru East Sub County, the following recommendations are proposed for policymakers:

- Enhance Ethical Training Programs: Strengthen and expand ethics training programs to ensure they have a more profound and lasting impact on transparency and integrity within the organization.
- Revise Salary Review Policy: Address the diverse opinions on the ethical policy for reviewing salaries by conducting a thorough review. Consider more transparent and inclusive approaches to enhance employee satisfaction and align with ethical standards.

5.4. Suggestions for Further Research

Future studies in corporate governance should conduct a longitudinal study to explore the long-term impact of ethical practices, such as recruitment strategies, investor relations, and consumer relations, on the sustained effectiveness of corporate governance in commercial banks. This could involve tracking changes over several years to understand the evolution of ethical practices and their effects on governance. They should expand the research scope to include a comparative analysis of ethical leadership and governance practices across different banking sectors, considering regional, national, or international variations. Investigate how cultural and regulatory differences influence the effectiveness of ethical practices in diverse banking environments. Further, they should explore the relationship between employee perceptions of ethical practices and the overall organizational culture within commercial banks. Investigate how a positive ethical culture, influenced by human resource practices, contributes to improved corporate governance. Investigate the impact of emerging technologies, such as artificial intelligence and blockchain, on investor relations practices in commercial banks. Assess how these technologies can be leveraged to enhance transparency, accountability, and communication with investors.

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